

TOWN OF GORHAM, MAINE

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2007

Prepared by:

Maureen R. Finger, Finance Director

TOWN OF GORHAM, MAINE
Annual Financial Report
June 30, 2007

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INTRODUCTORY SECTION

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Town of Gorham

Municipal Center

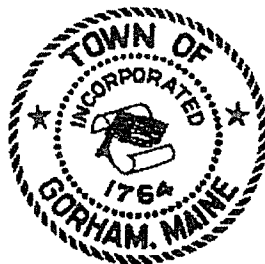
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Maureen R. Finger, Finance Director

mfinger@gorham.me.us



November 21, 2007

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

The comprehensive annual financial report of the Town of Gorham for the fiscal year ended June 30, 2007, is hereby submitted as required by Town Charter and State law.

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

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

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Runyon Kersteen Ouellette, Certified Public Accountants, performed for the Town Council the annual audit for fiscal year end June 30, 2007. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. In the opinion of the independent auditor, the Town of Gorham's basic financial statements, as of June 30, 2007, present fairly, in all material respects, the financial position of the Town, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States

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

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

Profile of the Government

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

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

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

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

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

Local Economy

The Town's assessed value for tax year 2006-2007 is \$913,343,400 (excludes the valuation attributable to the State Homestead Exemption), an approximate increase of 5.0% from the 2005-2006 tax assessment. Approximately 26% 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 97.1% for last year and 96.5% for this year. The Town's legal debt margin is set by State law at 15% of its state assessed value. Currently, the Town's outstanding debt is 2.2% of the state assessed value.

The 2000 population of Gorham was 14,141 according to the U.S. Census Bureau and the Maine State Planning Office estimates that by 2007 Gorham's population will be 15,683.

During calendar year 2006, the Code office issued permits for 66 single-family dwellings, 23 commercial/institutional structures, and 9 condominium units. This is a 33.8% decrease from the 148 permits issued in calendar year 2005. Although the Town has seen a decrease in the number of building permits for residential and condo units, the Town of Gorham has seen a number of businesses moving into town as well as expansion projects and this is reflected in the 43.8% increase in commercial/institutional permits issued in calendar year 2006 versus the 16 issued in calendar year 2005.

Several road projects began during fiscal year 2007. The State of Maine, Department of Transportation began the Rte 114 road improvement project in the Fall of 2006 with the work resuming in Spring 2007. The Route 114 project will entail making improvements to the 114 corridor between Gorham Village and Standish. It is anticipated that site distances will be improved and adjustments to the grade will be done in several places along the road. This is a State funded road project with no local money required. Also, while the State is making their road improvements, the Portland Water District will be extending as well as improving current water lines from Gorham Village up to Huston Road.

The Portland Water District began work on the Rte 202/237 sewer project in April 2007. The Route 202 and Route 237 sewer project will install a new sewer line to provide sewer to areas of Windham and North Gorham. The new sewer line will start on Route 202 in the Little Falls area and continue south through the round-a-bout, down Route 237, and across Route 25, where it will connect into an existing sewer line near the Gorham Industrial Park. The Portland Water District anticipates construction to take 12 to 15 months to complete.

In the 2005 Comprehensive Annual Financial Report, it was noted that Congress had passed its Highway Bill, which included \$15,720,000 to fund phase I of the long awaited Gorham Bypass. It was also noted that the State of Maine had allocated \$2.5 million towards the project. Phase I of the Gorham Bypass will consist of building a 3.4 mile-long, 2 lane, limited access highway between Route 25 at Brandy Brook Hill, across Flaggy Meadow Road, across Route 202, and end near Waterhouse Road on Route 114. The road will be built within a 200-ft. right of way.

During fiscal year 2007, the State of Maine began the process of obtaining right of ways and land acquisitions for this project. The Maine Department of Transportation also awarded the construction bid to a local contractor, Shaw Brothers in July 2007. And the groundbreaking ceremony occurred August 14, 2007.

The State's Department of Transportation had in its work plan to rework the intersection of Route 25 and Route 237, known as Mosher's Corner. The intersection, which was a triangle, was reworked to bring Route 237 to a point and a traffic signal installed. Additional turn lanes were added to improve traffic flow. The project was funded with state and federal funds through the State's hazard elimination safety money. The project was completed during fiscal year 2007.

The Town of Gorham's gross budget for 2007 showed an increase of 5.70% over 2006. However, there was a decrease of \$0.10 in the mill rate for 2007, which was a 0.51% decrease. The following is a comparison of the FY2007 mill rate to the FY2006 mill rate.

| | FY2005 – 2006 | FY 2006 – 2007 | \$ Incr/(Decr) | % Chg |
|-------------------|---------------|----------------|----------------|-------|
| Town's Tax Rate | \$ 5.76 | \$ 6.04 | \$ 0.28 | 4.86 |
| School's Tax Rate | \$12.98 | \$12.61 | (\$ 0.37) | -2.82 |
| County's Tax Rate | \$ 0.76 | \$ 0.75 | (\$ 0.01) | -1.91 |

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

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

The Town's expenditure budget saw an increase of 5.17% primarily due to the new principal and interest debt payments for the Town's share of the Libby/Brackett Road project, which increased the debt service budget by \$150,300 or 11%. The Town needed to budget a full year's operational costs for the new municipal center building, which increased the municipal center budget by \$133,380 or 315%. The Town anticipated significant increases in electricity, fuel oil, gas and diesel for the FY2007 budget, which resulted in an overall increase of \$159,528 in these various budget lines.

The Town's non-property tax revenues also saw an increase of 6.5% primarily due to vehicle excise taxes, engineer service fees, interest income, highway block grant, and building permit fees.

Although the Town's portion of the taxes increased, the Town's budget came in under the Municipal Limit, which was calculated to be \$4,942,819.

The School's 6.01% increase in expenditures can be contributed to the following factors: 5.3% increase for existing programs (mainly increases for salary and benefits) and 0.6% for increased energy costs. Although the School Department's gross budget increased by 6.01%, the School Department's non-property tax revenues were up nearly 11% primarily due to the increased aid to education subsidy from the State of Maine. The State subsidy allocation based upon the new EPS (Essential Program and Services) funding model netted Gorham an increase of \$1,622,442 or a 13% increase in funding. This has resulted in a 2.82% decrease in the School's tax rate.

Major Initiatives

The fiscal year 2007 capital equipment and capital project appropriations equaled \$203,699 and \$286,400, respectively. The capital equipment funds are for:

1. \$48,460, to purchase two police cruisers
2. \$26,639, to make the third lease payment (five year lease) on a dump truck and a pickup truck for the Public Works Department
3. \$128,600, to lease/purchase a new plow truck, a front-end loader, a new street sweeper, a trackless tractor with attachments for Public Works under a five-year lease.

The capital projects funded in fiscal year 2007 were:

1. \$286,400, to fund local road projects including maintenance, reclaim and reconstruction work. The Town of Gorham has approximately 263 public roads consisting of over 135 miles of Town roads and 12.5 miles of State roads. The Town also has approximately 17.2 miles of sidewalks to maintain and three bridges that are maintained by the Town. The Public Works Department, through a pavement management system, annually evaluates the roads to determine level of maintenance/repair and cost to maintain/repair. A prioritized list is generated from this database.

The Town of Gorham has a fund balance policy (see Note 2, STEWARDSHIP, COMPLIANCE AND 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 2007, there was \$186,998 in funds available for allocation to capital equipment and capital project needs. The Town Council approved at their May 9, 2006 meeting as part of the adopted budget the use of the excess undesignated fund balance of \$186,998 for the following purposes:

- \$20,000 to be added to the rescue reserve balance of \$130,942 to fully fund the purchase of a mid-size rescue vehicle;
- \$128,600 to supplement the \$286,400 in the Capital Projects budget for road projects bringing the total available for road project work in fiscal year 2007 to \$415,000;

- \$5,000 to purchase vital records software and cemetery maintenance software by the Town Clerk;
- \$33,000 to purchase additional air-handling systems in the outlying fire stations. In fiscal year 2006, Central Station vehicles were outfitted with Ward “No Smoke” diesel exhaust removal systems. The \$33,000 would outfit four more fire vehicles with these Ward “No Smoke” systems.

The following chart outlines the anticipated road projects to be undertaken with the \$415,000 funds approved through the Capital Projects and Capital Part II budgets.

| Road | Length | Type of Repair | Estimated Cost | Cumulative Cost |
|----------------------|--------|-----------------------|----------------|-----------------|
| New Portland Road | 2.80 | Shim & surface | \$ 200,000 | \$ 200,000 |
| Bartlett Road* | 0.61 | Shim & surface | 66,223 | 266,223 |
| South Street* | 0.33 | Grind, shim & surface | 59,383 | 325,606 |
| Saco Street | 0.32 | Shim & surface | 23,160 | 348,766 |
| Elm Street | 0.23 | Shim & surface | 16,646 | 365,412 |
| School Street* | 0.08 | Grind, shim & surface | 14,396 | 379,808 |
| Cross Street | 0.07 | Shim & surface | 5,066 | 384,874 |
| Church Street | 0.14 | Shim & surface | 10,133 | 395,007 |
| Osborne Road | 0.76 | Base & surface | 255,360 | 650,367 |
| Old Oak Lane | 0.08 | Shim & surface | 5,790 | 656,157 |
| Harding Road | 0.47 | Shim & surface | 34,016 | 690,173 |
| Harding Road | 0.16 | Base & surface | 53,760 | 743,933 |
| Running Springs Road | 0.52 | Shim & surface | 37,635 | 781,568 |
| Water Street | 0.19 | Shim & surface | 13,751 | 795,319 |
| Sanford Drive | 0.36 | Shim & surface | 26,055 | 821,374 |

* These road projects will be funded using tax increment financing revenues from the Gorham Industrial Park TIF.

Other Information

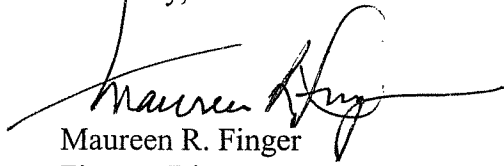
Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gorham, Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fourth year in a row that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 fifth 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,

A handwritten signature in black ink, appearing to read "Maureen R. Finger", with a long, sweeping horizontal line extending to the right.

Maureen R. Finger
Finance Director

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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, 2006

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.



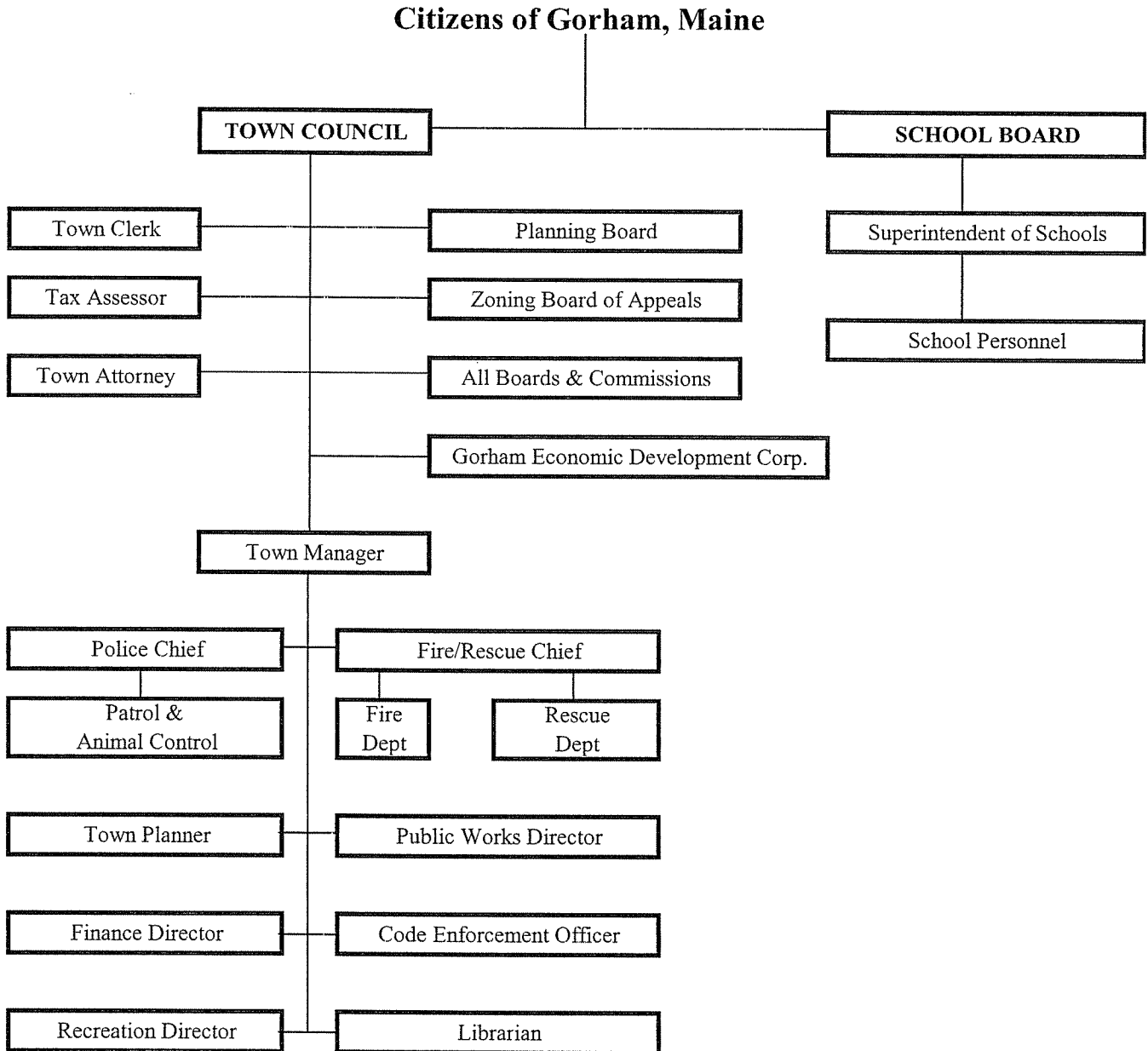
President

Executive Director

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Town of Gorham, Maine

Organizational Chart



TOWN OF GORHAM, MAINE
List of Principal Officials
June 30, 2007

Norman E. Justice, Jr., Council Chairman

D. Brenda Caldwell

Philip A. Dugas

Burleigh H. Loveitt

Shonn R. Moulton

Michael J. Phinney

Jane S. Willett

David O. Cole, Town Manager

Christina Silberman, Town Clerk

Michael D'arcangelo, Tax Assessor

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

Thomas E. Ellsworth, Econ. Dev. Dir.

Maureen R. Finger, Finance Director

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 Director

James J. Hager, Jr., School Board Chairman

Steven R. Caldwell

Dennis Libby

Jason P. Libby

Roger L. Marchand

Rose Marie South

Janet Williams

Theodore G. Sharp, School Superintendent

Paul A. Kelly, School Business Manager

FINANCIAL SECTION

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Independent Auditor's Report

Town Council
Town of Gorham, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, Maine as of and for the year ended June 30, 2007, 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, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, on our consideration of the Town of Gorham, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Town Council
Town of Gorham, Maine

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

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

November 21, 2007
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, 2007. 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 \$36,021,265, an increase of \$4,243,813 or 13.35% when compared to the beginning net asset figure of \$31,777,452.
- The ending fund balance for Governmental Funds is \$13,283,627. Although expenditures exceeded revenues by \$1,549,711, with capital lease proceeds of \$666,521, the net change was a decrease of \$883,190.
- The General Fund's ending fund balance is \$7,679,363; an increase of \$884,754 over the prior year's ending fund balance of \$6,794,609. Of the \$7,679,363, \$270,652 is reserved for encumbrances, \$14,024 is reserved for trash bag inventory, and \$1,324,811 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 17, 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, 2007 was \$3,991,038 or 9.7% of the total FY08 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. It is anticipated that the Town Council will have approximately \$698,072 to allocate to the Capital Part II budget during the FY09 budget process.
- The Town of Gorham's general obligation debt decreased by \$2,659,650 or an 8.1% decrease in the outstanding bonded debt total.

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

- *Governmental funds* – Most of the Town’s basic services are included in governmental funds. These fund statements tell how general government services were financed in the current year as well as what remains (fund balance) for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.
- *Fiduciary funds* – The Town is the trustee, or *fiduciary*, for the School Activity fund and the private-purpose trust fund (scholarships). The Town excludes this activity from its other financial statements because the Town cannot use these assets to fund operations.

Reporting the Town's Fiduciary Responsibilities

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

Reporting the Town as a Whole

Net Assets

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

| | <u><i>Governmental Activities</i></u> | | | |
|-------------------------------------|---------------------------------------|-------------------|--------------------|--------------|
| | 2007 | 2006 | \$ Chg | % Chg |
| Current and other assets | \$ 18,527,855 | \$ 21,328,020 | \$ (2,800,165) | -13.1% |
| Capital assets, net | <u>54,318,348</u> | <u>51,444,258</u> | <u>2,874,090</u> | 5.6% |
| Total assets | \$ 72,846,203 | \$ 72,772,278 | \$ 73,925 | 0.1% |
| Long-term debt outstanding | 31,867,630 | 34,170,994 | (2,303,364) | -6.7% |
| Other liabilities | <u>4,957,308</u> | <u>6,823,832</u> | <u>(1,866,524)</u> | -27.4% |
| Total liabilities | \$ 36,824,938 | \$ 40,994,826 | \$ (4,169,888) | -10.2% |
| Net assets: | | | | |
| Invested in: | | | | |
| Capital assets, net of related debt | 23,204,001 | 17,962,590 | 5,241,411 | 29.2% |
| Restricted | 375,446 | 358,817 | 16,629 | 4.6% |
| Unrestricted | <u>12,441,818</u> | <u>13,456,045</u> | <u>(1,014,227)</u> | -7.5% |
| Total net assets | \$ 36,021,265 | \$ 31,777,452 | \$ 4,243,813 | 13.4% |

The decrease of \$2,800,165 in the current and other assets category is primarily due to the decrease in investments of \$2,209,485, which can be attributed to utilizing the bond proceeds from the September 2005 GO bonds issued to pay for the renovation of the old Shaw School into the new Municipal/Community Center.

The Capital Asset disclosure in the notes to the financial statements, see Note 6, shows how the change in capital assets, net of \$2,874,090 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 \$2,303,364 resulted.

The change in the other liabilities of \$1,866,524 is a combination of the following:

- a decrease of \$593,648 in the accounts payable and other liabilities category, which is primarily due to fewer year-end payables in the Capital Reserve Fund. In fiscal year 2006, a large portion of the \$791,621 in the accounts payable and other liabilities category was attributed to the general contractor and other vendors working on the renovation project of the Shaw School; and

- a decrease of \$1,235,553 in the accounts payable and other liabilities category, which is due to the decrease in the performance bond escrow accounts held as of June 30, 2007 from various developers. The Town has seen a significant decrease in development and the need for performance bonds.

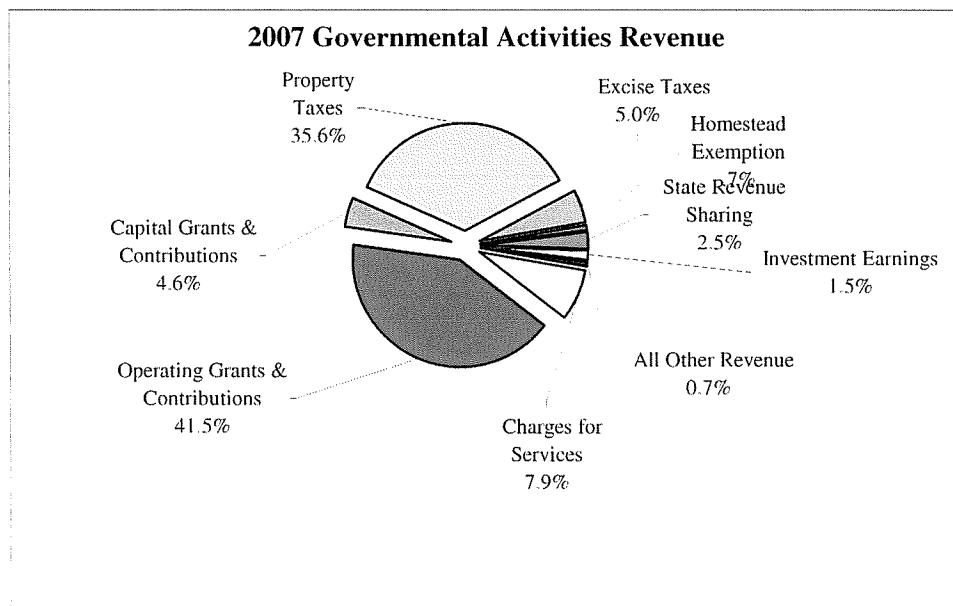
The change in capital assets, net of related debt is explained in detail further in the Management Discussion & Analysis under the Capital Assets section.

Changes in Net Assets

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

| | <u>Governmental Activities</u> | | | |
|--|--------------------------------|------------------|------------------|---------|
| | 2007 | 2006 | \$ Chg | % Chg |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 3,908,836 | \$ 3,667,704 | \$ 241,132 | 6.6% |
| Operating grants and contributions | 20,628,587 | 19,244,840 | 1,383,747 | 7.2% |
| Capital grants and contributions | 2,318,647 | 2,262,981 | 55,666 | 2.5% |
| General revenues | | | | |
| Property taxes | 17,690,199 | 16,918,807 | 771,392 | 4.6% |
| Payment in lieu of taxes | 54,396 | 55,469 | (1,073) | -1.9% |
| Motor vehicle and boat excise taxes | 2,486,679 | 2,480,592 | 6,087 | 0.2% |
| Grants and contributions not restricted to specific programs | | | | |
| Homestead exemption | 331,237 | 379,972 | (48,735) | -12.8% |
| Other state aid | 10,865 | 31,716 | (20,851) | -65.7% |
| State revenue sharing | 1,265,414 | 1,372,122 | (106,708) | -7.8% |
| Investment earnings | 727,022 | 628,511 | 98,511 | 15.7% |
| Miscellaneous revenues | <u>307,381</u> | <u>251,818</u> | <u>55,563</u> | 22.1% |
| Total revenues: | \$ 49,729,263 | \$ 47,294,532 | \$ 2,434,731 | 5.1% |
| Expenses | | | | |
| General government | 3,897,193 | 4,023,144 | (125,951) | -3.1% |
| Public safety | 3,317,132 | 2,979,424 | 337,708 | 11.3% |
| Public works | 3,902,787 | 3,517,160 | 385,627 | 11.0% |
| Health and welfare | 55,774 | 45,423 | 10,351 | 22.8% |
| Recreation, library and museum | 1,216,449 | 1,229,648 | (13,199) | -1.1% |
| Development | 406,590 | 414,130 | (7,540) | -1.8% |
| Education | 31,417,334 | 30,564,714 | 852,620 | 2.8% |
| Interest on debt | <u>1,272,191</u> | <u>1,370,154</u> | <u>(97,963)</u> | -7.1% |
| Total expenses: | \$ 45,485,450 | \$ 44,143,797 | \$ 1,341,653 | 3.0% |
| Excess (deficiency) before special items and transfers | 4,243,813 | 3,150,735 | 1,093,078 | 34.7% |
| Special items | <u>-</u> | <u>161,500</u> | <u>(161,500)</u> | -100.0% |
| Increase (decrease) in net assets: | \$ 4,243,813 | \$ 3,312,235 | \$ 931,578 | 28.1% |

Approximately 35.6% of the Town's revenues come from property taxes, while 41.5% comes from operating grants and contributions. Approximately 77% 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 2007.

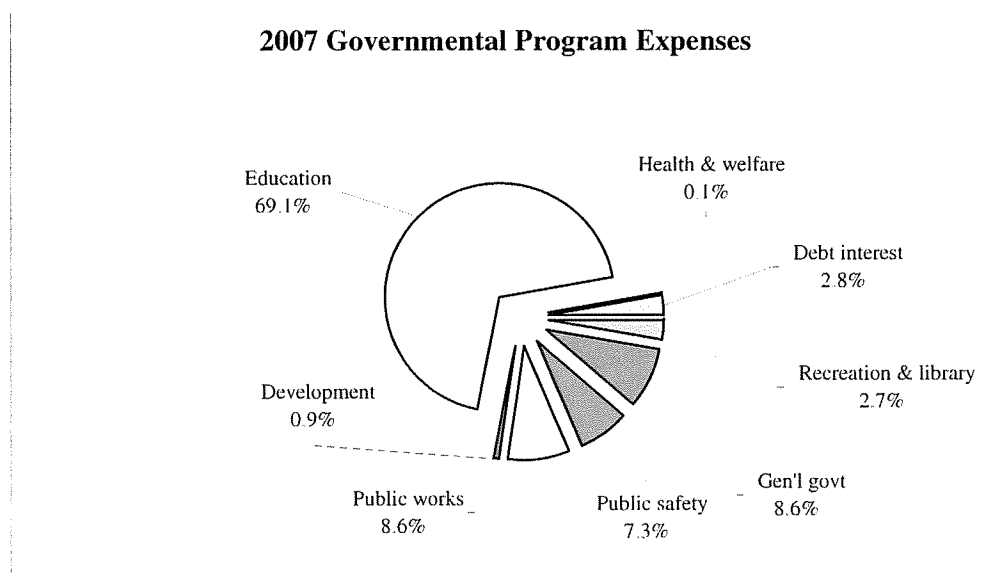


Education, which makes up 69.1% of the expenses for fiscal year 2007, increased by a modest 2.8% or \$852,620. The largest increases were seen in the employee benefit costs and special education costs.

The Public Safety and Public Works categories both saw 11% increases in their expenditures when compared to fiscal year 2006. The primary reason the public safety category is up nearly \$338,000 is due to the addition of two full-time firefighter/EMTs during fiscal year 2007 at an estimate cost of \$27,000, increase in call force pay rates at an estimated cost of \$52,000, seven months of public safety building expenses at an estimated cost of \$60,000, increase in hydrant rental costs from Portland Water District at an estimated cost of \$7,000, change encumbrance of \$46,500, and approximately \$93,000 spent on architectural services to develop a conceptual design on converting the old municipal center into a functional public safety building.

The Public Works category increase is primarily due to the following: the sewer operations were up \$109,000 over fiscal year 2006 costs due to the increase in the Portland Water District's assessment to the Town for maintaining the Town's sewer infrastructure; and the lease purchase of approximately \$539,000 of public works equipment. The road project expenses and capital equipment purchases for public works were down significantly in fiscal year 2007 when compared to fiscal year 2006 by nearly \$259,000.

The following pie chart shows functional expenses for fiscal year 2007.



Governmental Activities

The cost of all governmental activities was \$45,485,450. The Town's governmental activities include general government, public safety, public works, health and welfare, recreation, library and museum, development, education, and interest on debt. Note: the general government activity includes insurance, employee benefits, unclassified, and county tax expenditures. The fiscal year 2007 expenses were a modest 3% increase over fiscal year 2006's expenses.

However, as shown on the Statement of Activities, the amount that the taxpayers of Gorham ended up financing was \$17,690,199 or 38.9%, because some of the cost was paid by those who directly benefit from the programs -- \$3,908,836, or by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$20,628,587, and capital grants and contributions -- \$2,318,647. The Town also received \$5,182,994 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 2007.

As a result of the Governmental activities' revenues of \$49,729,263 exceeding the expenses of \$45,485,450, the Town of Gorham realized an increase to its net assets of \$4,243,813. Approximately \$1,940,000 of the increase can be attributed to assets donated to the Town during fiscal year 2007. These assets included accepted roads valued at \$1,636,545 and a Hazmat vehicle valued at \$303,815.

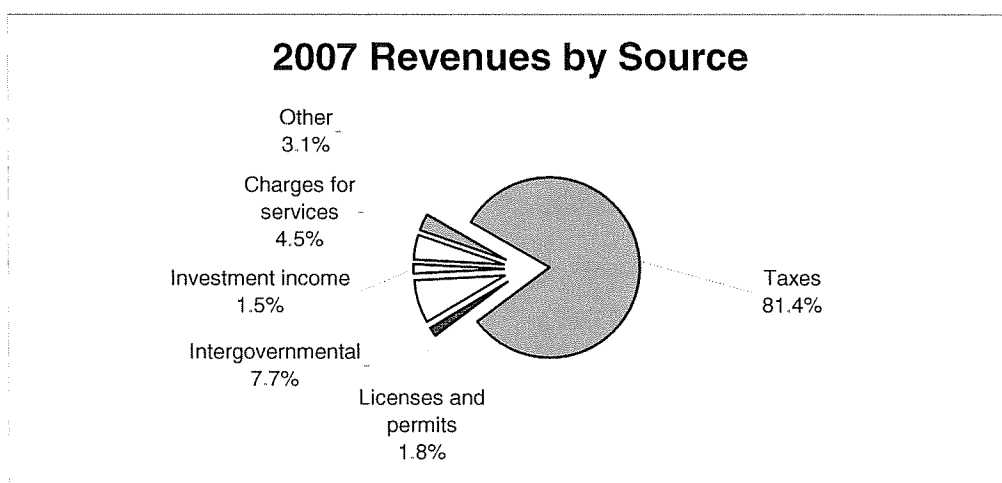
The Town's Funds

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 2007 revenues by source for the General Fund with the 2006 information for comparison while the pie chart summaries the 2007 revenues by source. Information is from Statement 4.

| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|----------------------|----------------------|----------------------|-------------------|--------------|
| Revenues by source | | | | |
| Taxes | \$ 19,906,790 | \$ 19,152,643 | \$ 754,147 | 3.9% |
| Licenses and permits | 434,921 | 671,498 | (236,577) | -35.2% |
| Intergovernmental | 1,894,447 | 2,074,424 | (179,977) | -8.7% |
| Investment income | 371,989 | 243,115 | 128,874 | 53.0% |
| Charges for services | 1,089,601 | 1,064,714 | 24,887 | 2.3% |
| Other | 760,932 | 1,121,613 | (360,681) | -32.2% |
| Total revenue | \$ 24,458,680 | \$ 24,328,007 | \$ 130,673 | 0.5% |



General Fund revenues remained flat with just a slight increase of 0.5% over the fiscal year 2006 amount. Below are some of the reasons for the changes in the revenue sources.

Taxes: The net appropriation or local tax requirement for FY2007 increased by 3.9% or \$670,518 from the FY2006 level, with the primary increases in the net municipal appropriation of \$264,783, net Education appropriation of \$196,035, and increase in overlay of \$193,588. With the higher tax commitment and continued strong tax collections, as well as a balance in the overlay account of \$344,965, the FY2007 taxes came in significantly higher than the FY2006 taxes.

Licenses and permits: The building permits revenue was \$219,204 lower than the FY06 actual. As mentioned in the Introductory Section, the building activity in Gorham has slowed considerably from the past few years. And in May 2006, the new \$21 million residence hall at the University of Southern Maine contributed \$130,965 to the building permits revenue in fiscal year 2006.

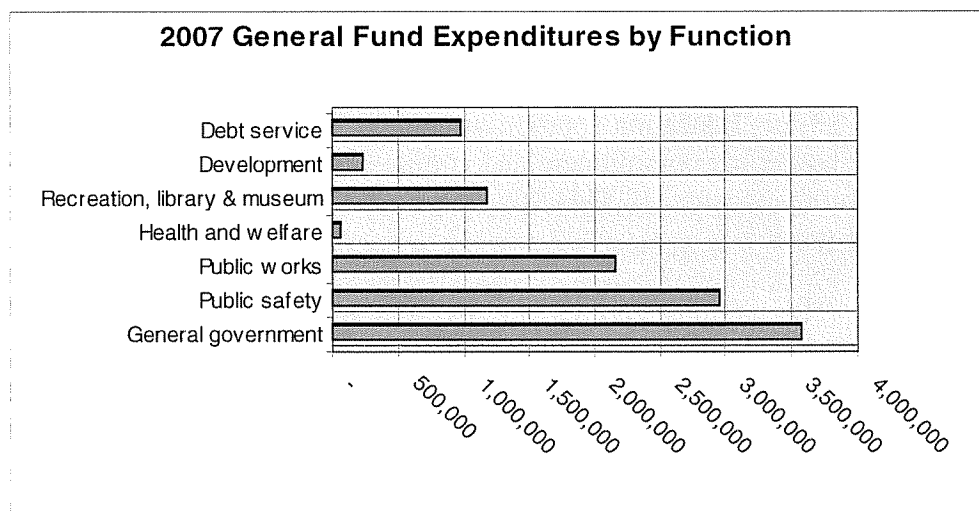
Intergovernmental: During fiscal year 2007, the State of Maine reimbursed the Town \$48,735 less for the homestead exemption, and \$106,708 less for state revenue sharing. These two State reimbursements caused the intergovernmental revenues to be down 8.7% or (\$179,977).

Interest income: During fiscal year 2007, the Town received an average interest rate of 5.3% on its investments. Compared to the average rate of 3.9% for fiscal year 2006, this has accounted for the 53% increase seen in the investment income revenue source in fiscal year 2007.

Other: The Town received \$177,864 in Homeland Security Grant funds during fiscal year 2006, as well as \$33,000 from the State regional grant program for a regional maintenance facility and \$29,836 from a local foundation to purchase a fire/police vehicle. All these funds received during fiscal year 2006 have contributed to the decrease in the other category for fiscal year 2007. Also, during fiscal year 2007, the Gorham Fire Department received approximately \$56,700 less in Weapons of Mass Destruction grant funds for the Hazmat program.

The following table summarizes the General Fund expenditures by function for fiscal year 2007 with 2006 information for comparison while the graph displays the General Fund expenditures by function for fiscal year 2007. Information is from Statement 4.

| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|--------------------------------|----------------------|----------------------|-------------------|--------------|
| Expenditure by function | | | | |
| General government | \$ 3,571,950 | \$ 3,676,038 | \$ (104,088) | -2.8% |
| Public safety | 2,944,915 | 2,755,743 | 189,172 | 6.9% |
| Public works | 2,156,937 | 2,139,946 | 16,991 | 0.8% |
| Health and welfare | 55,774 | 45,423 | 10,351 | 22.8% |
| Recreation, library and museum | 1,164,766 | 1,122,005 | 42,761 | 3.8% |
| Development | 222,750 | 196,437 | 26,313 | 13.4% |
| Debt service | 973,396 | 948,660 | 24,736 | 2.6% |
| Total expenditures | \$ 11,090,488 | \$ 10,884,252 | \$ 206,236 | 1.9% |



The General Fund expenditures increased slightly by 1.9% over fiscal year 2006 levels. The biggest change was in the public safety, which increased by \$189,172 or 6.9%. The increase can be contributed to seven (7) months of operational cost of the public safety building (formerly the municipal center) at a cost of \$59,700, the two additional firefighter/EMT hired in April 2007 at a cost of \$27,100, and higher fire call pay at a cost of \$52,200. Also, a transfer to the capital reserve fund of \$57,300 for fire pond repairs made in fiscal year 2006 has also contributed to the higher expenditures in fiscal year 2007.

The primary cause for the decrease in the general government function was that in fiscal year 2006, this function reflected the expenditures related to the Homeland Security Grant of approximately \$154,800.

The net results of operations for fiscal year 2007 are \$884,754, after transfers in of \$203,003 and transfers out of \$12,686,441. The following table summarizes the General Fund's fund balance for fiscal year 2007 with 2006 information for comparison.

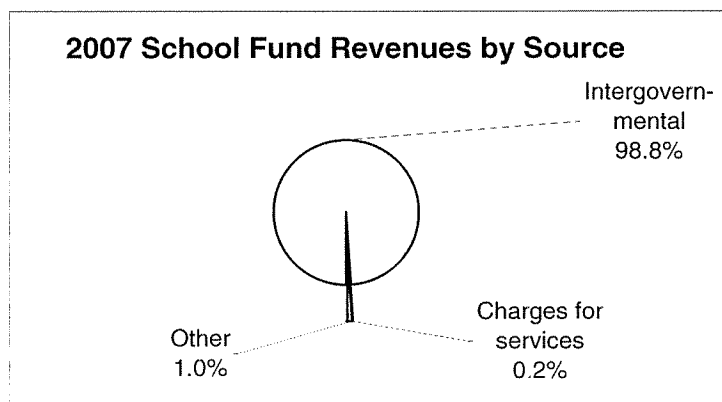
| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|---------------------------|---------------------|---------------------|-------------------|--------------|
| Fund balance: | | | | |
| Reserved for: | | | | |
| Encumbrances | \$ 270,652 | \$ 298,828 | \$ (28,176) | -9.4% |
| Inventory | 14,024 | 15,097 | (1,073) | -7.1% |
| Unreserved: | | | | |
| Designated | 1,324,811 | 691,735 | 633,076 | 91.5% |
| Undesignated | <u>6,069,876</u> | <u>5,788,949</u> | <u>280,927</u> | 4.9% |
| Total fund balance | \$ 7,679,363 | \$ 6,794,609 | \$ 884,754 | 13.0% |

As you can see by the above comparison, the Town has added to its undesignated fund balance in fiscal year 2007. With the Town's undesignated fund balance policy (see Note 2 A), the 4.9% increase in the undesignated fund balance will provide significant funding for the Capital Part II budget in fiscal year 2009. The large increase in the designated fund balance is due to recognizing the undesignated fund balance funds the Town Council approved with the passage of the fiscal year 2008 budget in May 2007 to be utilized for one-time capital items.

The following table summarizes the fiscal year 2007 revenues by source for the Special Revenue Fund's School Operations Fund with 2006 information for comparison while the pie chart summaries the 2007 revenues by source. The information is from Statement 4.

| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|----------------------|----------------------|----------------------|---------------------|--------------|
| Revenues by source | | | | |
| Intergovernmental | \$ 18,578,308 | \$ 17,005,405 | \$ 1,572,903 | 9.2% |
| Charges for services | 39,121 | 28,153 | 10,968 | 39.0% |
| Other | 192,810 | 180,849 | 11,961 | 6.6% |
| Total revenue | \$ 18,810,239 | \$ 17,214,407 | \$ 1,595,832 | 9.3% |

The 9.3% increase in School Operation Fund revenues is primarily from the increased state aid to education and state construction aid, which amounted to an increase of \$1,564,978.



The following table summarizes the School Operations Fund expenditures by function for fiscal year 2007 with 2006 information for comparison while the graph displays the expenditures by function for fiscal year 2007. Information is from Statement 4. Following the table, an explanation of the major changes is provided.

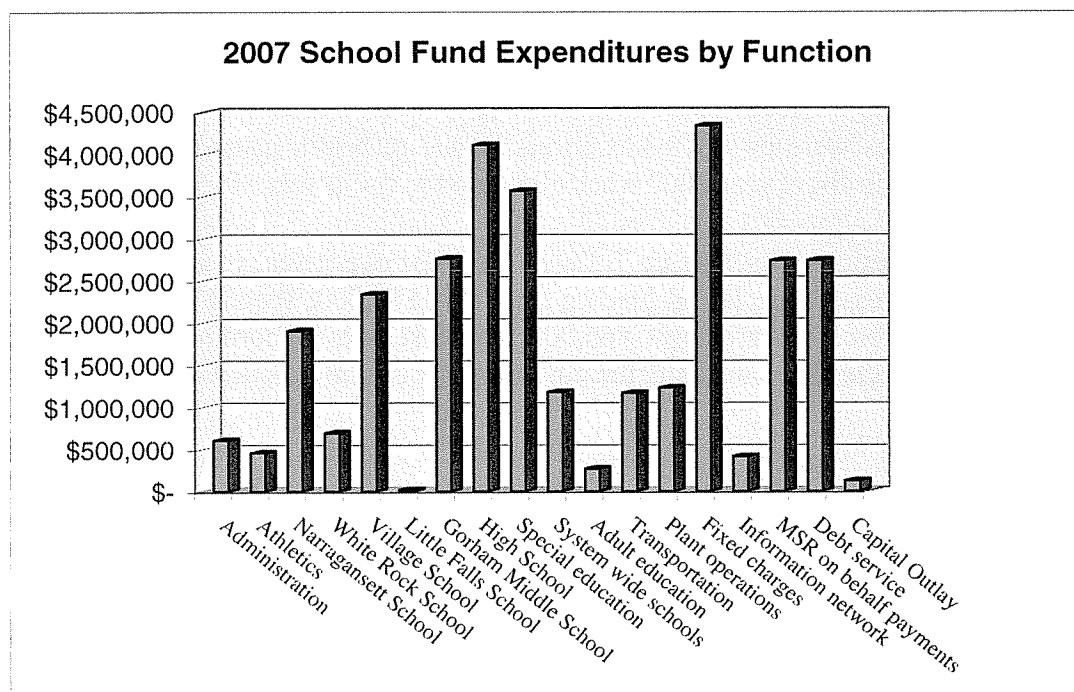
| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|-----------------------------|----------------------|----------------------|-------------------|--------------|
| Expenses by function | | | | |
| Administration | \$ 592,848 | \$ 547,633 | \$ 45,215 | 8.26% |
| Athletics | 450,241 | 449,260 | 981 | 0.22% |
| Narragansett School | 1,920,061 | 1,806,336 | 113,725 | 6.30% |
| White Rock School | 703,130 | 710,238 | (7,108) | -1.00% |
| Village School | 2,356,028 | 2,302,186 | 53,842 | 2.34% |
| Little Falls School | 18,194 | 17,502 | 692 | 3.95% |
| Gorham Middle School | 2,773,996 | 2,666,423 | 107,573 | 4.03% |
| High School | 4,118,198 | 3,995,995 | 122,203 | 3.06% |
| Special education | 3,569,893 | 3,311,619 | 258,274 | 7.80% |
| System wide schools | 1,143,571 | 1,057,508 | 86,063 | 8.14% |
| Adult education | 267,966 | 252,433 | 15,533 | 6.15% |
| Transportation | 1,173,195 | 1,116,225 | 56,970 | 5.10% |
| Plant operations | 1,223,168 | 1,284,346 | (61,178) | -4.76% |
| Fixed charges | 4,338,105 | 4,018,719 | 319,386 | 7.95% |
| Information network | 413,991 | 340,592 | 73,399 | 21.55% |
| MSR on behalf payments | 2,734,591 | 2,662,214 | 72,377 | 2.72% |
| Debt service | 2,741,208 | 2,879,685 | (138,477) | -4.81% |
| Capital Outlay | 170,607 | 677,313 | (506,706) | -74.81% |
| Total expenses | \$ 30,708,991 | \$ 30,096,227 | \$ 612,764 | 2.04% |

The School Operations Fund's expenditures are 2.04% higher or \$612,764 higher than fiscal year 2006. The five functions that saw the greatest dollar increases are as follows.

- The fixed charges were up \$319,386 primarily due to health insurance, which was \$323,212 higher in fiscal year 2007 when compared to fiscal year 2006.
- The special education costs were up 7.8% or \$258,274 over fiscal year 2006 expenses primarily to increased special ed teacher salaries - \$75,000, special ed specialists - \$78,700, educational technicians - \$66,000, and ESL tutors/coordinator - \$32,000. Although the salaries lines were up, the out of district tuition was down by \$27,700.
- The High School function was up \$122,203 or 3.1%. The major increases were seen in the teacher salary line - \$86,000 and the operation of the building costs - \$34,000, which was primarily due to higher electricity and heating costs.
- The Narragansett School function was up 6.3% or \$113,725. The increase is primarily to due to the addition of an Asst. Principal causing the principal salary line to increase by \$76,000. The other large increase is in the instructional category, which was up by \$25,000 with the teacher salary line up \$50,000 but the costs for teacher assistants/aides was down \$18,000.
- The Gorham Middle School function was up \$107,573 or 4.0%. The largest increase can be found in the instructional category. The teacher salaries were up \$92,000, while the cost for textbooks was removed from this function and shifted to the system-wide function. The impact of this shift was a reduction of \$23,000 in the instructional category. Also, Gorham Middle School saw its electricity costs increase by \$60,000 over fiscal year 2006 expenses.

And the two categories that saw the largest reductions are as follows:

- The capital outlay expenses for fiscal year 2007 were substantially lower than those in fiscal year 2006. The decrease is primarily due to the change in lease purchases of \$202,000 and change in encumbrances for capital items of \$267,000.
- The reduction in debt service was the result of the lower bond interest costs in fiscal year 2007 of approximately \$85,000, and the bond retirement of the 1990 bond issue in fiscal year 2006 resulting in a savings of nearly \$48,000.



The following table summarizes the fiscal year 2007 revenues by source for the Special Revenue Fund's Capital Reserve Fund with 2006 information for comparison. The information is from Statement 4.

| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|-----------------------|-------------------|-------------------|---------------------|---------------|
| Revenue by source | | | | |
| Intergovernmental | \$ 68,362 | \$ 15,253 | \$ 53,109 | 348.2% |
| Investment income | 236,554 | 303,181 | (66,627) | -22.0% |
| Charges for services | 36,975 | 32,441 | 4,534 | 14.0% |
| Unclassified | 309,837 | 554,957 | (245,120) | -44.2% |
| Total revenues | \$ 651,728 | \$ 905,832 | \$ (254,104) | -28.1% |

The major decrease was in the unclassified revenue source. The following are reasons for the decreased revenues: the impact fees collected in fiscal year 2007 were down \$76,429 when compared to fiscal year 2006, the Town sold property during fiscal year 2006 for \$161,500, and a developer provided \$72,000 for construction of a sidewalk as part of their development project.

The intergovernmental revenue source was up by \$53,109 due to the FEMA/MEMA reimbursement for the April 16, 2007 storm damage.

And the investment income revenue source was down due to the fact that less of the Municipal/Community Center's unspent bond proceeds were available for investing during fiscal year 2007.

The following table summarizes the Capital Reserve Fund expenditures by function for fiscal year 2007 with 2006 information for comparison. Information is from Statement 4.

| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|-------------------------|---------------------|---------------------|-----------------------|---------------|
| Expenses by function | | | | |
| Roads and road projects | \$ 614,218 | \$ 703,251 | \$ (89,033) | -12.7% |
| Library and museum | 13,333 | 17,813 | (4,480) | -25.2% |
| Public works facilities | 2,910 | 31,412 | (28,502) | -90.7% |
| Community center | 2,364,635 | 3,817,570 | (1,452,935) | -38.1% |
| Public safety building | 93,469 | - | 93,469 | n/a |
| All other | 947,105 | 488,406 | 458,699 | 93.9% |
| Total expenses | \$ 4,035,670 | \$ 5,058,452 | \$ (1,022,782) | -20.2% |

As you can see from the above table, the Special Revenue Fund's Capital Reserve Fund expenses for fiscal year 2007 were down significantly, 20.2% or (\$1,022,782) from fiscal year 2006. The biggest decrease was due to the renovation work being done on the old Shaw School to turn it into a joint municipal/community center was completed in December 2006.

The net results of operations for fiscal year 2007 are (\$1,958,034), after transfers in of \$886,753 and lease proceeds of \$539,155. The following table summarizes the Capital Reserve Fund's fund balance for fiscal year 2007 with 2006 information for comparison.

| | <u>2007</u> | <u>2006</u> | <u>\$ Chg</u> | <u>% Chg</u> |
|---------------------------|---------------------|---------------------|-----------------------|---------------|
| Fund balances: | | | | |
| Reserved for: | | | | |
| Noncurrent receivables | \$ 10,940 | \$ 11,750 | \$ (810) | -6.9% |
| Unreserved: | | | | |
| Designated | 4,272,134 | 6,287,888 | (2,015,754) | -32.1% |
| Undesignated | <u>198,346</u> | <u>139,816</u> | <u>58,530</u> | 41.9% |
| Total fund balance | \$ 4,481,420 | \$ 6,439,454 | \$ (1,958,034) | -30.4% |

As you can see by the above chart, the biggest decrease in the fund balance is in the designated fund balance, which is due to the winding down of the renovation project on the old Shaw School into a municipal/community center using bond proceeds. The newly renovated building was open for business in December 2006.

General Fund Budgetary Highlights

The Town continues to meet its responsibilities for sound financial management. As shown in Statement 6, actual revenues exceed budgeted revenues by \$1,237,390, while actual expenditures were under budgeted appropriations by \$72,194. This resulted in a positive net effect of \$1,309,584. However, after transfers and changes in encumbrances, the net change in fund balance was a positive \$884,754.

The undesignated fund balance at \$6,069,876 is a healthy figure and represents 14.7% of the total general fund and school operations fund budgeted appropriations for FY2008. The goal of the Town's fund balance policy is to maintain a General Fund and Special Revenue Fund (School Operations Fund) balance of at least 8% of the yearly School, Town, and

Cumberland County appropriations. However, when the school operations fund's deficit balance of (\$2,078,838) is factored in the percentage drops to 9.7%. The Town's management anticipates that during the FY2009 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 2006-2007 amount of \$39,349,709 (expenditures of \$38,796,610 plus transfers of \$553,099), compared to the final budget amount of \$39,671,237 (expenditures of \$39,118,138 plus transfers of \$553,099) reflects a change of \$321,528. The change is the result of the Town Council appropriating \$22,700 in additional rescue fees to hire two firefighter/EMTs in April 2007 and the prior period encumbrances being added to the various departments' appropriations. However, the prior period encumbrances are not reflected in the final budget figures on Statement 6 or Exhibit A-2. The following chart shows the changes made to the adopted budget during the fiscal year.

The \$67,033 reduction in general government was to primarily due to the reallocation of building maintenance costs from the general government function to the public safety function for the last seven months of the fiscal year that the old municipal center building was operating as the public safety building. The remaining amount was a slight increase to cover the Town Manager's mid-year salary adjustment. These funds came from the Unclassified function.

The remaining increase in the public safety function was the result of the Town Council appropriating additional rescue fee revenues to fund two firefighter/EMT positions during fiscal year 2007.

The increase in the insurance and employee benefits function was the fringe benefit cost for the two firefighter/EMT positions.

| FY 2006 – 2007 BUDGET | | | | | |
|------------------------------------|----------------------|------------------|----------------------|----------------------|----------------------|
| Department | Original | Adjustment | Adjusted Budget | Pr Period Encumbrncs | Final Adjusted |
| General Government | \$ 1,956,139 | \$ (67,033) | \$ 1,889,106 | \$ 39,770 | \$ 1,928,876 |
| Public Safety | 2,822,130 | 83,999 | 2,906,129 | 113,652 | 3,019,781 |
| Public Works | 2,281,391 | - | 2,281,391 | 600 | 2,281,991 |
| Health and Welfare | 68,270 | - | 68,270 | - | 68,270 |
| Recreation | 645,143 | - | 645,143 | 29,249 | 674,392 |
| Development | 210,276 | - | 210,276 | 87,435 | 297,711 |
| Insurances and Employee Benefits | 1,786,605 | 7,310 | 1,793,915 | 17,002 | 1,810,917 |
| Unclassified | 208,165 | (1,576) | 206,589 | 11,120 | 217,709 |
| Debt Service | 1,133,687 | - | 1,133,687 | - | 1,133,687 |
| Education | 27,684,804 | - | 27,684,804 | - | 27,684,804 |
| Budget Without Transfers: | \$ 38,796,610 | \$ 22,700 | \$ 38,819,310 | \$ 298,828 | \$ 39,118,138 |
| Transfers to SRF - Econ Deve Fund | 63,000 | - | 63,000 | - | 63,000 |
| Transfers to SRF - Capital Reserve | 490,099 | - | 490,099 | - | 490,099 |
| Budget With Transfers: | \$ 39,349,709 | \$ 22,700 | \$ 39,372,409 | \$ 298,828 | \$ 39,671,237 |

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2007, the Town had invested \$5,646,140 in a broad range of capital assets. The following chart identifies the assets that were added during fiscal year 2007 (including the construction in progress projects – South Street sidewalk, Morrell Avenue sidewalk, and White Rock School project) less the removal of the construction in progress projects – renovation of the old Shaw School into a municipal/community center reflected in previous fiscal years.

| Category | | | Category Total |
|-------------------------------------|--|-------------|-------------------|
| Historical Treasurers/Artwork | | | - |
| Land | | | - |
| Land improvements | | | |
| Genl Govt | Municipal Center - parking lot, granite curb, sidewalk | 101,936 | |
| | Municipal Center - site work | 199,990 | |
| | | | 301,926 |
| Buildings and building improvements | | | |
| Genl Govt | Municipal Center - building renovations | 5,587,772 | |
| | Less prior year construction in progress | (4,447,477) | |
| | | | 1,140,295 |
| Machinery and equipment | | | |
| Genl Govt | Cable TV - audio visual system | 186,500 | |
| | Municipal Center - CCTV system and RF network | 45,845 | |
| | Municipal Center - intrusion system | 15,395 | |
| | Municipal Center - access control system | 17,890 | |
| Public Safety | Fire, Cummins generator w/auto transfer switch | 12,760 | |
| | Fire, (5) diesel exhaust removal systems | 42,040 | |
| Public Works | Gravelly mower w/bagger | 14,300 | |
| | Wacker compactor | 6,464 | |
| | Wacker vibratory roller | 12,269 | |
| | John Deere loader | 140,286 | |
| | Trackless tractor | 117,790 | |
| | Flail mower | 7,707 | |
| Recreation | Community Center - gym equipment | 12,900 | |
| | Community Center - telescoping bleachers | 38,130 | |
| | Community Center - (2) scoreboards | 8,099 | |
| | | | 678,375 |
| Furniture and office equipment | | | |
| Genl Govt | Planning - aerial photographs | 25,900 | |
| | Administration - digital color copier | 7,071 | |
| | Municipal Center - paging system | 15,734 | |
| | Municipal Center - IP phone system | 62,097 | |
| | Municipal Center - furniture, cabinetry, shelving | 380,790 | |
| Public Safety | Police - digital copier | 6,771 | |
| | Police - squad room/front admn furniture | 10,451 | |

| | | | |
|---|--|----------------|----------------------------|
| Recreation | Community Center - gym drapes | 5,995 | |
| | Community Center - Viking gas oven/stove | <u>8,402</u> | 523,211 |
| Computer equipment | | | |
| Genl Govt | Municipal Center - cabling "backbone" | <u>131,400</u> | 131,400 |
| Vehicles | | | |
| | Public Safety, Fire - Hazmat truck | 303,815 | |
| | Public Safety, Police - (2) cruisers | 41,806 | |
| | Public Works - dump truck and street sweeper | 259,072 | |
| | Recreation - minibus | 56,733 | |
| | Education, Facility Maint - truck | 26,598 | |
| | Education, School Nutrition - van | 5,900 | |
| | Education, Transportation - (2) buses | <u>127,366</u> | 821,290 |
| Infrastructure | | | |
| Genl Govt | Municipal Center - sidewalk | 33,578 | |
| Public Works | Roads | 1,636,545 | |
| | Construction in progress | <u>379,520</u> | 2,049,643 |
| Total Assets Added During FY2007 | | | <u>\$ 5,646,140</u> |

During fiscal year 2007, a number of assets were transferred from one function/activity to another function/activity. The following chart shows these transfers.

| <u>Category</u> | <u>Function and Activity</u> | <u>Amount Transferred</u> |
|-----------------|---|---------------------------|
| Vehicles | Public Safety (Police), 2003 Chevrolet Impala | (13,840) |
| | Public Works, 2003 Chevrolet Impala | 13,840 |
| | Public Safety (Police), 2002 Chevrolet Impala | (18,439) |
| | Public Safety (Fire), 2002 Chevrolet Impala | 18,439 |
| | Genl Govt (Code), 1996 Jeep Cherokee | (20,308) |
| | Public Works, 1996 Jeep Cherokee | 20,308 |
| | Public Works, 1997 Ford Crown Victoria | (22,700) |
| | Genl Govt (Code), 1997 Ford Crown Victoria | 22,700 |

The depreciation expense for 2007 was \$2,772,050. 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 \$2,874,090 or 5.6%, over last fiscal year.

**Capital Assets
(net of depreciation)**

| | Governmental Activities | | | |
|-------------------------------------|--------------------------------|-------------|------------------|--------------|
| | <u>2007</u> | <u>2006</u> | <u>\$ Change</u> | <u>% Chg</u> |
| Land | 1,722,959 | 1,722,959 | - | 0.0% |
| Books/Historical Treasures/Artwork | 1,090,274 | 1,090,274 | - | 0.0% |
| Construction in Progress | 379,520 | 4,447,477 | (4,067,957) | -91.5% |
| Land improvements | 3,866,788 | 3,734,999 | 131,789 | 3.5% |
| Buildings and building improvements | 33,012,043 | 28,683,175 | 4,328,868 | 15.1% |
| Machinery and equipment | 1,427,036 | 895,611 | 531,425 | 59.3% |
| Furniture and office equipment | 1,446,850 | 1,190,450 | 256,400 | 21.5% |

| | | | | |
|--------------------|-------------------|-------------------|------------------|-------------|
| Computer equipment | 159,417 | 52,114 | 107,303 | 205.9% |
| Vehicles | 3,019,936 | 2,726,453 | 293,483 | 10.8% |
| Infrastructure | <u>8,193,525</u> | <u>6,900,746</u> | <u>1,292,779</u> | 18.7% |
| Totals | 54,318,348 | 51,444,258 | 2,874,090 | 5.6% |

The Town has appropriated \$470,717 in fiscal year 2008 for the following capital expenditures: two police cruisers, the fourth lease payment for a pickup truck and dump truck, the second lease payment for a plow truck, a front end loader, a street sweeper and a trackless tractor, and various road projects. Additionally, the Council allocated \$622,345 in undesignated fund balance, which was in excess of the 8% fund balance policy to replace rescue 2, purchase a new plow truck and sander, replace two Life Pac defibrillators, purchase ten automatic defibrillators for Police and Fire departments, replace 25 air bottles, refurbish existing grader, purchase management software for Recreation department, provide additional funds for road projects, and funds to lease purchase a vacuum truck with the Town of Windham.

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, 2007, the Town had a total of \$30,073,600 of outstanding general obligation debt, and \$1,340,000 in authorized but unissued debt. The Town's outstanding general obligation bonds as of June 30, 2007 are \$2,659,650 less than last fiscal year – a decrease of 8.1%.

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

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

Economic Factors and Next Year's Budget and Tax Rates

On May 8, 2007, the Town Council approved a total gross appropriation of \$41,162,069 to fund municipal and education operations, and the county tax. This is an increase of \$1,812,360 or 4.6% over the FY2007 appropriation. After applying non-property tax revenues, transfers and use of fund balance the FY2008 net appropriation is \$19,575,841, an increase of \$1,525,886 or 8.45%. The increase is primarily due to the following factors:

- The impact of hiring four public safety employees (wages and benefits) – a police officer at a cost of \$73,607 and three firefighter/EMT's at a cost of \$151,620, and
- The appropriation of \$200,000 to establish a public safety reserve account to address Fire and Rescue issues raised by the Fire and EMS Study Committee, and
- Reduction of \$92,781 in use of fund balance by the Gorham School Department, and
- Increase in net Education budget of \$1,000,000.

The Town trended its assessed value as of April 1, 2007 from about 56% to about 75% to bring the Town's assessed value above the State required 70%. This resulted in an average increase of about 29.5%, although properties with exemptions, personal property, and assessing software rounding of values caused actual values to vary somewhat. Taking the average 29.5% trending figure into account, the 2006-2007 valuation of \$930,410,050 has been trended upwards for comparison purposes. The new "trended" value for April 1, 2006 is \$1,185,775,900, while the April 1, 2007 assessed valuation is \$1,217,828,500, a 2.7% increase or \$32,052,600.

The Town of Gorham's tax rate went from \$15.23 (trended from \$19.40) to \$16.00, an increase of 5.06%.

The Town's municipal appropriation is \$11,668,858, a 6.4% increase over the FY2007 budget. As indicated above, the municipal budget includes funds for four new public safety employees and their benefits, and \$200,000 in funds to address Fire and Rescue issues raised by the Fire and EMS Study Committee during fiscal year. An increase in non-property tax revenues of \$198,830 or 3.4%, and transfers from the TIF Fund, have resulted in a net appropriation of \$5,426,515, an increase of 10.1% or \$498,709. The municipal tax rate will go from \$4.75 (trended from \$5.76) to \$4.95, an increase of 4.1% or \$0.20. The Town Council approved increasing the Town's municipal limit from \$5,296,851 (calculated under LD1 guidelines) to \$5,426,515, a \$129,664 or 2.4% increase.

The Town's education budget is \$28,772,451; a 3.9% or a \$1,087,647 increase over the FY2007 budget. The major components of the budget increase included:

- 4.6% for existing programs (mainly increases in salary and benefits)

Although the School Department saw a reduction in their use of fund balance, the increase in State Aid to Education funding of approximately \$171,828 has helped offset the reduction in use of fund balance and has resulted in a net education appropriation of \$12,736,688, an increase of \$1,000,000 or 8.5% from FY2007. The result is an education tax rate increase of \$0.56 or 5.65%, and will go from \$9.90 (trended from \$12.98) per thousand to \$10.46 per thousand.

The county tax assessment was up 3.9% or \$27,177, resulting in a slight increase in the tax rate for the County Tax. The rate went from \$0.58 (trended from \$0.76) to \$0.59.

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, 75 South Street, Gorham, Maine 04038.

BASIC FINANCIAL STATEMENTS

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TOWN OF GORHAM, MAINE
Statement of Net Assets
June 30, 2007

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 106,758 |
| Investments | 15,112,744 |
| Receivables: | |
| Accounts | 410,470 |
| Intergovernmental | 611,667 |
| Rescue receivable (net of allowance of \$50,000) | 106,131 |
| Taxes receivable - current year | 614,027 |
| Taxes receivable - prior year | 5,925 |
| Tax liens | 243,906 |
| Notes | 26,128 |
| Inventory | 44,605 |
| Other | 1,245,494 |
| Non-depreciable capital assets | 3,192,753 |
| Depreciable capital assets, net | 51,125,595 |
| Total assets | 72,846,203 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 1,213,439 |
| Accrued wages and benefits | 2,261,105 |
| Performance bond deposits | 1,241,871 |
| Middle School impact fees | 240,893 |
| Noncurrent liabilities: | |
| Due within one year | 3,050,425 |
| Due in more than one year | 28,817,205 |
| Total liabilities | 36,824,938 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 23,204,001 |
| Restricted for: | |
| Nonexpendable trust principal | 375,446 |
| Unrestricted | 12,441,818 |
| Total net assets | \$ 36,021,265 |

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Statement of Activities
For the Year Ended June 30, 2007

| For the Year Ended June 30, 2007 | | | | | Net (expense) revenue and changes in net assets |
|---|---------------|-------------------------|--|--|--|
| Functions/programs | Expenses | Program Revenues | | | Primary Governmental activities |
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,897,193 | 518,926 | 57,797 | 109,653 | (3,210,817) |
| Public safety | 3,317,132 | 434,044 | 90,786 | 319,390 | (2,472,912) |
| Public works | 3,902,787 | 1,571,638 | 305,526 | 1,788,166 | (237,457) |
| Health and welfare | 55,774 | 13,672 | 16,517 | - | (25,585) |
| Recreation | 1,216,449 | 550,704 | 14,516 | 101,438 | (549,791) |
| Development | 406,590 | 123,738 | - | - | (282,852) |
| Education | 31,417,334 | 696,114 | 20,143,445 | - | (10,577,775) |
| Interest on debt | 1,272,191 | - | - | - | (1,272,191) |
| Total governmental activities | 45,485,450 | 3,908,836 | 20,628,587 | 2,318,647 | (18,629,380) |
| Total primary government | \$ 45,485,450 | \$ 3,908,836 | \$ 20,628,587 | \$ 2,318,647 | (18,629,380) |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | | | 17,690,199 |
| Payment in lieu of taxes | | | | | 54,396 |
| Motor vehicle and boat excise taxes | | | | | 2,486,679 |
| Grants and contributions not restricted to specific programs: | | | | | |
| Homestead exemption | | | | | 331,237 |
| Other State aid | | | | | 10,865 |
| State Revenue Sharing | | | | | 1,265,414 |
| Unrestricted investment earnings | | | | | 727,022 |
| Miscellaneous revenues | | | | | 307,381 |
| Total general revenues | | | | | 22,873,193 |
| Change in net assets | | | | | 4,243,813 |
| Net assets - beginning | | | | | 31,777,452 |
| Net assets - ending | | | | | \$ 36,021,265 |

See accompanying notes to financial statements.

TOWN OF GORHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2007

| | General | School Operations Fund | Capital Reserve Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash | \$ 9,397 | - | - | 97,361 | 106,758 |
| Investments | 9,683,997 | - | 4,302,434 | 1,126,313 | 15,112,744 |
| Receivables: | | | | | |
| Accounts | 102,368 | 6,012 | 72,218 | 229,872 | 410,470 |
| Rescue receivable (net of allowance of \$50,000) | 106,131 | - | - | - | 106,131 |
| Taxes receivable - current year | 614,027 | - | - | - | 614,027 |
| Taxes receivable - prior year | 5,925 | - | - | - | 5,925 |
| Tax liens | 243,906 | - | - | - | 243,906 |
| Notes | - | - | 10,940 | 15,188 | 26,128 |
| Due from other governments | - | 48,284 | - | 563,383 | 611,667 |
| Interfund loans receivable | - | 265,149 | 477,415 | 1,557,270 | 2,299,834 |
| Tax acquired property | 3,623 | - | - | - | 3,623 |
| Other assets - performance bonds and impact fees | 1,241,871 | - | - | - | 1,241,871 |
| Inventory | 14,024 | - | - | 30,581 | 44,605 |
| Total assets | \$ 12,025,269 | 319,445 | 4,863,007 | 3,619,968 | 20,827,689 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 536,388 | 55,718 | 216,222 | 167,631 | 975,959 |
| Accrued wages and benefits | 109,173 | 2,151,932 | - | - | 2,261,105 |
| Interfund loans payable | 1,693,181 | - | 165,365 | 441,288 | 2,299,834 |
| Deferred revenues | 524,400 | - | - | - | 524,400 |
| Performance bond deposits | 1,241,871 | - | - | - | 1,241,871 |
| Middle school impact fees | 240,893 | - | - | - | 240,893 |
| Total liabilities | 4,345,906 | 2,207,650 | 381,587 | 608,919 | 7,544,062 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Noncurrent receivables/encumbrances | 270,652 | 189,364 | 10,940 | 15,188 | 486,144 |
| Nonexpendable trust principal | - | - | - | 375,446 | 375,446 |
| Inventory | 14,024 | - | - | 30,581 | 44,605 |
| Unreserved: | | | | | |
| Designated | 1,324,811 | 1,269 | 4,272,134 | 16,325 | 5,614,539 |
| Undesignated, reported in: | | | | | |
| General fund | 6,069,876 | - | - | - | 6,069,876 |
| Special revenue funds | - | (2,078,838) | 198,346 | 1,995,720 | 115,228 |
| Capital projects funds | - | - | - | 358,218 | 358,218 |
| Permanent funds | - | - | - | 219,571 | 219,571 |
| Total fund balances (deficit) | 7,679,363 | (1,888,205) | 4,481,420 | 3,011,049 | 13,283,627 |
| Total liabilities and fund balances | \$ 12,025,269 | 319,445 | 4,863,007 | 3,619,968 | |

Continued

TOWN OF GORHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2007

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 | \$ | 13,283,627 |
|---|----|------------|

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 | \$ 3,192,753 | |
| Depreciable capital assets, net | 51,125,595 | 54,318,348 |

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

| | | |
|--------------------------|---------------|--------------|
| General obligation bonds | \$ 30,073,600 | |
| Capital leases | 1,040,747 | |
| Compensated absences | 753,283 | |
| Accrued interest payable | 237,480 | (32,105,110) |

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

524,400

| | | |
|--|-----------|-------------------|
| Net assets of governmental activities | \$ | 36,021,265 |
|--|-----------|-------------------|

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, 2007

| | General | School Operations Fund | Capital Reserve Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------|------------------------------|----------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 19,906,790 | - | - | 318,258 | 20,225,048 |
| Licenses and permits | 434,921 | - | - | - | 434,921 |
| Intergovernmental | 1,894,447 | 18,578,308 | 68,362 | 1,696,957 | 22,238,074 |
| Investment income | 371,989 | - | 236,554 | 58,909 | 667,452 |
| Charges for services | 1,089,601 | 39,121 | 36,975 | 1,146,251 | 2,311,948 |
| Unclassified | 760,932 | 192,810 | 309,837 | 729,432 | 1,993,011 |
| Total revenues | 24,458,680 | 18,810,239 | 651,728 | 3,949,807 | 47,870,454 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 3,571,950 | - | - | - | 3,571,950 |
| Public safety | 2,944,915 | - | - | - | 2,944,915 |
| Public works | 2,156,937 | - | - | 733,968 | 2,890,905 |
| Health & welfare | 55,774 | - | - | - | 55,774 |
| Recreation | 1,164,766 | - | - | - | 1,164,766 |
| Development | 222,750 | - | - | - | 222,750 |
| Unclassified | - | - | - | 1,227,331 | 1,227,331 |
| Education | - | 27,724,015 | - | 1,121,630 | 28,845,645 |
| Debt service: | | | | | |
| Principal | 600,073 | 1,836,327 | - | 223,250 | 2,659,650 |
| Interest and other charges | 373,323 | 904,881 | - | 25,087 | 1,303,291 |
| Capital maintenance | - | 243,768 | 427,303 | - | 671,071 |
| Capital improvements | - | - | 3,608,367 | 253,750 | 3,862,117 |
| Total expenditures | 11,090,488 | 30,708,991 | 4,035,670 | 3,585,016 | 49,420,165 |
| Excess (deficiency) of revenues over (under) expenditures | 13,368,192 | (11,898,752) | (3,383,942) | 364,791 | (1,549,711) |
| Other financing sources (uses): | | | | | |
| Capital lease proceeds | - | 127,366 | 539,155 | - | 666,521 |
| Transfers in | 203,003 | 11,736,688 | 886,753 | 63,000 | 12,889,444 |
| Transfers out | (12,686,441) | - | - | (203,003) | (12,889,444) |
| Total other financing sources (uses) | (12,483,438) | 11,864,054 | 1,425,908 | (140,003) | 666,521 |
| Net change in fund balances | 884,754 | (34,698) | (1,958,034) | 224,788 | (883,190) |
| Fund balances (deficit), beginning of year | 6,794,609 | (1,853,507) | 6,439,454 | 2,786,261 | 14,166,817 |
| Fund balances (deficit), end of year | \$ 7,679,363 | (1,888,205) | 4,481,420 | 3,011,049 | 13,283,627 |

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, 2007

| | | |
|---|----|-----------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | (883,190) |
|---|----|-----------|

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 (\$5,646,140) exceeded depreciation expense (\$2,772,050) in the current period.

2,874,090

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(81,551)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (Note 10)

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (Note 10)

2,659,650

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)

(23,957)

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)

(332,329)

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.

31,100

| | | |
|---|----|-----------|
| Change in net assets of governmental activities (see Statement 2) | \$ | 4,243,813 |
|---|----|-----------|

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, 2007

| | 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 | \$ 19,487,976 | 19,487,976 | 19,906,790 | 418,814 | - | - | - | - |
| Licenses and permits | 389,805 | 389,805 | 434,921 | 45,116 | - | - | - | - |
| Intergovernmental | 1,958,741 | 1,958,741 | 1,894,447 | (64,294) | 15,664,066 | 15,664,066 | 15,843,717 | 179,651 |
| Investment income | 150,000 | 150,000 | 371,989 | 221,989 | - | - | - | - |
| Charges for services | 1,041,009 | 1,063,709 | 1,089,601 | 25,892 | 20,000 | 20,000 | 39,121 | 19,121 |
| Other revenues | 171,059 | 171,059 | 760,932 | 589,873 | 170,000 | 170,000 | 192,810 | 22,810 |
| Total revenues | 23,198,590 | 23,221,290 | 24,458,680 | 1,237,390 | 15,854,066 | 15,854,066 | 16,075,648 | 221,582 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 1,956,139 | 1,889,106 | 1,744,221 | 144,885 | - | - | - | - |
| Public safety | 2,822,130 | 2,906,129 | 2,898,426 | 7,703 | - | - | - | - |
| Public works | 2,281,391 | 2,281,391 | 2,230,801 | 50,590 | - | - | - | - |
| Health and welfare | 68,270 | 68,270 | 55,774 | 12,496 | - | - | - | - |
| Recreation | 645,143 | 645,143 | 1,139,877 | (494,734) | - | - | - | - |
| Development | 210,276 | 210,276 | 197,471 | 12,805 | - | - | - | - |
| Insurances and employee benefits | 1,786,605 | 1,793,915 | 1,603,786 | 190,129 | - | - | - | - |
| Education | - | - | - | - | 24,943,597 | 24,943,597 | 25,165,178 | (221,581) |
| Unclassified | 208,165 | 206,589 | 218,560 | (11,971) | - | - | - | - |
| Debt service | 1,133,687 | 1,133,687 | 973,396 | 160,291 | 2,741,207 | 2,741,207 | 2,741,208 | (1) |
| Capital maintenance | - | - | - | - | - | - | - | - |
| Total expenditures | 11,111,806 | 11,134,506 | 11,062,312 | 72,194 | 27,684,804 | 27,684,804 | 27,906,386 | (221,582) |
| Excess (deficiency) of revenues over (under) expenditures | 12,086,784 | 12,086,784 | 13,396,368 | 1,309,584 | (11,830,738) | (11,830,738) | (11,830,738) | - |
| Other financing sources (uses): | | | | | | | | |
| Utilization of prior year surplus | - | - | - | - | 94,050 | 94,050 | - | (94,050) |
| Transfers to school fund | (11,736,688) | (11,736,688) | (11,736,688) | - | 11,736,688 | 11,736,688 | 11,736,688 | - |
| Transfers to special revenue - economic development | (63,000) | (63,000) | (63,000) | - | - | - | - | - |
| Transfers to special revenue - capital reserve | (490,099) | (490,099) | (886,753) | (396,654) | - | - | - | - |
| Transfers in special revenue - TIF and capital reserve | 203,003 | 203,003 | 203,003 | - | - | - | - | - |
| Total other financing sources (uses) | (12,086,784) | (12,086,784) | (12,483,438) | (396,654) | 11,830,738 | 11,830,738 | 11,736,688 | (94,050) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis | - | - | 912,930 | 912,930 | - | - | (94,050) | (94,050) |
| Reconciliation to GAAP basis: | | | | | | | | |
| Change in accrued payroll | | | - | - | | | (58,942) | |
| Change in encumbrances | | | (28,176) | | | | 118,294 | |
| Net change in fund balance | | | 884,754 | | | | (34,698) | |
| Fund balances (deficit), beginning of year | | | 6,794,609 | | | | (1,853,507) | |
| Fund balances (deficit), end of year | \$ | | 7,679,363 | | | | (1,888,205) | |

See accompanying notes to financial statements

TOWN OF GORHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

| | Agency Fund (School Activity) | Private-purpose Trust Fund (Scholarships) |
|--------------------------|--|--|
| ASSETS | | |
| Cash | \$ 194,891 | - |
| Investments | - | 32,907 |
| Total assets | 194,891 | 32,907 |
| LIABILITIES | | |
| Due to student groups | 194,891 | - |
| Accounts payable | - | 500 |
| Total liabilities | 194,891 | 500 |
| NET ASSETS | | |
| Held in trust | \$ - | 32,407 |

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, 2007

| | Private-purpose Trust Fund (Scholarships) |
|-------------------------------|--|
| Additions: | |
| Donations | \$ 1,000 |
| Investment income | 1,413 |
| Total additions | 2,413 |
| Deductions: | |
| Scholarships awarded | 500 |
| Total deductions | 500 |
| Change in net assets | 1,913 |
| Net assets, beginning of year | 30,494 |
| Net assets, end of year | \$ 32,407 |

See accompanying notes to financial statements.

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TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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 activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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 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, 2007

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. Those revenues susceptible to accrual are property taxes, interest, and charges for services. Licenses and permits, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Expenditure Recognition

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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

H. Compensated Absences

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

I. Long-term Obligations

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

J. Interfund Transactions

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

K. Use of Estimates

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

L. Fund Equity

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 18, 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, 2007, expenditures exceeded appropriations in the following general fund departments and the school operations fund as shown on Statement 6:

| | |
|--------------|-----------|
| Recreation | \$494,734 |
| Unclassified | \$ 11,971 |
| Education | \$221,582 |

The Recreation function overage is due to the unbudgeted expenditures related to the various Recreation Department programs that are offset by corresponding program fees. These programs are all self-supporting and are not included as part of the Town's budget.

The Unclassified function overage is due to the miscellaneous unbudgeted expenditures related to various grants and programs that are self-funded and are not included as part of the Town's budget.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, Continued

The Education category overage was due to the purchase of new accounting software (down payment of \$60,585), unbudgeted facilities capital expenditures of \$116,402, and higher legal costs of \$67,730 during fiscal year 2007. The total overage also includes the Education's debt service, which was over by \$1.

The above over expenditures lapsed to fund balance.

C. Deficit Fund Equity

The School Operations Fund has a deficit fund balance of \$1,888,205 at June 30, 2007. This is due primarily to variations between the budgetary and GAAP methods of accounting for summer teachers' payroll. See Note 18, BUDGETARY VS. GAAP ACCOUNTING.

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, which provides the following coverages to the Town: property & casualty, liability, vehicle, and workers' compensation. The Town is self insured for unemployment compensation. Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2007.

Note 4 - DEPOSITS AND INVESTMENTS

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

The average yield for the Town's investments during fiscal year 2007 was 5.31%, producing total investment income for the General Fund of \$482,326 less bank management fees of \$6,423 and allocation of interest earnings to the Capital Reserve Funds of \$103,914 for a net of \$371,989.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 4 - DEPOSITS AND INVESTMENTS, Continued

A. Deposits

At June 30, 2007, cash consisted of the following:

| | <u>Carrying amount</u> | <u>Bank balance</u> |
|---|----------------------------|--------------------------|
| Checking, savings, NOW, and certificates of deposit accounts | | |
| Government Funds | \$ 105,813 | \$ 105,813 |
| Agency Funds | 194,891 | 194,891 |
| Petty Cash - Government Funds | <u>945</u> | <u>-</u> |
| Totals | <u>\$ 301,649</u> | <u>\$ 300,704</u> |

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's investment policy does not directly address custodial credit risk for deposits. As of June 30, 2007, \$34,848 of the Town's bank balances of \$300,704 was exposed to custodial credit risks because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name. All of this risk is concentrated in the High School Activity Agency Fund.

B. Investments

At June 30, 2007, investments consisted of the following:

| Investment Type | Total | Maturities | | | |
|--------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|--------------------|
| | | Within 6 Months | 6 Months to 1 Year | 1 Year to 3 Years | Over 3 Years |
| Mutual Funds | \$ 1,642,049 | \$ 1,642,049 | \$ - | \$ - | \$ - |
| U.S. Treasuries | 686,716 | 219,894 | 114,961 | 351,861 | - |
| Commercial Paper | 5,765,606 | 5,765,606 | - | - | - |
| Repurchase Agreements | 7,030,931 | 7,030,931 | - | - | - |
| Common Stock | 20,349 | - | - | - | - |
| Total Fair Value: | <u>\$ 15,145,651</u> | <u>\$ 14,658,480</u> | <u>\$ 114,961</u> | <u>\$ 351,861</u> | <u>\$ -</u> |
| % of Portfolio: | | 96.9% | 0.8% | 2.3% | 0.0% |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 4 - DEPOSITS AND INVESTMENTS, Continued

Out of the total \$15,145,651 in investments, \$15,112,744 is from investments in the governmental funds, while \$32,907 is for investments in the fiduciary funds' private-purpose trust funds.

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

Credit Risk. Maine statutes authorize the Town to invest in obligations of U.S. Treasury and U.S. Agencies, repurchase agreements, and certain corporate stocks and bonds. Generally, the Town invests funds in certificates of deposit or savings accounts in the case of special revenue, capital projects and trust funds, and in commercial paper or repurchase agreements (through a financial institution trust department) in the case of the General Fund. The Town only invests in commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency. As of June 30, 2007, all commercial paper was rated A-1.

Concentration Risk. The Town of Gorham will diversify its investment portfolio by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution. At June 30, 2007, the Town was in compliance with its investment policy's stipulations on portfolio diversification.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in commercial paper, \$7,030,931, the Town has a custodial credit risk exposure of \$7,030,931 because the related securities are uninsured, unregistered and held by the Town's brokerage firms which are also the counterparty for these particular securities.

Note 5 - PROPERTY TAXES

Property taxes for the current year were committed on September 01, 2006, 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 67.5% of the estimated State valuation of \$1,352,300,000.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 5 - PROPERTY TAXES, Continued

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 \$373,620 for the year ended June 30, 2007. 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 2007 and 2006 levies:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|--------------------------|--------------------------|
| Assessed Value | \$913,343,000 | \$869,744,400 |
| Tax Rate (per \$1,000) | <u>19.40</u> | <u>19.50</u> |
| Commitment | 17,718,854 | 16,960,016 |
| Supplemental Taxes Assessed | <u>11,570</u> | <u>20,192</u> |
| | 17,730,424 | 16,980,208 |
| Less: Abatements | 26,442 | 40,254 |
| Collections | <u>17,089,955</u> | <u>16,447,451</u> |
| Receivable at June 30, 2007 and 2006 | <u>\$ 614,027</u> | <u>\$ 492,503</u> |
| | | |
| Due Date(s) | ½ 11/15/2006 | ½ 11/15/2005 |
| | ½ 05/15/2007 | ½ 05/15/2006 |
| Interest Rates on Delinquent Taxes | 11.0% | 7.75% |
| Collection Rate | 96.5% | 97.1% |

Of the total taxes committed for the year ended June 30, 2007, the original amount allocated to the Gorham Industrial Park Municipal Development Tax Increment Financing District, the ODAT-Grondin Municipal Development Tax Increment Financing District, the Pettingill Ross Municipal Development Tax Increment Financing District, and the Gorham County Road LLC Municipal Development Tax Increment Financing District was \$318,258.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 5 - PROPERTY TAXES, Continued

The following amounts were allocated to various companies located within the four tax increment financing districts located in the Town as well as the Town's share.

FY2007 TIF Activity

| | Developer's Share | Town's Share | TIF District Total |
|---|----------------------|-------------------|-----------------------|
| Gorham Industrial Park District | | | |
| Big Water | \$ 4,533 | \$ 4,533 | \$ 9,066 |
| CMJ, Inc. | 4,093 | 4,094 | 8,187 |
| Foreside Management Co. | 27,154 | 27,154 | 54,308 |
| D C Associates | 2,971 | 2,971 | 5,942 |
| D & G Group | 9,791 | 9,791 | 19,582 |
| Hampstead Associates | 12,039 | 12,038 | 24,077 |
| Mega Industries | 18,676 | 18,677 | 37,353 |
| Montalvo | 21,350 | 21,349 | 42,699 |
| Transformit | 6,013 | 6,013 | 12,026 |
| Subtotal: | \$ 106,620 | \$ 106,620 | \$ 213,240 |
| ODAT/Grondin District | | | |
| ODAT | 8,718 | 8,718 | 17,436 |
| Grondin Properties | 34,780 | 34,780 | 69,560 |
| Subtotal: | \$ 43,498 | \$ 43,498 | \$ 86,996 |
| Pettingill Ross District | | | |
| Pettingill Ross | 18,022 | - | 18,022 |
| Subtotal: | \$ 18,022 | \$ - | \$ 18,022 |
| Gorham County Road District | | | |
| Gorham County Road LLC | - | - | - |
| Subtotal: | \$ - | \$ - | \$ - |
| Total TIF Financing Plan Amount: | \$ 168,140 | \$ 150,118 | \$ 318,258 |

(see Note 15, 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.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 6 – CAPITAL ASSETS, Continued

Capital asset activity for the year ended June 30, 2007 was as follows:

| | Balance June 30, 2006 | Increases | Decreases | Balance June 30, 2007 |
|--|--------------------------------------|---------------------|---------------------|--------------------------------------|
| <i>Governmental Activities:</i> | | | | |
| Capital assets, not being depreciated: | | | | |
| Books/historical treasures/artwork | \$ 1,090,274 | \$ - | \$ - | \$ 1,090,274 |
| Land | 1,722,959 | - | - | 1,722,959 |
| Construction in progress | 4,447,477 | 379,520 | 4,447,477 | 379,520 |
| Total capital assets, not being depreciated | 7,260,710 | 379,520 | 4,447,477 | 3,192,753 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 4,436,759 | 301,926 | - | 4,738,685 |
| Buildings and building improvements | 41,176,998 | 5,587,772 | - | 46,764,770 |
| Machinery and equipment | 1,421,938 | 678,375 | - | 2,100,313 |
| Furniture and office equipment | 1,979,815 | 523,211 | - | 2,503,026 |
| Computer equipment | 294,294 | 131,400 | - | 425,694 |
| Vehicles | 7,170,919 | 821,290 | 197,780 | 7,794,429 |
| Infrastructure | 20,617,013 | 1,670,123 | - | 22,287,136 |
| Total capital assets being depreciated | 77,097,736 | 9,714,097 | 197,780 | 86,614,053 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 701,760 | 170,137 | - | 871,897 |
| Buildings and building improvements | 12,493,823 | 1,258,904 | - | 13,752,727 |
| Machinery and equipment | 526,327 | 146,950 | - | 673,277 |
| Furniture and office equipment | 789,365 | 266,811 | - | 1,056,176 |
| Computer equipment | 242,180 | 24,097 | - | 266,277 |
| Vehicles | 4,444,466 | 527,807 | 197,780 | 4,774,493 |
| Infrastructure | 13,716,267 | 377,344 | - | 14,093,611 |
| Total accumulated depreciation | 32,914,188 | 2,772,050 | 197,780 | 35,488,458 |
| Total capital assets being depreciated, net | 44,183,548 | 6,942,047 | - | 51,125,595 |
| Governmental activities capital assets, net | \$51,444,258 | \$ 7,321,567 | \$ 4,447,477 | \$54,318,348 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 6 – CAPITAL ASSETS, Continued

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

Governmental activities:

| | |
|---|----------------------------|
| General government | \$ 210,761 |
| Public safety | 315,904 |
| Public works, including depreciation of general infrastructure assets | 612,478 |
| Recreation and library | 104,450 |
| Education | <u>1,528,457</u> |
| Total depreciation expense – governmental activities | <u>\$ 2,772,050</u> |

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% or 7.5% of their annual covered salary depending upon the plan they are in and the Town of Gorham is required to contribute an actuarially determined rate. The current rates range from 2.8% to 4% of annual covered payroll. The contribution rates of plan members and the Town of Gorham are established and may be amended by the Maine State Retirement System Board of Trustees. Due to an unfunded liability credit, the Town's contribution to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2007, 2006 and 2005 are \$0, \$0 and \$0, respectively, equal to the required contributions for each year.

B. MSRS Teacher's Group

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 7 – PENSION PLANS, Continued

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

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine's Department of Education to contribute the employer contribution, which amounts to \$2,734,591 (19.14%) for the fiscal year 2007. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 19.14% of their compensation. This cost is charged to the applicable grant.

C. Deferred Compensation Plan

The Town of Gorham offers all its employees not participating in Maine State Retirement a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The Town expended \$206,971 for the year ended June 30, 2007, and \$181,716 for the year ended June 30, 2006. 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 \$367,856 including F.I.C.A. and Medicare to the Social Security Retirement Program on behalf of Town employees for the year ended June 30, 2007 and \$351,449 for the year ended June 30, 2006.

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 \$332,363 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, 2007 and \$328,318 for the year ended June 30, 2006.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 8 – INTERFUND ACCOUNTS

Individual interfund loans receivable and payable balances at June 30, 2007, were as follows:

| <u>Fund</u> | <u>Interfund loan receivable</u> | <u>Interfund loan payable</u> |
|--|--------------------------------------|-----------------------------------|
| Governmental Funds | | |
| General fund | \$ - | \$ 1,693,181 |
| School operations fund | 265,149 | - |
| Capital reserve fund | 477,415 | 165,365 |
| Other governmental funds: | | |
| Special revenue funds: | | |
| School special revenue funds | 198,071 | 258,679 |
| School lunch fund | 12,610 | 104,285 |
| Sewer operations | 911,712 | - |
| Little Falls sewer reserve and loan fund | 14,552 | - |
| Economic development fund | 30,908 | - |
| Tax increment financing district | 322,804 | - |
| FEMA fund | - | 41,909 |
| Capital project funds: | | |
| Middle school construction | - | - |
| White Rock school project | 1,472 | - |
| Various school projects | 39,045 | - |
| Permanent funds: | | |
| Cemetery perpetual care | 15,725 | - |
| Parks and recreation grounds | - | 115 |
| Baxter library and museum | 10,371 | 36,300 |
| Schools | - | - |
| Public purpose and civic improvements | - | - |
| Miscellaneous | - | - |
| Total other governmental funds | 1,557,270 | 441,288 |
| Totals | \$ 2,299,834 | \$ 2,299,834 |

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, 2007

Note 8 – INTERFUND ACCOUNTS, Continued

Interfund transfers during the year ended June 30, 2007 consisted of the following:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|--------------------------------|----------------------|----------------------|
| General fund | \$ 203,003 | \$ 12,686,441 |
| School operations fund | 11,736,688 | - |
| Capital reserve fund | 886,753 | - |
| Other governmental funds: | | |
| Special revenue funds: | | |
| Economic Development fund | 63,000 | - |
| TIF fund | - | 203,003 |
| Total other governmental funds | 63,000 | 203,003 |
| Totals | \$ 12,889,444 | \$ 12,889,444 |

The transfer outs comprised of the following:

1. From the General Fund: to provide the school operations fund with the local tax allocation for education (\$11,736,688); 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 (\$886,753); and to transfer the economic development corporation expenditures to the special revenue funds' economic development fund (\$63,000).
2. From the Special Revenue Fund's TIF Fund: to provide funding for economic development corporation expenditures (\$63,000) and road projects in the Gorham Industrial Park (\$140,003).

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 9 – DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of the following:

| | |
|---|-------------------|
| School operations fund – State agency clients | \$ 48,284 |
| Other governmental funds: | |
| School special revenue funds | |
| Local Entitlement | 175,347 |
| Title IA, NCLB | 183,954 |
| Title V, NCLB | 4,357 |
| Title IIA, NCLB | 46,446 |
| Medicaid Reimbursement | 54,148 |
| Preschool | 8,012 |
| Title IID, NCLB Tech Literacy Challenge | 2,782 |
| School Lunch – USDA subsidy | 35,468 |
| FEMA/MEMA | 52,869 |
| Total other governmental funds | 563,383 |
| Total | \$ 611,667 |

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, 2007, the Town was in compliance with these limitations. (see Table 13, STATISTICAL SECTION)

B. Changes in Long Term Debt

Long-term liability activity for the year ended June 30, 2007, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-----------|------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 32,733,250 | - | 2,659,650 | 30,073,600 | 2,674,650 |
| Capital leases | 708,418 | 666,521 | 334,192 | 1,040,747 | 325,775 |
| Accrued vacation and sick leave | 729,326 | 119,877 | 95,920 | 753,283 | 50,000 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 34,170,994 | 786,398 | 3,089,762 | 31,867,630 | 3,050,425 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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, 2007, 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% | \$ 245,000 | \$ 245,000 |
| Robie Gym improvements & Baxter Library handicapped access | 6/2/1988 | 80,250 | 10/25/2008 | 5.9-7.7% | 17,400 | |
| Public Works, dump truck, transfer trailer, scale | 6/2/1988 | 117,700 | 10/25/2008 | 5.9-7.7% | 13,440 | |
| Public Safety, aerial ladder truck & Lucas tool | 6/2/1988 | 310,300 | 10/25/2008 | 5.9-7.7% | 26,640 | |
| General Gov't, voting machines | 6/2/1988 | 26,750 | 10/25/2008 | 5.9-7.7% | 2,520 | 60,000 |
| Rebuild tennis courts and Baxter Library handicapped addition | 10/26/1988 | 75,000 | 10/25/2008 | 6.5-7.4% | 9,080 | |
| Public Works, hauler truck, back hoe, paving box | 10/26/1988 | 174,000 | 10/25/2008 | 6.5-7.4% | 21,080 | |
| Public Safety, repair and pump tank 3 | 10/26/1988 | 50,000 | 10/25/2008 | 6.5-7.4% | 6,080 | |
| General Gov't, computer upgrade | 10/26/1988 | 31,000 | 10/25/2008 | 6.5-7.4% | 3,760 | 40,000 |
| Education, Village school addition | 5/4/1989 | 4,100,000 | 10/25/2009 | 7.25-7.3% | 615,000 | 615,000 |
| Robie Gym windows, Chick recreation area, playground | 5/24/1990 | 21,600 | 10/25/2010 | 7.1-7.2% | 4,285 | |
| 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% | 65,544 | |
| Public Safety, new rescue and base radio upgrade | 5/24/1990 | 106,000 | 10/25/2010 | 7.1-7.2% | 21,255 | |
| Education, Village & GSH schools asbestos abatement, and High school roof | 5/24/1990 | 437,570 | 10/25/2010 | 7.1-7.2% | 87,516 | 178,600 |
| Education, GSH expansion | 9/1/1993 | 11,565,000 | 9/1/2013 | 4.6-5.25% | 4,015,000 | 4,015,000 |
| Public Works, new facility | 6/1/2000 | 1,295,000 | 6/1/2020 | 5.7-5.75% | 845,000 | 845,000 |
| Education, New Middle School Construction | 9/1/2002 | 20,375,000 | 11/1/2022 | 2.25-4.375% | 16,295,000 | |
| Baxter Library, addition and renovations | 9/1/2002 | 850,000 | 11/1/2017 | 2.25-4.375% | 610,000 | 16,905,000 |
| Old Shaw School/Community Ctr, renovation | 2/1/2004 | 2,688,345 | 2/1/2024 | 3.25-4.35% | 2,351,103 | |
| Narragansett School, roof replacement | 2/1/2004 | 112,237 | 2/1/2009 | | 28,897 | |
| Public Safety, 50% share of fire truck | 2/1/2004 | 350,000 | 2/1/2024 | | 290,000 | 2,670,000 |
| Municipal Ctr, renovation (old Shaw School) | 9/1/2005 | 5,000,000 | 12/1/2024 | 3.75-4.00% | 4,500,000 | 4,500,000 |
| Total governmental activities | | | | | \$ 30,073,600 | \$ 30,073,600 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 10 – LONG-TERM DEBT, Continued

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 |
|--|----------------------|---------------------|----------------------|
| 2008 | \$ 2,674,650 | \$ 1,164,843 | \$ 3,839,493 |
| 2009 | 2,424,650 | 1,073,015 | 3,497,665 |
| 2010 | 2,374,650 | 975,209 | 3,349,859 |
| 2011 | 2,169,650 | 883,447 | 3,053,097 |
| 2012 | 2,125,000 | 797,203 | 2,922,203 |
| 2013-2017 | 8,875,000 | 2,796,444 | 11,671,444 |
| 2018-2022 | 7,355,000 | 1,209,250 | 8,564,250 |
| 2023-2027 | 2,075,000 | 86,822 | 2,161,822 |
| Total: | \$ 30,073,600 | \$ 8,986,233 | \$ 39,059,833 |

D. Capital Leases

The Gorham School Department has entered into various lease agreements as lessee for school buses and copiers, and the Town has entered into six lease agreements for various public works equipment. 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, 2007:

| | Original Purchase Price | Annual Depreciation Expense | Total Minimum Lease Payments | Interest | Present Value of Minimum Lease Payments |
|--|--|--|---|-----------------|--|
| Education, fourteen (14) School Buses | 772,812 | 76,223 | 431,879 | 35,411 | 396,468 |
| Education, Photocopiers, | 212,046 | n/a | 188,435 | 17,233 | 171,202 |
| Public Works, 2005 Chevy Pickup | 27,000 | 1,478 | 11,702 | 695 | 11,007 |
| Public Works, 2005 Dump Truck | 95,628 | 9,563 | 41,576 | 2,564 | 39,012 |
| Public Works, 2007 John Deere Loader | 140,286 | 7,014 | 123,125 | 13,620 | 109,505 |
| Public Works, 2007 Street Sweeper | 149,800 | 3,745 | 128,164 | 10,405 | 117,759 |
| Public Works, 2007 Internat'l Dump | 109,272 | 2,732 | 93,492 | 7,593 | 85,899 |
| Public Works, Trackless Tractor & Mowers | 139,797 | 2,330 | 119,608 | 9,713 | 109,895 |
| | | | \$1,137,981 | \$97,234 | \$1,040,747 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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, 2007:

| Fiscal year <u>ending</u> | <u>Principal</u> | <u>Interest</u> | Total Lease <u>Obligation</u> |
|------------------------------|---------------------|-----------------|----------------------------------|
| 2008 | \$ 325,775 | 36,711 | 362,486 |
| 2009 | 309,226 | 32,457 | 341,683 |
| 2010 | 198,337 | 18,569 | 216,906 |
| 2011 | 207,409 | 9,497 | 216,906 |
| | \$ 1,040,747 | 97,234 | 1,137,981 |

E. Compensated Absences

The Town's policy relating to compensated absences is described in Note 1, H. The long-term portion of this debt, amounting to \$753,283 for governmental activities at June 30, 2007, is expected to be paid in future years from future resources. The Town has estimated that out of the \$753,283, approximately \$50,000 will be due within the next 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, five expiring July 31, 2008 and two expiring August 31, 2007. For accounting purposes, all of these leases are considered to be operating leases. Lease expenditures for the year ended June 30, 2007 amounted to \$92,400. Future minimum lease payments for these leases are as follows:

| Year ended <u>June 30,</u> | |
|-------------------------------|------------------|
| 2008 | 70,400 |
| 2009 | 11,000 |
| Total | \$ 81,400 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

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, 2007, the Town's State valuation of \$1,352,300,000 was 3.55% of the County's State valuation of \$38,041,800,000. The Town's share is 3.55% or \$284,367 of Cumberland County's \$7,999,569 long-term debt outstanding as of June 30, 2007.

The Town is also served by the Portland Water District. At June 30, 2007, the Town's share of self-supporting bonded water debt is 5.35% or \$1,062,034 of total debt of \$19,862,858. At June 30, 2007, 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 \$888,053. The Town also shares an obligation with the Town of Windham for a joint sewer project. Gorham's share of this debt amounts to \$3,532. The Water District annually assesses the Town for its proportionate share of debt issued for engineering and construction costs of a sewage treatment plant.

B. Contingencies

Ecomaine, formerly Regional Waste Systems, Inc., a Maine corporation with twenty-one participating municipalities including the Town of Gorham, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of Ecomaine, payable from and secured by a pledge of Ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. Ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to Ecomaine for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2007, outstanding "Incinerator Debt" of Ecomaine totaled \$35,772,000 of which the Gorham share, based on estimated tonnage to be delivered, amounted to \$1,437,107.

The Town has also entered into an agreement with Ecomaine, as one of twenty-one Ecomaine Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at Ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2007, the Town's share is \$247,408 of Ecomaine's outstanding MRF debt of \$4,418,000.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES, Continued

Ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$20,454,988 at June 30, 2006, the most recent data available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 4.03% or \$824,629.

Total Debt and Contingencies

| | As of June 30, 2007 | | | |
|--|------------------------------|-----------------------------------|----------------------------------|-----------------------------|
| <u>Governmental Unit</u> | <u>Direct</u> <u>Debt</u> | <u>Overlapping</u> <u>Debt</u> | <u>Contingent</u> <u>Debt</u> | <u>Total</u> <u>Debt</u> |
| Town of Gorham | \$ 30,073,600 | - | - | \$ 30,073,600 |
| Cumberland County | - | 284,367 | - | 284,367 |
| Portland Water District – sewer debt | - | 888,053 | - | 888,053 |
| Portland Water District – sewer shared with Town of Windham | - | 3,532 | - | 3,532 |
| Portland Water District - water debt | - | 1,062,034 | - | 1,062,034 |
| Ecomaine: | | | | |
| Resources recovery system | - | - | 1,437,107 | 1,437,107 |
| Material recycling facility | - | - | 247,408 | 247,408 |
| Landfill closure | - | - | 824,629 | 824,629 |
| Totals | \$ 30,073,600 | \$ 2,237,986 | \$ 2,509,144 | \$ 34,820,730 |

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, 2007, substantially all such calculations have been performed.

D. Grant Funds

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 12 – OVERLAPPING DEBT AND OTHER CONTINGENCIES, Continued

E. Litigation

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

F. Conduit Debt

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

As of June 30, 2007, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$3,135,000.

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, 2007 and 2006, these reimbursements amounted to \$15,575 and \$16,625, 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 2007.

Note 14 – NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2007:

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 14 – NET ASSETS, Continued

| | |
|---|----------------------|
| Capital assets | \$ 89,806,806 |
| Accumulated depreciation | (35,488,458) |
| Bonds payable | (30,073,600) |
| Capital leases | (1,040,747) |
| Add back unspent bond proceeds | <u>-</u> |
| Total invested in capital assets net of related debt | \$ 23,204,001 |

Note 15 - 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 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.

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 15 - TAX INCREMENT FINANCING DISTRICT, Continued

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.

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

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

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

On March 1, 2005, the Town designated a 2.1-acre parcel of land located at 14 County Road (Route 22) as the VIP, Inc. Tax Increment Financing Development District. VIP, Inc., a retail parts, tires, and automotive services business, requested the TIF designation when they found out that one of the conditions of building a new 9,620 sq. ft. retail store on the former Roberts' Welding property would be to construct a center turning lane. VIP estimates that the cost of the

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 15 - TAX INCREMENT FINANCING DISTRICT, Continued

turning lane to be in the \$170,000 range, a cost that “makes the project bear an unreasonable amount of its share of rectifying the traffic problem,” as stated in a February 14, 2005 letter to Town Manager David Cole. The Town Council in a 4-1 vote approved a 15-year TIF, which would give back 50% of the taxes generated from the increased tax value generated from the new building.

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

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

On September 5, 2006, the Town designated a 25 +/- acre site at 615 Main Street as the Nappi Distributors Municipal Development and Tax Increment Finance District. Nappi Distributors plans on constructing a 155,000 sq. ft. commercial facility for beverage warehousing and administration offices. At full build out, the development (land and buildings) is estimated to be valued at \$7,995,500 or an increment of \$7,859,200 from the current value of \$136,130.

This district’s term is for a period of twenty (20) years with 100% of the increased assessed value being split 52%-48% between the developer, Nappi, and the Town. The Town’s portion of the tax increment revenues will be used to support construction and financing costs associated with road and infrastructure improvements to Brackett Road and Libby Avenue.

On May 1, 2007, the Town Council approved the Olde Canal Business Park Tax Increment Financing and Development District. Grondin Properties, LLC intends to develop a 9 lot business park on a 55 acre parcel on Mosher Road (Route 237). This is a 20 year district with 100% of the increased assessed value being shared 48%/52% between the developer, Grondin Properties, LLC and the Town.

The Town’s portion of the tax increment revenues will be used to finance various public improvements such as pay remaining debt of Libby Avenue/Brackett Road project, reconstruct a small portion of New Portland Road, pave Brackett Road, Hutcherson Drive and Sanford Drive, replace brick sidewalk in Gorham Village with concrete, fix storm drains, sidewalk and road in Little Falls Village Business District, provide annual funding for the Economic Development

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 15 - TAX INCREMENT FINANCING DISTRICT, Continued

Corporation, pay Town's share of South Street sidewalk project, install storm drain system on Cross Street, reconstruction portion of Flaggy Meadow Road, purchase land and construct parking lot in Gorham Village Business District, add funds to the Business Revolving Loan Fund, and reconstruct the traffic circle in Little Falls Business District.

Note 16 - 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.

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, 2007, reservations of fund balance are described below:

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

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

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

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 17 – DESIGNATED FUND BALANCES

At June 30, 2007 and 2006, 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>2007</u> | <u>2006</u> |
|---|---------------------|-------------------|
| General Fund: | | |
| D.A.R.E. | \$ 8,188 | \$ 8,698 |
| Bicycle patrol | 376 | 376 |
| Restorative justice grant | 5,661 | 4,742 |
| Drug forfeiture | 8,452 | 4,271 |
| Little Falls substation | 2,272 | 2,272 |
| Seat belt enforcement grant | 2 | - |
| OUI grant | 3 | - |
| Gorham triad | 3,728 | 3,728 |
| Child safety seats | 885 | 885 |
| Fire/rescue donations | 25 | 25 |
| Fire prevention | 1,977 | 1,883 |
| Cumberland County hazmat | 13,850 | 14,156 |
| WMD homeland security | 1,228 | 240 |
| Regional grant - maintenance facility | - | 33,000 |
| Narragansett foundation - fire police vehicle | - | 10,339 |
| Street opening permits | 68,312 | 87,912 |
| Pay-per-bag startup costs | 5,636 | 5,636 |
| Recycling committee | 1,102 | 644 |
| Recreation | 90,779 | 95,281 |
| Tree grant | 1,358 | 1,358 |
| Community Center donations | 750 | 750 |
| Library centennial celebration | 500 | - |
| Vacation/comp/sick reserve | 171,623 | 137,877 |
| Unemployment insurance contingency reserve | 21,500 | 21,500 |
| Employee wellness program | 969 | - |
| Property insurance deductible reserve | 10,000 | - |
| Auto insurance deductible reserve | 4,000 | - |
| Accrued compensated absences | 279,290 | 256,162 |
| FY08 capital budget | 622,345 | - |
| Total general fund | \$ 1,324,811 | \$ 691,735 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 17 – DESIGNATED FUND BALANCES, Continued

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|-----------------|------------------|
| Special Revenue Fund: | | |
| School operation fund: | | |
| Budgeted use of fund balance | 1,269 | 94,050 |
| Total school operation fund | \$ 1,269 | \$ 94,050 |
| Capital reserve fund: | | |
| Village plan study | 6,000 | 6,000 |
| Municipal center building | 34,000 | - |
| Revaluation | 187,162 | 147,162 |
| Paving * | - | (166,713) |
| South St sidewalk (grant project) | 15,386 | 59,218 |
| Impact study - residential growth | 30 | 30 |
| State roads projects | 270,782 | 273,892 |
| Longfellow bridge | 35,000 | 35,000 |
| Extension - Wentworth Drive | 6,500 | 6,500 |
| Fire ponds/dry hydrants | 14,213 | 31,150 |
| Limited access highway | 75,000 | 75,000 |
| Drainage, 130 Main Street | 6,219 | 6,219 |
| Storm water phase II | 5,282 | 18,296 |
| Stumpage | 4,789 | 4,789 |
| Morrell Ave sidewalk | 60,737 | 221,535 |
| Community center granite sign | 4,969 | 4,727 |
| Shaw park | 3,500 | 3,500 |
| Town clock | 45,000 | 75,000 |
| Timber harvest - bypass | 6,841 | - |
| Repairs to outlying fire stations | 10,244 | 14,326 |
| Fire Dept master plan | 200 | 200 |
| Little Falls tennis courts | 1,469 | 1,469 |
| Old Robie school | 25,000 | - |
| Baxter Memorial Library Assoc (BMLA) | 3,977 | 3,013 |
| Baxter library expansion | 13,986 | 20,437 |
| Historical society building repairs | 2,164 | 2,164 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 17 – DESIGNATED FUND BALANCES, Continued

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|-------------|-------------|
| Recreation facility reserve | 125,500 | 125,500 |
| Public Works building | 10,209 | 13,119 |
| Chick property site development | 1,947 | 1,947 |
| Recreation master plan | 1,371 | 8,487 |
| Baxter museum repairs | 20,809 | 17,696 |
| Municipal/community center project | 1,235,247 | 3,474,354 |
| Public safety building project | 35,014 | 113,483 |
| Land acquisition | 281,525 | 281,525 |
| Recreation facility impact fee | 451,872 | 366,823 |
| Open space impact fee | 79,653 | 63,264 |
| Water impact fee | 1,347 | 21,143 |
| Equipment | 119,018 | 90,032 |
| Administration | 6,952 | 6,030 |
| Finance software/computer upgrade | 207,561 | 192,561 |
| Compensation study | 25,000 | 15,000 |
| Assessing | 3,155 | 2,780 |
| Code | 4,622 | 4,474 |
| Town clerk | 6,977 | 2,977 |
| Cemetery maintenance software | 2,878 | - |
| Police vests | 309 | 309 |
| Pistol magazines (duty weapons) | - | 1,200 |
| Shotguns (replacement) | 12 | 2,667 |
| Cruisers | 52,205 | 21,365 |
| Police | 9,561 | 9,561 |
| Communications | 7,276 | 7,276 |
| Fire | 854 | 854 |
| Rescue | 10,885 | 3,545 |
| Public Works | 30,291 | 24,605 |
| Public Works vehicles | 11,510 | 2,061 |
| Fuel depot | 7,459 | 4,421 |
| Baxter Library | 6,926 | 6,053 |
| Recreation | 1,694 | 1,583 |
| Cable TV | 435,215 | 342,799 |
| Planning | 12,445 | 6,817 |
| GIS system | 46,589 | 46,659 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 17 – DESIGNATED FUND BALANCES, Continued

| | <u>2007</u> | <u>2006</u> |
|-----------------------------------|---------------------|---------------------|
| Internet | 18,711 | 18,711 |
| Web site development | 10,143 | 10,143 |
| Rescue reserve | 150,942 | 130,942 |
| Recreation vehicles | - | 2,208 |
| Total capital reserve fund | \$ 4,272,134 | \$ 6,287,888 |
| TIF fund: | | |
| Transformat | 3,007 | - |
| Grondin Properties | 13,318 | - |
| Total TIF fund | \$ 16,325 | \$ - |
| Total governmental funds | \$ 5,614,539 | \$ 7,073,673 |

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

Note 18 – BUDGETARY VS. GAAP ACCOUNTING

Through June 30, 2007, the Town did not budget for expenditures related to teachers' summer pay on an accrual basis. Additionally, for budgetary purposes, the Town has recorded certain encumbrances as expenditures at year-end. The following is a reconciliation of fund balance for the General Fund and School Operations Fund (Special Revenue Fund) on the basis of accounting principles generally accepted in the United States of America and on the budgetary basis.

| | <u>General Fund</u> | <u>Special Revenue School</u> |
|--|-------------------------|-----------------------------------|
| Fund balance (deficit), June 30, 2007 – GAAP basis | \$7,679,363 | \$ (1,888,205) |
| Accrued summer salaries | - | 2,138,128 |
| Encumbrances | (270,652) | (189,364) |
| Fund balance, June 30, 2007 – budgetary basis | \$7,408,711 | \$ 60,559 |

TOWN OF GORHAM, MAINE
Notes to Basic Financial Statements
June 30, 2007

Note 18 – BUDGETARY VS. GAAP ACCOUNTING, Continued

As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Gorham School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,734,591. These amounts have been included as intergovernmental revenue and education expenditure in the General Fund on Statement 2 (GAAP basis). There is no effect on the fund balance at the end of the year.

Additionally, the Gorham School Department has budgeted to utilize \$1,269 of its June 30, 2007 fund balance as part of its fiscal year ending June 30, 2008 budget.

Note 19 – 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 once a year which is expected to cost the Town \$6,000 annually. The demolition debris landfill is now presently capped. Because of the study, the engineers do not expect any contamination problems in the future.

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

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GENERAL FUND

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

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TOWN OF GORHAM, MAINE
Comparative Balance Sheet - General Fund
June 30, 2007 and 2006

| | 2007 | 2006 |
|---|----------------------|-------------------|
| ASSETS | | |
| Cash | \$ 9,397 | 5,071 |
| Investments | 9,683,997 | 9,096,038 |
| Receivables: | | |
| Accounts | 102,368 | 143,744 |
| Rescue receivable (net of allowance of \$50,000 and \$50,000) | 106,131 | 114,204 |
| Taxes receivable - current year | 614,027 | 492,503 |
| Taxes receivable - prior year | 5,925 | 5,985 |
| Tax liens | 243,906 | 276,055 |
| Tax acquired property | 3,623 | 3,623 |
| Inventory | 14,024 | 15,097 |
| Other assets - performance bonds | 1,241,871 | 2,477,424 |
| Total assets | \$ 12,025,269 | 12,629,744 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and payroll withholdings | 536,388 | 698,263 |
| Accrued wages and benefits | 109,173 | 94,860 |
| Interfund loans | 1,693,181 | 1,777,628 |
| Deferred tax revenues | 524,400 | 513,000 |
| Middle school impact fees | 240,893 | 273,960 |
| Performance bond deposits | 1,241,871 | 2,477,424 |
| Total liabilities | 4,345,906 | 5,835,135 |
| Fund balance: | | |
| Reserved for: | | |
| Encumbrances | 270,652 | 298,828 |
| Inventory | 14,024 | 15,097 |
| Unreserved: | | |
| Designated for public safety operations | 46,647 | 84,615 |
| Designated for public works operations | 75,050 | 94,192 |
| Designated for recreation operations | 93,387 | 97,389 |
| Designated for insurance and employee benefits | 487,382 | 415,539 |
| Designated for FY08 capital budget | 622,345 | - |
| Undesignated | 6,069,876 | 5,788,949 |
| Total fund balance | 7,679,363 | 6,794,609 |
| Total liabilities and fund balance | \$ 12,025,269 | 12,629,744 |

TOWN OF GORHAM, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year ended June 30, 2007
(with comparative actual amounts for the year ended June 30, 2006)

| | 2007 | | Variance positive (negative) | 2006 Actual |
|---|---------------|------------|------------------------------------|----------------|
| | Budget | Actual | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 17,026,976 | 17,371,941 | 344,965 | 16,655,014 |
| Change in deferred property tax revenue | - | (11,400) | (11,400) | (33,000) |
| Excise taxes | 2,407,000 | 2,486,679 | 79,679 | 2,480,592 |
| Interest and costs on taxes | 54,000 | 59,570 | 5,570 | 50,037 |
| Total taxes | 19,487,976 | 19,906,790 | 418,814 | 19,152,643 |
| Licenses and permits: | | | | |
| Building permits | 270,000 | 295,675 | 25,675 | 514,879 |
| Plumbing/electrical fees | 27,000 | 26,896 | (104) | 41,001 |
| Motor vehicle renewal fees | 48,600 | 47,778 | (822) | 50,071 |
| Town clerk fees | 33,780 | 48,669 | 14,889 | 42,489 |
| Other | 10,425 | 15,903 | 5,478 | 23,058 |
| Total licenses and permits | 389,805 | 434,921 | 45,116 | 671,498 |
| Intergovernmental: | | | | |
| State revenue sharing | 1,300,000 | 1,265,414 | (34,586) | 1,372,122 |
| Homestead exemption | 331,101 | 331,237 | 136 | 379,972 |
| Highway block grant | 286,240 | 270,924 | (15,316) | 279,760 |
| DARE | - | (510) | (510) | 20 |
| Other state grants | 26,400 | 10,865 | (15,535) | 31,716 |
| Human services assistance | 15,000 | 16,517 | 1,517 | 10,834 |
| Total intergovernmental | 1,958,741 | 1,894,447 | (64,294) | 2,074,424 |
| Investment income | 150,000 | 371,989 | 221,989 | 243,115 |
| Charges for services: | | | | |
| Recreation fees | 39,000 | 40,650 | 1,650 | 30,001 |
| Fire and rescue fees | 351,400 | 376,887 | 25,487 | 409,393 |
| Subdivision/development fees | 127,575 | 120,388 | (7,187) | 88,239 |
| Sewer inspection fees | 3,000 | 3,350 | 350 | 2,900 |
| Miscellaneous public works | 4,700 | 5,911 | 1,211 | 5,854 |
| Cable TV franchise fee | 112,634 | 84,005 | (28,629) | 91,163 |
| Solid waste user charges | 395,000 | 420,548 | 25,548 | 404,425 |
| Police fees, fines and outside work | 17,900 | 25,362 | 7,462 | 20,239 |
| University of Southern Maine assistance | 12,500 | 12,500 | - | 12,500 |
| Total charges for services | 1,063,709 | 1,089,601 | 25,892 | 1,064,714 |

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

| | 2007 | | Variance positive (negative) | 2006 Actual |
|------------------------------------|------------|------------|------------------------------------|----------------|
| | Budget | Actual | | |
| Revenues, continued: | | | | |
| Other revenues: | | | | |
| Cemetery income | \$ 7,500 | 9,323 | 1,823 | 8,725 |
| Rent | 90,000 | 45,000 | (45,000) | 46,080 |
| Recreation reimbursement | - | 510,054 | 510,054 | 483,803 |
| Senior mealsite | 12,500 | 13,672 | 1,172 | 13,710 |
| Payment in lieu of taxes | 52,459 | 54,396 | 1,937 | 55,469 |
| Miscellaneous | 8,600 | 30,751 | 22,151 | 12,663 |
| Miscellaneous unbudgeted | - | 97,736 | 97,736 | 501,163 |
| Total other revenues | 171,059 | 760,932 | 589,873 | 1,121,613 |
| Total revenues | 23,221,290 | 24,458,680 | 1,237,390 | 24,328,007 |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Administration | 400,608 | 383,764 | 16,844 | 367,384 |
| Assessing | 112,351 | 111,600 | 751 | 97,821 |
| Code enforcement | 127,888 | 127,592 | 296 | 117,515 |
| Elections | 235,304 | 227,303 | 8,001 | 225,388 |
| Municipal center* (5 months) | 49,006 | 42,658 | 6,348 | 109,751 |
| Technology | 94,586 | 44,901 | 49,685 | 29,212 |
| Gorham municipal center | 175,780 | 112,820 | 62,960 | 12,970 |
| Total general government | 1,195,523 | 1,050,638 | 144,885 | 960,041 |
| Public safety: | | | | |
| Public safety building* (7 months) | 68,609 | 59,722 | 8,887 | - |
| Police department | 1,622,538 | 1,638,840 | (16,302) | 1,321,890 |
| Fire department | 706,862 | 712,548 | (5,686) | 651,139 |
| Rescue squad | 386,820 | 371,502 | 15,318 | 366,317 |
| Public utilities | 121,300 | 115,814 | 5,486 | 76,727 |
| Communications | - | - | - | 311,417 |
| Total public safety | 2,906,129 | 2,898,426 | 7,703 | 2,727,490 |
| Public works: | | | | |
| Public works maintenance | 1,413,214 | 1,381,649 | 31,565 | 1,226,603 |
| Solid waste removal | 868,177 | 849,152 | 19,025 | 850,150 |
| Engineering | - | - | - | 47,959 |
| Total public works | 2,281,391 | 2,230,801 | 50,590 | 2,124,712 |
| Health and welfare | 68,270 | 55,774 | 12,496 | 45,423 |
| Recreation: | | | | |
| Baxter Memorial Library | 418,034 | 414,759 | 3,275 | 398,761 |
| Baxter Museum | 8,000 | 2,701 | 5,299 | 4,332 |
| Little Falls Library | 1,800 | 1,800 | - | 1,800 |
| North Gorham Library | 12,000 | 12,000 | - | 10,000 |
| Parks and conservation | 500 | 473 | 27 | 500 |
| Recreation | 204,809 | 193,588 | 11,221 | 186,350 |
| Recreation - reimbursable programs | - | 514,556 | (514,556) | 537,839 |
| Total recreation | 645,143 | 1,139,877 | (494,734) | 1,139,582 |

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

| | 2007 | | Variance positive (negative) | 2006 Actual |
|-------------------------------------|------------|-----------|------------------------------------|----------------|
| | Budget | Actual | | |
| Expenditures, continued: | | | | |
| Current, continued: | | | | |
| Development: | | | | |
| Planning | \$ 193,885 | 182,630 | 11,255 | 186,906 |
| Social services | 600 | 600 | - | 600 |
| Appeals board/assessment appeals | 1,650 | 100 | 1,550 | 532 |
| G.P.C.O.G. | 14,141 | 14,141 | - | 14,141 |
| Total development | 210,276 | 197,471 | 12,805 | 202,179 |
| Insurances: | | | | |
| Multi peril policy | 139,000 | 144,086 | (5,086) | 129,480 |
| Public liability | 18,500 | 16,241 | 2,259 | 16,496 |
| Worker's compensation | 112,830 | 94,735 | 18,095 | 101,054 |
| MMA insurance premium | 11,275 | 10,910 | 365 | 10,910 |
| Total insurances | 281,605 | 265,972 | 15,633 | 257,940 |
| Employee benefits: | | | | |
| Group life insurance | 800 | 671 | 129 | 752 |
| Retirement | 262,500 | 204,193 | 58,307 | 250,418 |
| Major medical insurance | 892,740 | 817,529 | 75,211 | 770,586 |
| Direct unemployment compensation | 2,500 | 1,844 | 656 | 1,957 |
| Social security | 352,770 | 313,387 | 39,383 | 312,288 |
| Employee assistance program | 1,000 | 190 | 810 | 1,050 |
| Total employee benefits | 1,512,310 | 1,337,814 | 174,496 | 1,337,051 |
| Intergovernmental - County tax | 693,583 | 693,583 | - | 677,471 |
| Unclassified: | | | | |
| Contingency | 114,255 | 45,296 | 68,959 | 27,000 |
| Town clock | 500 | - | 500 | 500 |
| Memorial Day | 2,100 | 1,790 | 310 | 1,736 |
| Gorham cable TV | 88,734 | 66,354 | 22,380 | 73,057 |
| Gorham sno-goers | 1,000 | - | 1,000 | 1,000 |
| Miscellaneous unbudgeted | - | 105,120 | (105,120) | 287,839 |
| Total unclassified | 206,589 | 218,560 | (11,971) | 391,132 |
| Debt service (excluding education): | | | | |
| Principal | 690,074 | 600,073 | 90,001 | 594,122 |
| Interest | 443,613 | 373,323 | 70,290 | 346,638 |
| Total debt service | 1,133,687 | 973,396 | 160,291 | 940,760 |

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

| | 2007 | | Variance positive (negative) | 2006 Actual |
|---|---------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| Expenditures, continued: | | | | |
| Current, continued: | | | | |
| Total expenditures | \$ 11,134,506 | 11,062,312 | 72,194 | 10,803,781 |
| Excess of revenues over expenditures | 12,086,784 | 13,396,368 | 1,309,584 | 13,524,226 |
| Other financing sources (uses): | | | | |
| Transfers to school fund | (11,736,688) | (11,736,688) | - | (11,540,653) |
| Transfers to special revenue - economic development | (63,000) | (63,000) | - | (53,486) |
| Transfers to special revenue - capital reserve | (490,099) | (886,753) | (396,654) | (1,128,424) |
| Transfers in from special revenue - TIF and capital reserve funds | 203,003 | 203,003 | - | 273,486 |
| Total other financing sources (uses) | (12,086,784) | (12,483,438) | (396,654) | (12,449,077) |
| Excess of revenues and other financing sources over expenditures and other uses - budgetary basis | | 912,930 | 912,930 | 1,075,149 |
| Reconciliation to GAAP basis: | | | | |
| Change in encumbrances | | (28,176) | | (80,471) |
| | | (28,176) | | (80,471) |
| Net change in fund balance | | 884,754 | | 994,678 |
| Fund balance, beginning of year | | 6,794,609 | | 5,799,931 |
| Fund balance, end of year | \$ | 7,679,363 | | 6,794,609 |

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ALL OTHER GOVERNMENTAL FUNDS

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TOWN OF GORHAM, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2007

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Other Governmental Funds |
|--|-----------------------------|------------------------------|--------------------|--------------------------------------|
| ASSETS | | | | |
| Cash | \$ 97,361 | - | - | 97,361 |
| Investments | 62,172 | 452,154 | 611,987 | 1,126,313 |
| Accounts receivable | 229,872 | - | - | 229,872 |
| Notes receivable | 15,188 | - | - | 15,188 |
| Intergovernmental | 563,383 | - | - | 563,383 |
| Inventory | 30,581 | - | - | 30,581 |
| Interfund loans receivable | 1,490,657 | 40,517 | 26,096 | 1,557,270 |
| Total assets | \$ 2,489,214 | 492,671 | 638,083 | 3,619,968 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 26,527 | 134,453 | 6,651 | 167,631 |
| Interfund loans payable | 404,873 | - | 36,415 | 441,288 |
| Total liabilities | 431,400 | 134,453 | 43,066 | 608,919 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Noncurrent receivables/encumbrances | 15,188 | - | - | 15,188 |
| Inventory | 30,581 | - | - | 30,581 |
| Nonexpendable trust principal | - | - | 375,446 | 375,446 |
| Unreserved: | | | | |
| Designated for TIF reimbursements | 16,325 | - | - | 16,325 |
| Undesignated | 1,995,720 | 358,218 | 219,571 | 2,573,509 |
| Total fund balance | 2,057,814 | 358,218 | 595,017 | 3,011,049 |
| Total liabilities and fund balances | \$ 2,489,214 | 492,671 | 638,083 | 3,619,968 |

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2007

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Other Governmental Funds |
|--|-----------------------------|------------------------------|--------------------|--------------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 318,258 | - | - | 318,258 |
| Intergovernmental | 1,696,957 | - | - | 1,696,957 |
| Investment income | 7,312 | 22,707 | 28,890 | 58,909 |
| Other revenue | 1,823,087 | 14,000 | 38,596 | 1,875,683 |
| Total revenues | 3,845,614 | 36,707 | 67,486 | 3,949,807 |
| Expenditures: | | | | |
| Current: | | | | |
| Education | 1,121,630 | - | - | 1,121,630 |
| Public works - sewer | 733,968 | - | - | 733,968 |
| Other: | | | | |
| Food services | 900,204 | - | - | 900,204 |
| Miscellaneous | 284,061 | - | 43,066 | 327,127 |
| Debt service: | | | | |
| Principal | 223,250 | - | - | 223,250 |
| Interest and other costs | 25,087 | - | - | 25,087 |
| Capital improvements | - | 253,750 | - | 253,750 |
| Total expenditures | 3,288,200 | 253,750 | 43,066 | 3,585,016 |
| Excess (deficiency) of revenues over (under) expenditures | 557,414 | (217,043) | 24,420 | 364,791 |
| Other financing sources (uses): | | | | |
| Transfer from other funds | 63,000 | - | - | 63,000 |
| Transfer to other funds | (203,003) | - | - | (203,003) |
| Total other financing sources (uses) | (140,003) | - | - | (140,003) |
| Net change in fund balances | 417,411 | (217,043) | 24,420 | 224,788 |
| Fund balances, beginning of year | 1,640,403 | 575,261 | 570,597 | 2,786,261 |
| Fund balances, end of year | \$ 2,057,814 | 358,218 | 595,017 | 3,011,049 |

SPECIAL REVENUE FUNDS

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

Special revenue funds are established for the following purposes:

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

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

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

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

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

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

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

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

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

FEMA/MEMA Projects -- To account for the activity related to storm damage in federally designated disaster areas. For fiscal year 2007, the activity was related to the April 16, 2007 storm.

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

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

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TOWN OF GORHAM, MAINE
Combining Balance Sheet
Special Revenue Funds
June 30, 2007

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

| | 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 | FEMA/ MEMA Projects | Gorham Senior Citizens | TIF Funds | 2007 | 2006 |
| ASSETS | | | | | | | | | | | | |
| Cash | \$ - | 30,671 | - | - | 16,120 | 2,555 | 48,015 | - | - | - | 97,361 | 122,838 |
| Investments | - | - | - | 51,670 | - | - | - | - | 10,502 | - | 62,172 | 59,501 |
| Accounts receivable | - | 907 | 228,965 | - | - | - | - | - | - | - | 229,872 | 90,878 |
| Notes receivable | - | - | - | - | - | - | - | - | - | 15,188 | 15,188 | - |
| Due from other governments | 475,046 | 35,468 | - | - | - | - | - | - | - | - | 563,383 | 99,490 |
| Inventory | - | 30,581 | - | - | - | - | - | - | - | - | 30,581 | 20,203 |
| Interfund loans receivable | 198,071 | 12,610 | 911,712 | 14,552 | 30,908 | - | - | - | - | 322,804 | 1,490,657 | 1,563,940 |
| Total assets | \$ 673,117 | 110,237 | 1,140,677 | 66,222 | 47,028 | 2,555 | 48,015 | 52,869 | 10,502 | 337,992 | 2,489,214 | 1,956,850 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Accounts payable | 15,567 | - | - | - | - | - | - | 10,960 | - | - | 26,527 | 17,445 |
| Deferred Medicaid revenues | - | - | - | - | - | - | - | - | - | - | - | 92,951 |
| Interfund loans payable | 258,679 | 104,285 | - | - | - | - | - | 41,909 | - | - | 404,873 | 206,051 |
| Total liabilities | 274,246 | 104,285 | - | - | - | - | - | 52,869 | - | - | 431,400 | 316,447 |
| Fund balances: | | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | | |
| Noncurrent receivables/encumbrances | - | - | - | - | - | - | - | - | - | 15,188 | 15,188 | - |
| Inventory | - | 30,581 | - | - | - | - | - | - | - | - | 30,581 | 20,203 |
| Unreserved: | | | | | | | | | | | | |
| Designated | - | - | - | - | - | - | - | - | - | - | 16,325 | - |
| Undesignated | 398,871 | (24,629) | 1,140,677 | 66,222 | 47,028 | 2,555 | 48,015 | - | 10,502 | 306,479 | 1,995,720 | 1,620,200 |
| Total fund balances | 398,871 | 5,952 | 1,140,677 | 66,222 | 47,028 | 2,555 | 48,015 | - | 10,502 | 337,992 | 2,057,814 | 1,640,403 |
| Total liabilities and fund balances | \$ 673,117 | 110,237 | 1,140,677 | 66,222 | 47,028 | 2,555 | 48,015 | 52,869 | 10,502 | 337,992 | 2,489,214 | 1,956,850 |

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the year ended June 30, 2007
(with comparative actual amounts for the year ended June 30, 2006)

| | School Special Revenue Funds | School Lunch Fund | Sewer Operations Fund | Sewer Reserve and Loan Fund | Economic Development Fund | Recreation Funds | Public Safety Funds | FEMA/ MEMA Projects | Gorham Senior Citizens | TIF Funds | Totals | |
|-------------------------------|---------------------------------------|-------------------------|-----------------------------|--------------------------------------|---------------------------------|---------------------|---------------------------|---------------------------|------------------------------|--------------|-----------|-----------|
| | | | | | | | | | | | 2007 | 2006 |
| Revenues: | | | | | | | | | | | | |
| Intergovernmental: | | | | | | | | | | | | |
| Federal grants | \$ 823,447 | - | - | - | - | - | - | 44,342 | - | - | 867,789 | 842,500 |
| Other state grants | 574,773 | - | - | - | - | - | - | 8,527 | - | - | 583,300 | 216,427 |
| USDA subsidies | - | 245,868 | - | - | - | - | - | - | - | - | 245,868 | 229,907 |
| Total intergovernmental | 1,398,220 | 245,868 | - | - | - | - | - | 52,869 | - | - | 1,696,957 | 1,288,834 |
| Investment income | - | 4,536 | - | 2,220 | 16 | - | - | - | 451 | 89 | 7,312 | 2,084 |
| Other revenues: | | | | | | | | | | | | |
| Property taxes | - | - | - | - | - | - | - | - | - | 318,258 | 318,258 | 263,793 |
| Hannaford payment | - | - | 15,575 | - | - | - | - | - | - | - | 15,575 | 16,625 |
| User fees | - | - | 1,130,676 | - | - | - | - | - | - | - | 1,130,676 | 736,093 |
| Miscellaneous | - | 656,993 | - | - | 70 | 6,170 | 13,449 | - | - | 154 | 676,836 | 668,131 |
| Total other revenues | - | 656,993 | 1,146,251 | - | 70 | 6,170 | 13,449 | - | - | 318,412 | 2,141,345 | 1,684,642 |
| Total revenues | 1,398,220 | 907,397 | 1,146,251 | 2,220 | 86 | 6,170 | 13,449 | 52,869 | 451 | 318,501 | 3,845,614 | 2,745,653 |
| Expenditures: | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Education: | | | | | | | | | | | | |
| Federal education grants | 779,108 | - | - | - | - | - | - | - | - | - | 779,108 | 876,325 |
| State grants and special uses | 342,522 | - | - | - | - | - | - | - | - | - | 342,522 | 290,485 |
| Total education | 1,121,630 | - | - | - | - | - | - | - | - | - | 1,121,630 | 1,166,810 |
| Public works - sewer costs | - | - | 733,968 | - | - | - | - | - | - | - | 733,968 | 624,582 |
| Other: | | | | | | | | | | | | |
| Food services | - | 900,204 | - | - | - | - | - | - | - | - | 900,204 | 927,436 |
| Miscellaneous | - | - | - | - | 55,801 | 11,201 | 10,872 | 52,869 | - | 153,318 | 284,061 | 187,117 |
| Total other | - | 900,204 | - | - | 55,801 | 11,201 | 10,872 | 52,869 | - | 153,318 | 1,184,265 | 1,114,553 |
| Debt service: | | | | | | | | | | | | |
| Principal | - | - | 223,250 | - | - | - | - | - | - | - | 223,250 | 208,650 |
| Interest | - | - | 25,087 | - | - | - | - | - | - | - | 25,087 | 41,298 |
| Total debt service | - | - | 248,337 | - | - | - | - | - | - | - | 248,337 | 249,948 |
| Total expenditures | 1,121,630 | 900,204 | 982,305 | - | 55,801 | 11,201 | 10,872 | 52,869 | - | 153,318 | 3,288,200 | 3,155,893 |

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the year ended June 30, 2007
(with comparative actual amounts for the year ended June 30, 2006)

| | Little Falls | | | | | | | | | | | Totals | |
|--|---------------------------------------|-------------------------|---------------------|--------------------------------------|---------------------------------|---------------------|---------------------------|---------------------------|------------------------------|----------------|------------------|------------------|------|
| | School Special Revenue Funds | School Lunch Fund | Sewer Operations | Sewer Reserve and Loan Fund | Economic Development Fund | Recreation Funds | Public Safety Funds | FEMA/ MEMA Projects | Gorham Senior Citizens | TIF Funds | | 2007 | 2006 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 276,590 | 7,193 | 163,946 | 2,220 | (55,715) | (5,031) | 2,577 | - | 451 | 165,183 | 557,414 | (233,819) | |
| Other financing sources (uses): | | | | | | | | | | | | | |
| Transfers in | - | - | - | - | 63,000 | - | - | - | - | - | 63,000 | 55,278 | |
| Transfers out | - | - | - | - | - | - | - | - | - | (203,003) | (203,003) | (84,294) | |
| Total other financing sources (uses) | - | - | - | - | 63,000 | - | - | - | - | (203,003) | (140,003) | (29,016) | |
| Net change in fund balance | 276,590 | 7,193 | 163,946 | 2,220 | 7,285 | (5,031) | 2,577 | - | 451 | (37,820) | 417,411 | (262,835) | |
| Fund balances (deficit), beginning of year | 122,281 | (1,241) | 976,731 | 64,002 | 39,743 | 7,586 | 45,438 | - | 10,051 | 375,812 | 1,640,403 | 1,903,238 | |
| Fund balances, end of year | \$ 398,871 | 5,952 | 1,140,677 | 66,222 | 47,028 | 2,555 | 48,015 | - | 10,502 | 337,992 | 2,057,814 | 1,640,403 | |

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CAPITAL PROJECTS FUND

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

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

Middle School Construction

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

White Rock School Project

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

Various School Projects

To account for various maintenance projects for the School Department.

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TOWN OF GORHAM, MAINE
Combining Balance Sheet
Capital Project Funds
June 30, 2007

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

| | Middle School Project | White Rock School Project | Various School Project | Totals | |
|--|-----------------------------|---------------------------------|------------------------------|----------------|----------------|
| | | | | 2007 | 2006 |
| ASSETS | | | | | |
| Investments | \$ 452,154 | - | - | 452,154 | 445,275 |
| Interfund receivables | - | 1,472 | 39,045 | 40,517 | 129,986 |
| Total assets | \$ 452,154 | 1,472 | 39,045 | 492,671 | 575,261 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 134,453 | - | - | 134,453 | - |
| Total liabilities | 134,453 | - | - | 134,453 | - |
| Fund balances: | | | | | |
| Unreserved, undesignated | 317,701 | 1,472 | 39,045 | 358,218 | 575,261 |
| Total fund balances | 317,701 | 1,472 | 39,045 | 358,218 | 575,261 |
| Total liabilities and fund balances | \$ 452,154 | 1,472 | 39,045 | 492,671 | 575,261 |

TOWN OF GORHAM, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007
(with comparative actual amounts for the year ended June 30, 2006)

| | Middle School Project | White Rock School Project | Various School Projects | Totals | |
|--|-----------------------------|---------------------------------|-------------------------------|-----------|-----------|
| | | | | 2007 | 2006 |
| Revenues: | | | | | |
| Intergovernmental | \$ - | - | - | - | 112,237 |
| Interest income | 22,707 | - | - | 22,707 | 23,139 |
| Miscellaneous income | - | - | 14,000 | 14,000 | 16,000 |
| Total revenues | 22,707 | - | 14,000 | 36,707 | 151,376 |
| Expenditures: | | | | | |
| Capital improvements: | | | | | |
| Construction and renovation | 150,281 | 97,342 | 6,127 | 253,750 | 47,683 |
| Total capital improvements | 150,281 | 97,342 | 6,127 | 253,750 | 47,683 |
| Total expenditures | 150,281 | 97,342 | 6,127 | 253,750 | 47,683 |
| Excess (deficiency) of revenues over (under) expenditures | (127,574) | (97,342) | 7,873 | (217,043) | 103,693 |
| Other financing sources: | | | | | |
| Transfers - in | - | - | - | - | 100,000 |
| Transfers - out | - | - | - | - | (303,170) |
| Total other financing sources | - | - | - | - | (203,170) |
| Net change in fund balance | (127,574) | (97,342) | 7,873 | (217,043) | (99,477) |
| Fund balances, beginning of year | 445,275 | 98,814 | 31,172 | 575,261 | 674,738 |
| Fund balances, end of year | \$ 317,701 | 1,472 | 39,045 | 358,218 | 575,261 |

PERMANENT FUND

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

Cemetery Perpetual Care

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

Parks and Recreation Grounds

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

Baxter Library and Museum

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

Schools

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

Public Purposes and Civic Improvements

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

Miscellaneous

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

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TOWN OF GORHAM, MAINE
Combining Balance Sheet
Permanent Funds

June 30, 2007

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

| | | Cemetery Perpetual Care | Parks and Recreation Grounds | Baxter Library and Museum | Schools | Public Improvements and Civic | Totals | | |
|-------------------------------------|----|-------------------------------|---------------------------------------|------------------------------------|---------|-------------------------------------|---------------|---------|---------|
| | | | | | | | Miscellaneous | 2007 | 2006 |
| ASSETS | | | | | | | | | |
| Investments | \$ | 176,207 | 12,964 | 199,523 | 39,641 | 14,986 | 168,666 | 611,987 | 576,290 |
| Interfund loans receivable | | 15,725 | - | 10,371 | - | - | - | 26,096 | 11,664 |
| Total assets | | 191,932 | 12,964 | 209,894 | 39,641 | 14,986 | 168,666 | 638,083 | 587,954 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | | 6,651 | - | - | - | - | - | 6,651 | 6,659 |
| Interfund loans payable | | - | 115 | 36,300 | - | - | - | 36,415 | 10,698 |
| Total liabilities | | 6,651 | 115 | 36,300 | - | - | - | 43,066 | 17,357 |
| Fund balances: | | | | | | | | | |
| Principal | | 185,264 | 4,125 | 109,694 | 5,171 | 9,372 | 61,820 | 375,446 | 358,817 |
| Unexpended income | | 17 | 8,724 | 63,900 | 34,470 | 5,614 | 106,846 | 219,571 | 211,780 |
| Total fund balances | | 185,281 | 12,849 | 173,594 | 39,641 | 14,986 | 168,666 | 595,017 | 570,597 |
| Total liabilities and fund balances | | | | | | | | | |
| | \$ | 191,932 | 12,964 | 209,894 | 39,641 | 14,986 | 168,666 | 638,083 | 587,954 |

TOWN OF GORHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Permanent Funds

For the year ended June 30, 2007

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

| | | Cemetery Perpetual Care | Parks and Recreation Grounds | Baxter Library and Museum | Schools | Public Purpose Improvements and Civic | Miscellaneous | Totals |
|-----------------------------------|-----------|-------------------------------|---------------------------------------|------------------------------------|---------------|--|----------------|-----------------------------|
| | | | | | | | | 2007 2006 |
| Revenues: | | | | | | | | |
| Investment income | \$ | 7,366 | 558 | 8,964 | 1,704 | 644 | 9,654 | 28,890 6,955 |
| Other miscellaneous | | - | - | 10,371 | - | - | - | 10,371 - |
| Donations | | 15,725 | - | 12,500 | - | - | - | 28,225 12,164 |
| Total revenues | | 23,091 | 558 | 31,835 | 1,704 | 644 | 9,654 | 67,486 19,119 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Debt Service: | | | | | | | | |
| Principal | | - | - | - | - | - | - | - 2,358 |
| Interest and other charges | | - | - | - | - | - | - | - 87 |
| Other miscellaneous | | 6,651 | 115 | 36,300 | - | - | - | 43,066 14,912 |
| Total expenditures | | 6,651 | 115 | 36,300 | - | - | - | 43,066 17,357 |
| Net change in fund balance | | 16,440 | 443 | (4,465) | 1,704 | 644 | 9,654 | 24,420 1,762 |
| Fund balances, beginning of year | | 168,841 | 12,406 | 178,059 | 37,937 | 14,342 | 159,012 | 570,597 568,835 |
| Fund balances, end of year | \$ | 185,281 | 12,849 | 173,594 | 39,641 | 14,986 | 168,666 | 595,017 570,597 |

FIDUCIARY FUNDS

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TOWN OF GORHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

| | Agency Funds | Private- purpose Trust Funds |
|---|-------------------------|---|
| ASSETS | | |
| Cash | \$ 194,891 | - |
| Investments | - | 32,907 |
| Total assets | 194,891 | 32,907 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Due to student groups | 194,891 | - |
| Accounts payable | - | 500 |
| Total liabilities | 194,891 | 500 |
| Net assets: | | |
| Principal | - | 31,642 |
| Unexpended income | - | 765 |
| Total net assets | - | 32,407 |
| Total liabilities and and net assets | \$ 194,891 | 32,907 |

TOWN OF GORHAM, MAINE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

(with comparative actual amounts for June 30, 2006)

| | Agency Funds | | | | | | | | | Totals | |
|--------------------------|------------------------------------|-------------------------------|-----------------------------------|------------------------|---------------------|-----------------------------|--------------------------------------|--------------|----------------------|----------------|----------------|
| | High School Activity Fund | High School CBE Fund | White Rock Activity Fund | Narragansett Office | Narragansett PIE | Village Activity Fund | Middle School Activity Fund | GCVE | Special Education | 2007 | 2006 |
| ASSETS | | | | | | | | | | | |
| Cash | \$ 130,855 | 685 | 11,657 | 1,057 | 16,396 | 11,584 | 17,126 | 2,223 | 3,308 | 194,891 | 199,935 |
| Total assets | \$ 130,855 | 685 | 11,657 | 1,057 | 16,396 | 11,584 | 17,126 | 2,223 | 3,308 | 194,891 | 199,935 |
| LIABILITIES | | | | | | | | | | | |
| Due to student groups | 130,855 | 685 | 11,657 | 1,057 | 16,396 | 11,584 | 17,126 | 2,223 | 3,308 | 194,891 | 199,935 |
| Total liabilities | \$ 130,855 | 685 | 11,657 | 1,057 | 16,396 | 11,584 | 17,126 | 2,223 | 3,308 | 194,891 | 199,935 |

TOWN OF GORHAM, MAINE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007
(with comparative actual amounts for June 30, 2006)

| (With comparative actual amounts for June 30, 2006) | | | | | | | | | |
|---|---------------------------------|---|--------------------------------|--|-------------------------------|------------------------------------|--------|--------|--------|
| Private-purpose Trust Funds | | | | | | | | | |
| | Malcolm Smith Scholarship | Bob Grant Memorial Scholarship | Harry Shevis Scholarship | Watson Family Trust Scholarship | Thomas Fogg Scholarship | Arthur/Jane Fogg Scholarship | Totals | | |
| | | | | | | | 2007 | 2006 | |
| ASSETS | | | | | | | | | |
| Investments | \$ | 3,010 | 2,385 | 4,334 | 12,905 | 8,737 | 1,536 | 32,907 | 31,094 |
| Total assets | | 3,010 | 2,385 | 4,334 | 12,905 | 8,737 | 1,536 | 32,907 | 31,094 |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | | 100 | - | 100 | 300 | - | - | 500 | 600 |
| Total liabilities | | 100 | - | 100 | 300 | - | - | 500 | 600 |
| Net assets: | | | | | | | | | |
| Principal | | 2,810 | 2,250 | 4,134 | 12,175 | 8,737 | 1,536 | 31,642 | 29,836 |
| Unexpended income | | 100 | 135 | 100 | 430 | - | - | 765 | 658 |
| Total net assets | | 2,910 | 2,385 | 4,234 | 12,605 | 8,737 | 1,536 | 32,407 | 30,494 |
| Total liabilities and and net assets | \$ | 3,010 | 2,385 | 4,334 | 12,905 | 8,737 | 1,536 | 32,907 | 31,094 |

TOWN OF GORHAM, MAINE
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private-purpose
For the year ended June 30, 2007
(with comparative actual amounts for June 30, 2006)

| | Malcolm Smith Scholarship | Bob Grant Memorial Scholarship | Harry Shevis Scholarship | Watson Family Trust Scholarship | Thomas Fogg Scholarship | Arthur & Jane Fogg Scholarship | Totals | |
|---|---------------------------------|---|--------------------------------|--|-------------------------------|---|--------|---------|
| | | | | | | | 2007 | 2006 |
| Additions: | | | | | | | | |
| Contributions: | | | | | | | | |
| Donations | \$ - | - | 1,000 | - | - | - | 1,000 | 1,000 |
| Investment earnings: | | | | | | | | |
| Interest | 121 | 97 | 151 | 512 | 339 | 60 | 1,280 | 1,266 |
| Net increase/(decrease) in the fair value of investments | 13 | 10 | 13 | 55 | 36 | 6 | 133 | (1,071) |
| Total additions | 134 | 107 | 1,164 | 567 | 375 | 66 | 2,413 | 1,195 |
| Deductions: | | | | | | | | |
| Current: | | | | | | | | |
| Scholarships awarded | 100 | - | 100 | 300 | - | - | 500 | 600 |
| Total deductions | 100 | - | 100 | 300 | - | - | 500 | 600 |
| Changes in net assets | 34 | 107 | 1,064 | 267 | 375 | 66 | 1,913 | 595 |
| Net assets, beginning of year | 2,876 | 2,278 | 3,170 | 12,338 | 8,362 | 1,470 | 30,494 | 29,899 |
| Net assets, end of year | \$ 2,910 | 2,385 | 4,234 | 12,605 | 8,737 | 1,536 | 32,407 | 30,494 |

TOWN OF GORHAM, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2007

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 |
|------------------------------------|-------------------------|----------------|----------------|--------------------------|
| ASSETS | | | | |
| Cash: | | | | |
| High School Activity Fund | \$ 131,920 | 549,604 | 550,669 | 130,855 |
| Gorham High School CBE | - | 1,292 | 607 | 685 |
| White Rock Activity Fund | 13,822 | 17,403 | 19,568 | 11,657 |
| Narragansett Office | 2,952 | 6,143 | 8,038 | 1,057 |
| Narragansett PIE | 15,186 | 32,611 | 31,401 | 16,396 |
| Village Activity Fund | 13,863 | 43,906 | 46,185 | 11,584 |
| Middle School Activity Fund | 19,960 | 141,200 | 144,034 | 17,126 |
| GCVE | 2,215 | 4,558 | 4,550 | 2,223 |
| Special Education | 17 | 6,977 | 3,686 | 3,308 |
| Total assets | \$ 199,935 | 803,694 | 808,738 | 194,891 |
| LIABILITIES | | | | |
| Funds held for student activities: | | | | |
| High School Activity Fund | 131,920 | 549,604 | 550,669 | 130,855 |
| Gorham High School CBE | - | 1,292 | 607 | 685 |
| White Rock Activity Fund | 13,822 | 17,403 | 19,568 | 11,657 |
| Narragansett Office | 2,952 | 6,143 | 8,038 | 1,057 |
| Narragansett PIE | 15,186 | 32,611 | 31,401 | 16,396 |
| Village Activity Fund | 13,863 | 43,906 | 46,185 | 11,584 |
| Middle School Activity Fund | 19,960 | 141,200 | 144,034 | 17,126 |
| GCVE | 2,215 | 4,558 | 4,550 | 2,223 |
| Special Education | 17 | 6,977 | 3,686 | 3,308 |
| Total liabilities | \$ 199,935 | 803,694 | 808,738 | 194,891 |

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

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TOWN OF GORHAM, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2007
(with comparative actual amounts for the year ended June 30, 2006)

| | Totals | |
|--|----------------------|-------------------|
| | 2007 | 2006 |
| Governmental fund capital assets: | | |
| Land and buildings | \$ 53,226,414 | 47,336,716 |
| Furniture and equipment | 13,913,736 | 11,957,240 |
| Infrastructure | 22,666,656 | 25,064,490 |
| Total governmental fund capital assets | \$ 89,806,806 | 84,358,446 |
| Investments in governmental fund capital assets by source: | | |
| General fund | 89,427,286 | 79,910,969 |
| Capital project funds | 379,520 | 4,447,477 |
| Total governmental fund capital assets | \$ 89,806,806 | 84,358,446 |

TOWN OF GORHAM, MAINE
Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity
June 30, 2007
(with comparative actual amounts for the year ended June 30, 2006)

| Function and Activity | Land and buildings | Furniture and equipment | Infrastructure | Totals | |
|---|-----------------------|----------------------------|-------------------|-------------------|-------------------|
| | | | | 2007 | 2006 |
| General government | \$ 8,281,057 | 1,038,210 | - | 9,319,267 | 3,202,797 |
| Education | 39,214,294 | 4,280,562 | - | 43,494,856 | 43,351,789 |
| Public safety | 1,144,713 | 4,227,917 | - | 5,372,630 | 4,362,175 |
| Public works | 1,753,811 | 2,869,775 | 22,287,136 | 26,910,722 | 24,794,656 |
| Recreation, library and museum | 2,832,539 | 406,998 | - | 3,239,537 | 3,109,278 |
| Construction in progress | - | - | 379,520 | 379,520 | 4,447,477 |
| Book collection, historical treasures and artwork | - | 1,090,274 | - | 1,090,274 | 1,090,274 |
| Total governmental fund capital assets | \$ 53,226,414 | 13,913,736 | 22,666,656 | 89,806,806 | 84,358,446 |

Exhibit G-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2007

| Function and Activity | Balance | | | Balance |
|---|----------------------|-------------------|------------------|-------------------|
| | 2006 | Additions | Deletions | 2007 |
| General government | \$ 3,202,797 | 6,834,598 | 20,308 | 10,017,087 |
| Education | 43,351,789 | 159,864 | 16,797 | 43,494,856 |
| Public safety | 4,362,175 | 436,082 | 84,729 | 4,713,528 |
| Public works | 24,794,656 | 2,228,581 | 151,233 | 26,872,004 |
| Recreation, library and museum | 3,109,278 | 130,259 | - | 3,239,537 |
| Construction in progress | 4,447,477 | 379,520 | 4,447,477 | 379,520 |
| Book collection, historical treasures and artwork | 1,090,274 | - | - | 1,090,274 |
| Totals | \$ 84,358,446 | 10,168,904 | 4,720,544 | 89,806,806 |

Note: Addition and Deletion totals include the assets transferred from one function/activity to another function/activity during fiscal year 2007 and amounts to \$75,287.

STATISTICAL SECTION

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

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

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

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Table 1

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | \$ 10,150,993 | \$ 13,820,834 | \$ 16,377,091 | \$ 17,962,590 | \$ 23,204,001 |
| Restricted | 350,383 | 354,163 | 352,781 | 384,443 | 375,446 |
| Unrestricted | <u>12,901,374</u> | <u>11,607,484</u> | <u>11,735,345</u> | <u>13,430,419</u> | <u>12,441,818</u> |
| Total governmental activities net assets | <u>\$ 23,402,750</u> | <u>\$ 25,782,481</u> | <u>\$ 28,465,217</u> | <u>\$ 31,777,452</u> | <u>\$ 36,021,265</u> |

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

Table 2

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

| | Fiscal Year | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,281,895 | \$ 2,562,887 | \$ 3,925,978 | \$ 4,023,144 | \$ 3,897,193 |
| Public safety | 2,496,047 | 2,819,226 | 2,879,251 | 2,979,424 | 3,317,132 |
| Public works | 1,957,858 | 1,973,330 | 3,262,818 | 3,517,160 | 3,902,787 |
| Health and welfare | 44,010 | 57,263 | 52,415 | 45,423 | 55,774 |
| Recreation | 267,235 | 1,039,901 | 1,264,777 | 1,229,648 | 1,216,449 |
| Development | 425,216 | 445,018 | 377,263 | 414,130 | 406,590 |
| County tax ³ | 595,692 | 645,663 | - | - | - |
| Education | 23,475,662 | 26,265,868 | 27,770,333 | 30,564,714 | 31,417,334 |
| Interest on debt | 1,251,078 | 1,158,576 | 1,306,889 | 1,370,154 | 1,272,191 |
| Capital maintenance ² | 944,278 | - | - | - | - |
| Total governmental activities expenses | <u>33,738,971</u> | <u>36,967,732</u> | <u>40,839,724</u> | <u>44,143,797</u> | <u>45,485,450</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 352,799 | 474,992 | 553,250 | 762,661 | 518,926 |
| Public safety | 1,176,497 | 1,167,015 | 265,997 | 435,752 | 434,044 |
| Public works | 530,137 | 420,736 | 1,205,385 | 1,181,418 | 1,571,638 |
| Health and welfare | 12,735 | 13,712 | 12,186 | 13,710 | 13,672 |
| Recreation | 35,739 | 124,983 | 568,976 | 513,804 | 550,704 |
| Development | 51,735 | 55,508 | 99,721 | 91,139 | 123,738 |
| Education | 574,896 | 633,132 | 660,199 | 669,220 | 696,114 |
| Operating grants and contributions | 13,897,976 | 15,671,082 | 16,493,334 | 19,244,840 | 20,628,587 |
| Capital grants and contributions | 175,064 | 256,658 | 1,800,096 | 2,262,981 | 2,318,647 |
| Total governmental activities program revenues | <u>16,807,578</u> | <u>18,817,818</u> | <u>21,659,144</u> | <u>25,175,525</u> | <u>26,856,070</u> |
| Net (expense)/revenue, governmental activities | <u>(16,931,393)</u> | <u>(18,149,914)</u> | <u>(19,180,580)</u> | <u>(18,968,272)</u> | <u>(18,629,380)</u> |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | 14,808,959 | 16,253,550 | 17,234,005 | 16,918,807 | 17,690,199 |
| Payment in lieu of taxes | 45,233 | 52,922 | 51,083 | 55,469 | 54,396 |
| Motor vehicle and boat excise taxes | 2,107,389 | 2,267,577 | 2,359,645 | 2,480,592 | 2,486,679 |
| Grants and contributions not restricted | | | | | |
| Homestead exemption | 441,123 | 410,820 | 369,434 | 379,972 | 331,237 |
| Other state aid | 22,265 | 27,119 | 27,807 | 31,716 | 10,865 |
| State revenue sharing | 1,194,609 | 1,236,201 | 1,302,053 | 1,372,122 | 1,265,414 |
| Unrestricted investment earnings | 317,110 | 151,965 | 273,500 | 628,511 | 727,022 |
| Miscellaneous revenues | 194,214 | 129,491 | 245,789 | 251,818 | 307,381 |
| Special item - sale of property | - | - | - | 161,500 | - |
| Total governmental activities | <u>19,130,902</u> | <u>20,529,645</u> | <u>21,863,316</u> | <u>22,280,507</u> | <u>22,873,193</u> |
| Change in Net Assets | | | | | |
| Governmental activities | <u>\$ 2,199,509</u> | <u>\$ 2,379,731</u> | <u>\$ 2,682,736</u> | <u>\$ 3,312,235</u> | <u>\$ 4,243,813</u> |

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

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

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

Table 3

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

| Fiscal Year | | Property Taxes | | Interest & Costs on Taxes | | Excise Taxes | | Total |
|------------------------|----|---------------------------|----|--|----|-------------------------|----|--------------|
| 2003 | \$ | 14,828,959 | \$ | 76,937 | \$ | 2,107,389 | \$ | 17,013,285 |
| 2004 | | 16,289,550 | | 65,968 | | 2,267,577 | | 18,623,095 |
| 2005 | | 17,192,005 | | 53,883 | | 2,359,645 | | 19,605,533 |
| 2006 | | 16,885,807 | | 50,037 | | 2,480,592 | | 19,416,436 |
| 2007 | | 17,678,799 | | 59,570 | | 2,486,679 | | 20,225,048 |

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

Table 4

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

| | Fiscal Year | | | | |
|------------------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| General fund | | | | | |
| Reserved | \$ 378,959 | \$ 523,870 | \$ 390,487 | \$ 313,925 | \$ 284,676 |
| Unreserved | 4,040,140 | 4,461,349 | 5,409,444 | 6,480,684 | 7,394,687 |
| Total General Fund | <u>4,419,099</u> | <u>4,985,219</u> | <u>5,799,931</u> | <u>6,794,609</u> | <u>7,679,363</u> |
| All other governmental funds | | | | | |
| Reserved | 709,198 | 883,752 | 946,732 | 487,466 | 621,519 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 3,008,281 | 5,298,075 | 4,636,672 | 6,123,327 | 4,404,956 |
| Capital project funds | 4,657,117 ² | 840,405 | 674,738 | 575,261 | 358,218 |
| Permanent funds | 256,289 | 236,528 | 216,054 | 186,154 | 219,571 |
| Total all other governmental funds | <u>\$ 8,630,885</u> | <u>\$ 7,258,760</u> | <u>\$ 6,474,196</u> | <u>\$ 7,372,208</u> | <u>\$ 5,604,264</u> |

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

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

Table 5

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

| | Fiscal Year | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Revenues | | | | | |
| Taxes | \$ 17,013,285 | \$ 18,623,095 | \$ 19,605,533 | \$ 19,416,436 | \$ 20,225,048 |
| Licenses and permits | 265,683 | 403,479 | 478,148 | 671,498 | 434,921 |
| Intergovernmental | 15,512,386 | 17,277,215 | 17,889,358 | 20,496,153 | 22,238,074 |
| Investment income | 321,070 | 91,689 | 219,617 | 578,474 | 667,452 |
| Charges for services | 1,039,249 | 948,434 | 1,710,070 | 1,878,026 | 2,311,948 |
| Other | 1,887,704 | 2,191,176 | 2,268,251 | 2,553,714 | 1,993,011 |
| Total General Fund | <u>36,039,377</u> | <u>39,535,088</u> | <u>42,170,977</u> | <u>45,594,301</u> | <u>47,870,454</u> |
| Expenditures | | | | | |
| General government | 2,299,593 | 2,532,185 | 3,546,209 | 3,676,038 | 3,571,950 |
| Public safety | 2,404,927 | 2,528,566 | 2,680,546 | 2,755,743 | 2,944,915 |
| Public works | 2,358,406 | 2,271,766 | 2,680,700 | 2,764,528 | 2,890,905 |
| Health and welfare | 44,010 | 57,263 | 52,199 | 45,423 | 55,774 |
| Recreation | 503,617 | 613,591 | 1,088,416 | 1,122,005 | 1,164,766 |
| Development | 227,103 | 218,559 | 180,108 | 196,437 | 222,750 |
| County tax ² | 595,692 | 645,663 | - | - | - |
| Unclassified | 996,485 | 1,132,948 | 1,120,904 | 1,182,951 | 1,227,331 |
| Education | 22,400,701 | 24,275,500 | 25,472,463 | 27,706,039 | 28,845,645 |
| Debt service | | | | | |
| Principal | 3,671,646 | 2,299,646 | 2,474,646 | 2,694,646 | 2,659,650 |
| Interest | 1,227,883 | 1,283,126 | 1,321,723 | 1,386,092 | 1,303,291 |
| Capital maintenance | 3,565,148 | 681,611 | 914,079 | 1,176,816 | 671,071 |
| Capital improvements | 13,046,960 | 5,177,893 | 912,630 | 4,606,632 | 3,862,117 |
| Total expenditures | <u>53,342,171</u> | <u>43,718,317</u> | <u>42,444,623</u> | <u>49,313,350</u> | <u>49,420,165</u> |
| Other financing sources (uses) | | | | | |
| Capital lease proceeds | 323,256 | 227,224 | 344,308 | 330,058 | 666,521 |
| Long-term debt issued | 21,225,000 | 3,150,000 | - | 5,000,000 | - |
| Transfers in | 10,841,842 | 12,667,625 | 13,279,543 | 13,401,011 | 12,889,444 |
| Transfers out | (10,841,842) | (12,667,625) | (13,279,543) | (13,401,011) | (12,889,444) |
| Total other financing sources (uses) | <u>21,548,256</u> | <u>3,377,224</u> | <u>344,308</u> | <u>5,330,058</u> | <u>666,521</u> |
| Net change in fund balances | \$ 4,245,462 | \$ (806,005) | \$ 70,662 | \$ 1,611,009 | \$ (883,190) |
| Debt service as a percentage of noncapital expenditures | 13.5% | 9.4% | 9.6% | 9.5% | 9.1% |

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

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

Table 6

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

| Fiscal Year Ended June 30 | Real Property | | Personal Property | Less Tax Exempt Real Property | Total Taxable Assessed Value ¹ | Total Direct Tax Rate | State Equalized Value ² | Assessed Value as a Percentage of Equalized Value |
|------------------------------------|-------------------------|------------------------|----------------------|-------------------------------------|--|--------------------------------|--|---|
| | Residential Property | Commercial Property | | | | | | |
| 1998 | \$ 524,006,200 | \$ 91,573,000 | \$ 22,309,900 | \$ 102,804,100 | \$ 535,085,000 | 19.40 | \$ 528,000,000 | 101.3% |
| 1999 | 514,719,000 | 94,091,800 | 21,676,800 | 103,219,400 | 527,268,200 | 19.80 | 567,650,000 | 92.9% |
| 2000 | 535,353,000 | 93,630,800 | 31,960,200 | 105,998,400 | 554,945,600 | 20.50 | 609,150,000 | 91.1% |
| 2001 | 501,722,200 | 162,259,600 | 39,489,200 | 125,864,100 | 577,606,900 | 21.40 | 643,800,000 | 89.7% |
| 2002 | 689,785,700 | 242,742,500 | 40,933,200 | 193,603,600 | 779,857,800 | 17.40 | 716,650,000 | 108.8% |
| 2003 | 719,958,800 | 244,000,100 | 42,637,800 | 201,604,400 | 804,992,300 | 18.40 | 835,200,000 | 96.4% |
| 2004 | 758,447,900 | 240,177,400 | 43,985,800 | 203,250,100 | 839,361,000 | 19.40 | 937,300,000 | 89.6% |
| 2005 | 782,949,600 | 238,791,800 | 46,492,900 | 199,926,400 | 868,307,900 | 20.00 | 1,085,600,000 | 80.0% |
| 2006 | 808,313,900 | 237,869,000 | 44,511,600 | 220,950,100 | 869,744,400 | 19.50 | 1,234,200,000 | 70.5% |
| 2007 | 841,957,600 | 239,730,600 | 47,696,100 | 216,041,300 | 913,343,000 | 19.40 | 1,352,300,000 | 67.5% |

Sources:

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

² State of Maine, Bureau of Taxation

Table 7

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

| Fiscal Year | Direct | | Overlapping | Total Tax Rate |
|------------------------|-------------------------------|----------------------------|----------------------------|---------------------------|
| | Municipal Tax Rate | School Tax Rate | County Tax Rate | |
| 1998 | 5.74 | 12.85 | 0.81 | 19.40 |
| 1999 | 5.75 | 13.27 | 0.78 | 19.80 |
| 2000 | 5.84 | 13.94 | 0.72 | 20.50 |
| 2001 | 6.05 | 14.59 | 0.76 | 21.40 |
| 2002 | 4.58 | 12.20 | 0.62 | 17.40 ¹ |
| 2003 | 4.92 | 12.76 | 0.72 | 18.40 |
| 2004 | 5.09 | 13.56 | 0.75 | 19.40 |
| 2005 | 5.06 | 14.20 | 0.74 | 20.00 |
| 2006 | 5.76 | 12.98 | 0.76 | 19.50 |
| 2007 | 6.04 | 12.61 | 0.75 | 19.40 |

Source: Gorham Assessing office

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

Table 8

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

| Taxpayer | 2007 | | | 1998 | | |
|------------------------------------|--------------------------------------|------|---|--------------------------------------|------|---|
| | Current year assessed value | Rank | Percentage of total assessed value | Current year assessed value | Rank | Percentage of total assessed value |
| Central Maine Power Co. | \$ 21,691,000 | 1 | 2.37% | \$ 17,100,800 | 1 | 3.20% |
| Grondin, R J & Phillip | 12,424,500 | 2 | 1.36% | 3,966,400 | 5 | 0.74% |
| Gorham House | 9,689,100 | 3 | 1.06% | 8,957,600 | 2 | 1.67% |
| Gorham Savings Bank | 8,375,600 | 4 | 0.92% | 2,563,100 | 7 | 0.48% |
| Maritimes & Northeast Pipeline LLC | 6,828,900 | 5 | 0.75% | | | |
| American Tool Co. | 6,651,300 | 6 | 0.73% | 4,462,500 | 4 | 0.84% |
| Scott Paper | 5,713,200 | 7 | 0.63% | 3,702,500 | 6 | 0.69% |
| Shaw Brothers Construction Co. | 5,655,400 | 8 | 0.62% | | | |
| Hannaford Brothers | 5,493,900 | 9 | 0.60% | 1,932,400 | 8 | 0.36% |
| Maine Mobile Homes | 5,397,400 | 10 | 0.59% | | | |
| Sebago, Inc. | | | | 4,522,800 | 3 | 0.85% |
| Goldman Machine Tool Group, Inc. | | | | 1,633,800 | 9 | 0.31% |
| Eight Corners | | | | 1,394,900 | 10 | 0.26% |
| Totals | \$ 87,920,300 | | 9.63% | \$ 50,236,800 | | 9.40% |

Source: Gorham Assessing office

Table 9

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

| Fiscal Year Ended June 30 | Total Tax Levy for Fiscal Year ¹ | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------|---|---|-----------------------|--|------------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 1998 | \$ 10,398,609 | \$ 9,998,915 | 96.2% | \$ 394,502 | \$ 10,393,417 | 100.0% |
| 1999 | 10,476,528 | 10,137,863 | 96.8% | 333,798 | 10,471,661 | 100.0% |
| 2000 | 11,381,979 | 10,917,744 | 95.9% | 458,278 | 11,376,022 | 99.9% |
| 2001 | 12,485,788 | 12,132,184 | 97.2% | 345,171 | 12,477,355 | 99.9% |
| 2002 | 13,626,308 | 13,138,832 | 96.4% | 475,335 | 13,614,167 | 99.9% |
| 2003 | 14,852,234 | 14,470,933 | 97.4% | 357,218 | 14,828,151 | 99.8% |
| 2004 | 16,311,136 | 15,827,928 | 97.0% | 449,695 | 16,277,623 | 99.8% |
| 2005 | 17,379,982 | 16,828,596 | 96.8% | 501,663 | 17,330,259 | 99.7% |
| 2006 | 16,980,208 | 16,487,705 | 97.1% | 399,546 | 16,887,251 | 99.5% |
| 2007 | 17,730,424 | 17,116,397 | 96.5% | - | 17,116,397 | 96.5% |

¹ Tax commitment plus supplemental taxes assessed during fiscal year

Table 10

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

| Fiscal Year | Governmental Activities | | Total Primary Government | Percentage of Personal Income ¹ | Per Capita ¹ |
|----------------|-------------------------------|-------------------|--------------------------------|--|----------------------------|
| | General Obligation Debt | Capital Leases | | | |
| 1998 | \$ 15,719,918 | \$ 503,071 | \$ 16,222,989 | 9.11% | \$ 1,220 |
| 1999 | 14,431,322 | 378,142 | 14,809,464 | 8.13% | 1,088 |
| 2000 | 14,511,676 | 400,113 | 14,911,789 | 4.98% | 1,055 |
| 2001 | 13,232,030 | 428,607 | 13,660,637 | 4.49% | 952 |
| 2002 | 14,498,884 | 419,344 | 14,918,228 | 4.81% | 1,019 |
| 2003 | 32,052,238 | 501,385 | 32,553,623 | 10.22% | 2,164 |
| 2004 | 32,902,542 | 534,671 | 33,437,213 | 10.43% | 2,208 |
| 2005 | 30,427,896 | 659,477 | 31,087,373 | 9.69% | 2,053 |
| 2006 | 32,733,250 | 708,418 | 33,441,668 | 10.17% | 2,154 |
| 2007 | 30,073,600 | 1,040,747 | 31,114,347 | 9.45% | 2,000 |

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

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

Table 11

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

| Fiscal Year | General Obligation Debt | State Assessed Value of Property ¹ | Per Capita ² |
|------------------------|--|--|------------------------------------|
| 1998 | \$ 15,719,918 | 2.98% | \$ 1,182 |
| 1999 | 14,431,322 | 2.54% | 1,060 |
| 2000 | 14,511,676 | 2.38% | 1,026 |
| 2001 | 13,232,030 | 2.06% | 922 |
| 2002 | 14,498,884 | 2.02% | 990 |
| 2003 | 32,052,238 | 3.84% | 2,131 |
| 2004 | 32,902,542 | 3.51% | 2,173 |
| 2005 | 30,427,896 | 2.80% | 2,009 |
| 2006 | 32,733,250 | 2.65% | 2,108 |
| 2007 | 30,073,600 | 2.22% | 1,933 |

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

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

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

TOWN OF GORHAM, MAINE
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
As of June 30, 2007

| Jurisdiction | Net general obligation bonded debt outstanding | Percentage applicable to government | Amount applicable to government |
|---|---|--|--|
| Direct: | | | |
| Town of Gorham | \$ 30,073,600 | 100.00% | \$ 30,073,600 |
| Overlapping debt: | | | |
| Cumberland County | 7,999,569 | 3.55% | 284,367 |
| Portland Water District - sewer debt, Gorham only | 19,378,932 | 4.58% | 888,053 |
| Portland Water District - sewer shared with Windham | 66,500 | 5.31% | 3,532 |
| Portland Water District - water debt | 19,862,858 | 5.35% | 1,062,034 |
| Contingent debt: | | | |
| Ecomaine: | | | |
| Resources recovery system | 35,772,000 | 4.02% | 1,437,107 |
| Material recycling facility | 4,418,000 | 5.60% | 247,408 |
| Landfill closure (see note) | 20,454,988 | 4.03% | 824,629 |
| | \$ 138,026,447 | | \$ 34,820,730 |

Note: Ecomaine's Landfill closure and postclosure costs and the municipal proportional share are as of June 30, 2006 since the June 30, 2007 figures are unavailable until their annual audit is completed.

Table 13

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

| Fiscal Year | Debt Limit | Total net debt applicable to limit | Legal Debt Margin | Total net debt applicable to limit as a percentage of debt limit |
|--------------------|-------------------|---|------------------------------|---|
| 1998 | \$ 79,200,000 | \$ 15,719,918 | \$ 63,480,082 | 19.85% |
| 1999 | 85,147,500 | 14,431,322 | 70,716,178 | 16.95% |
| 2000 | 91,372,500 | 14,511,676 | 76,860,824 | 15.88% |
| 2001 | 96,570,000 | 13,232,030 | 83,337,970 | 13.70% |
| 2002 | 107,497,500 | 12,031,884 | 95,465,616 | 11.19% |
| 2003 | 125,280,000 | 32,052,238 | 93,227,762 | 25.58% |
| 2004 | 140,595,000 | 32,902,542 | 107,692,458 | 23.40% |
| 2005 | 162,840,000 | 30,427,896 | 132,412,104 | 18.69% |
| 2006 | 185,130,000 | 32,733,250 | 152,396,750 | 17.68% |
| 2007 | 202,845,000 | 30,073,600 | 172,771,400 | 14.83% |

Legal Debt Margin Calculation for Fiscal Year 2007

| | Outstanding bonds and notes | Percent of state assessed value of \$1,352,300,000 | Allowable Amount | Margin |
|--|--|---|-----------------------------|-----------------------|
| For school purposes | \$ 21,041,411 | 10.00% | \$ 135,230,000 | \$ 114,188,589 |
| For storm or sanitary sewer purposes | 230,000 | 7.50% | 101,422,500 | 101,192,500 |
| For municipal, airport, water, and special district purposes | - | 3.00% | 40,569,000 | 40,569,000 |
| For all other purposes | 8,802,189 | 7.50% | 101,422,500 | 92,620,311 |
| Total | \$ 30,073,600 | 15.00% | \$ 202,845,000 | \$ 172,771,400 |

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

| Fiscal Year | Population ¹ | Personal Income | Per Capita Personal Income ² | Median Age ² | School Enrollment ³ | Unemployment Rate ⁴ |
|------------------------|--------------------------------|----------------------------|--|------------------------------------|---|---|
| 1998 | 13,296 | \$ 178,046,736 | 13,391 | 30.9 | 2,566 | 2.30% |
| 1999 | 13,610 | 182,251,510 | 13,391 | 30.9 | 2,599 | 2.00% |
| 2000 | 14,141 | 299,421,534 | 21,174 | 34.3 | 2,625 | 2.40% |
| 2001 | 14,354 | 303,931,596 | 21,174 | 34.3 | 2,583 | 2.70% |
| 2002 | 14,640 | 309,987,360 | 21,174 | 34.3 | 2,633 | 2.90% |
| 2003 | 15,041 | 318,478,134 | 21,174 | 34.3 | 2,708 | 3.20% |
| 2004 | 15,145 | 320,680,230 | 21,174 | 34.3 | 2,760 | 3.20% |
| 2005 | 15,145 | 320,680,230 | 21,174 | 34.3 | 2,761 | 3.30% |
| 2006 | 15,528 | 328,789,872 | 21,174 | 34.3 | 2,725 | 3.10% |
| 2007 | 15,554 | 329,340,396 | 21,174 | 34.3 | 2,714 | 3.30% |

Data Source

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

The 1998-1999 figures are based on July Census estimates, while the 2000 is based on the 2000 actual Census data, and the 2001-2004 are based on July Census estimates.

The 2005 figure is the July 1, 2004 Census estimate.

The 2006 and 2007 figures are from the Maine State Housing Authority.

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. The April 1, 2006 and April 1, 2007 enrollment data, however, is from the Gorham School Dept.

⁴ U.S. Department of Labor. The 1998 - 2006 figures are annual rates. The 2007 figure was based on June 2007 data from U.S. Dept. of Commerce, Bureau of Census.

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

| Employer | 2007 | | | 1998 ¹ | | |
|---|-----------|------|--|-------------------|------|--|
| | Employees | Rank | Percentage of Gorham's Labor Force | Employees | Rank | Percentage of Gorham's Labor Force |
| University of Southern Maine* | 974 | 1 | 10.5% | 396 | 2 | 5.1% |
| Town of Gorham: School/Municipal | 595 | 2 | 6.4% | 400 | 1 | 5.2% |
| Gorham House | 208 | 3 | 2.2% | 220 | 3 | 2.8% |
| Hannaford Brothers | 180 | 4 | 1.9% | | | |
| R. J. Grondin | 154 | 5 | 1.7% | 144 | 5 | 1.9% |
| Shaw Brothers Construction, Inc. ² | 121 | 6 | 1.3% | | | |
| Irwin Industrial Tool (formerly American Tool) | 117 | 7 | 1.3% | 210 | 4 | 2.7% |
| Gorham Savings Bank | 91 | 8 | 1.0% | | | |
| GPX, International Tire Corp (formerly Maine Rubber International) | 68 | 9 | 0.7% | | | |
| Knowlton Machine | 50 | 10 | 0.5% | | | |
| | 2,558 | | 27.5% | 1,370 | | 17.7% |

Source: Maine Department of Labor and U.S. Department of Labor and confirmed by company personnel.

¹ Only top five employers information available for fiscal year 1998.

* Gorham campus only.

² During the summer, Shaw Brothers employees 150 people.

Table 16

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

| Function | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|------------------------|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| General Government | 13 | 13 | 14 | 14 | 14 | 15 | 15 | 15 | 16.5 | 17.5 |
| Public Safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Officers | 16 | 17 | 18 | 20 | 20 | 20 | 20 | 21 | 21 | 21 |
| Civilians | 6 | 6 | 6 | 8 | 8 | 8 | 8 | 9 | 2 | 2 |
| Fire: | | | | | | | | | | |
| Firefighters and EMT's | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 9 |
| Civilians | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public Works | 13 | 15 | 15 | 15 | 18 | 18 | 18 | 18 | 19 | 21 |
| Recreation | 11 | 11 | 11 | 11 | 12 | 12 | 15 | 15 | 15 | 17 |
| Development | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4.5 |
| Total | 70 | 73 | 79 | 83 | 86 | 87 | 90 | 92 | 87.5 | 95 |

Table 17

TOWN OF GORHAM, MAINE
Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year ² | | | | | | | | | |
|----------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| General Government: | | | | | | | | | | |
| Building permits: ³ | | | | | | | | | | |
| Single family | 82 | 90 | 93 | 94 | 137 | 193 | 84 | 90 | 91 | 66 |
| Condos | 9 | 20 | 13 | 8 | 0 | 0 | 7 | 13 | 41 | 9 |
| Commercial | 17 | 20 | 17 | 31 | 21 | 25 | 31 | 23 | 16 | 23 |
| Total number permits issued | 782 | 940 | 1,140 | 1,145 | n/a | n/a | 1,118 | 1,276 | 1,374 | n/a |
| Public Safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Number of calls for service | n/a | 8,364 | 8,335 | 8,553 | 12,600 | 16,502 | 17,359 | 18,832 | 17,076 | 17,434 |
| Number of physical arrests | n/a | 440 | 318 | 462 | 521 | 462 | 349 | 286 | 353 | 406 |
| Number of summons and warnings | n/a | 5,474 | 4,248 | 4,650 | 3,711 | 3,086 | 3,654 | 2,525 | 3,168 | 3,427 |
| Parking tickets issued | n/a | n/a | n/a | n/a | n/a | 369 | 662 | 503 | 372 | 305 |
| Number of accidents investigated | n/a | 578 | 513 | 588 | n/a | 649 | 658 | 586 | 668 | 528 |
| Fire: | | | | | | | | | | |
| Number of fire and rescue calls | 2,352 | 2,779 | 2,537 | 3,000 | 3,000 | 2,109 | 2,182 | 2,012 | 2,129 | 2,352 |
| Public Works: | | | | | | | | | | |
| Number of roads maintained | 221 | 229 | 232 | 233 | 234 | 247 | 256 | 261 | 263 | 269 |
| Lane miles of roads maintained | 241.6 | 244.6 | 246.0 | 246.0 | 252.8 | 268.4 | 273.8 | 275.0 | 276.0 | 278.0 |
| Acres of public area maintained | 108.1 | 108.1 | 108.1 | 108.1 | 108.1 | 108.1 | 108.1 | 113.1 | 113.1 | 113.1 |
| Acres of cemeteries maintained | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 | 19.6 | 21.1 | 21.1 |
| Recreation: | | | | | | | | | | |
| Library: | | | | | | | | | | |
| Number of items circulated | 89,304 | 96,725 | 97,031 | 95,585 | 95,166 | 106,238 | 91,669 | 89,091 | 95,179 | 103,080 |

Sources: Various town departments.

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

³ Figures shown are based on calendar year.

n/a = data not available

Table 18

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

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Public Safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 10 | 10 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Fire stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Public Works: | | | | | | | | | | |
| Streets (miles) ¹ | 156.5 | 157.2 | 157.7 | 157.7 | 252.8 | 268.4 | 273.8 | 275.0 | 276.0 | 278.0 |
| Street lights | 330 | 330 | 338 | 338 | 342 | 342 | 357 | 357 | 366 | 375 |
| Traffic signals | 9 | 9 | 9 | 9 | 10 | 10 | 11 | 11 | 11 | 11 |
| Cemeteries | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Tons of residential solid waste ² | n/a | n/a | n/a | n/a | 3,724 | 3,914 | 1,860 | 2,212 | 2,307 | 2,290 |
| Recreation: | | | | | | | | | | |
| Libraries | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Parks acreage | 203.8 | 203.8 | 203.8 | 203.8 | 203.8 | 203.8 | 203.8 | 203.8 | 211.3 | 211.3 |
| Parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| Tennis courts | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Outdoor basketball courts | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Sources: Various town departments.

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

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

² The Town of Gorham instituted a curbside recycling program in 2003, that is the reason for the significant decrease in the residential solid waste tonnage.