

Audited Financial Statements

Town of Gray, Maine

June 30, 2010



Proven Expertise and Integrity

TOWN OF GRAY, MAINE

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JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

August 20, 2010

Town Council
Town of Gray
Gray, 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 Gray, Maine, as of and for the year ended June 30, 2010, 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Gray, Maine as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by 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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gray, Maine's basic financial statements. The combining and individual nonmajor fund financial statements 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.

RHR Smith & Co.

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

(UNAUDITED)

The following management's discussion and analysis of Town of Gray, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Gray's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government - Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short – term as well as long – term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government – wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The above mentioned financial statements have one type of column for the towns activity. The type of activity presented for the Town of Gray is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, recreation, public works, education and other unclassified.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Gray, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Gray can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government – wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

The Town of Gray presents five columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, the public works and transfer station project, the town office project and the capital reserves. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activity. The Town's total net assets for governmental activities increased by \$81,119 from \$15,266,875 to \$15,347,994.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$6,540,817 at the end of this year

Table 1
Town of Gray, Maine
Net Assets
June 30,

	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 8,641,324	\$ 10,879,657
Capital Assets	<u>13,647,135</u>	<u>10,461,606</u>
Total Assets	<u><u>\$ 22,288,459</u></u>	<u><u>\$ 21,341,263</u></u>
Liabilities:		
Current Liabilities	\$ 746,328	\$ 229,187
Long-term Debt Outstanding	<u>6,194,137</u>	<u>5,845,201</u>
Total Liabilities	<u><u>\$ 6,940,465</u></u>	<u><u>\$ 6,074,388</u></u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 7,107,860	\$ 4,770,101
Restricted Net Assets: Special Revenue funds	619,867	594,131
Capital Projects funds	924,643	3,249,964
Permanent funds	154,807	157,299
Unrestricted Net Assets	<u>6,540,817</u>	<u>6,495,380</u>
Total Net Assets	<u><u>\$ 15,347,994</u></u>	<u><u>\$ 15,266,875</u></u>

Table 2
Town of Gray, Maine
Changes in Net Assets
For The Years Ended June 30,

	<u>2010</u>	<u>2009</u>
Revenues		
Taxes:		
Property	\$10,408,895	\$ 9,932,979
Excise	1,280,642	1,261,037
Intergovernmental	868,859	742,082
Interest Income	168,961	410,293
Charges for services/fees	513,303	540,652
Other revenue	468,738	435,521
Total Revenues	<u>13,709,398</u>	<u>13,322,564</u>
Expenses		
General government	734,835	815,544
Public safety	568,330	19,233
Recreation	368,480	346,457
Public works	268,632	2,145,323
Employee benefits	950	428,838
General insurance	-	148,346
County tax	490,173	481,628
Education	7,179,650	6,864,587
Unclassified	400,619	479,327
Capital outlay	3,052,440	1,035,636
Designated funds	136,905	155,655
Interest on long-term debt	427,265	51,905
Total expenses	<u>13,628,279</u>	<u>12,972,479</u>
Change in Net Assets	81,119	350,085
Net Assets - July 1, Restated	15,266,875	14,872,492
Restatement of Net Assets	<u>-</u>	<u>44,298</u>
Net Assets - June 30	<u><u>\$15,347,994</u></u>	<u><u>\$ 15,266,875</u></u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 2.90%, while total expenses increased by 5.06%. Most of the Town's revenues were consistent with the previous year.

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Gray, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2010</u>	<u>2009</u>
Major Funds:		
General Fund:		
Designated	\$ 738,572	\$ 727,272
Undesignated	<u>3,112,412</u>	<u>3,127,944</u>
Total General Fund	<u>3,850,984</u>	<u>3,855,216</u>
Capital Projects Fund:		
Public works & transfer station project	67,905	696,865
Town office project	856,738	2,395,800
Capital reserves	<u>1,360,741</u>	<u>1,509,929</u>
Total Major Funds:	<u><u>\$ 6,136,368</u></u>	<u><u>\$ 8,457,810</u></u>
Non-Major Funds:		
Special revenue funds	\$ 1,801,263	\$ 1,741,855
Permanent funds	<u>154,807</u>	<u>157,299</u>
Total Non- Major Funds	<u><u>\$ 1,956,070</u></u>	<u><u>\$ 1,899,154</u></u>

The general fund total fund balance decreased by \$4,232 over the prior fiscal year. The non-major fund balances increased by \$56,916 over the prior fiscal year, while major programs for capital purposes decreased by \$2,321,442.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$154,047. The intergovernmental revenues can be accounted for a lot of the excess revenues.

The general fund actual expenditures were under the budget by \$1,046,921. All expenditure categories were under budget with the exception of transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2010, the net book value of capital assets recorded by the Town increased by \$3,185,529 over the prior year. This increase is the result of capital additions of \$4,005,249 less current year depreciation expense of \$819,720.

Table 4
Town of Gray, Maine
Capital Assets (Net of Depreciation)
June 30,

	<u>2010</u>	<u>2009</u>
Land and Non-Depreciable Assets	\$ 4,658,633	\$ 2,535,076
Buildings and Improvements	1,513,615	1,596,295
Furniture and Equipment	225,364	154,042
Vehicles	2,442,425	1,373,290
Infrastructure	<u>4,807,098</u>	<u>4,802,903</u>
Total	<u>\$ 13,647,135</u>	<u>\$ 10,461,606</u>

Debt

At June 30, 2010, the Town had \$5,600,000 in bonds outstanding versus \$5,661,400 last year. Refer to Note 5 of the financial statements for detailed information.

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated and crisis fund balance to sustain government operations for a period of approximately three months, while also maintaining significant reserve accounts for future capital and program needs.

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 questions about this report or need additional financial information, contact the Town Office at 24 Main St., Gray, Maine 04039.

STATEMENT A

TOWN OF GRAY, MAINE
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 6,737,359
Investments	1,275,896
Accounts receivable (net of allowance for uncollectibles)	
Taxes	80,387
Liens	334,560
Other	181,501
Prepaid expenses	31,621
Total current assets	<u>8,641,324</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	4,658,633
Buildings and equipment, net of accumulated depreciation	8,988,502
Total noncurrent assets	<u>13,647,135</u>
TOTAL ASSETS	<u><u>\$ 22,288,459</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 120,300
Accrued expenses	2,986
Accrued payroll	46,476
Prepaid taxes	40,959
Deferred revenue	30,747
Current portion of long-term obligations	504,860
Total current liabilities	<u>746,328</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	5,320,000
Capital leases payable	714,415
Accrued compensated absences	159,722
Total noncurrent liabilities	<u>6,194,137</u>
TOTAL LIABILITIES	<u>6,940,465</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,107,860
Restricted:	
Special Revenue funds	619,867
Capital Projects funds	924,643
Permanent funds	154,807
Unrestricted	6,540,817
TOTAL NET ASSETS	<u>15,347,994</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,288,459</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities					
Current:					
General government	\$ 734,835	\$ 123,686	\$ -	\$ -	\$ (611,149)
Public safety	568,330	251,058	-	-	(317,272)
Recreation and culture	368,480	-	-	-	(368,480)
Public works	268,632	138,559	82,308	-	(47,765)
Employee benefits	950	-	-	-	(950)
County tax	490,173	-	-	-	(490,173)
Education	7,179,650	-	-	-	(7,179,650)
Unclassified	400,619	-	-	-	(400,619)
Capital outlay	3,052,440	-	-	-	(3,052,440)
Designated funds	136,905	-	-	-	(136,905)
Interest on long term debt	427,265	-	-	-	(427,265)
	<u>13,628,279</u>	<u>513,303</u>	<u>82,308</u>	<u>-</u>	<u>(13,032,668)</u>

STATEMENT B (CONTINUED)

TOWN OF GRAY, MAINE

RECONCILIATION OF THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>
Changes in net assets:	
Net (expense) revenue	<u>(13,032,668)</u>
General revenue:	
Taxes	
Property taxes, levied for general purposes	10,408,895
Excise taxes, levied for general purposes	1,280,642
Grants and contributions not restricted to specific programs	786,551
Interest income	168,961
Miscellaneous	468,738
Total general revenue and transfers	<u>13,113,787</u>
Change in net assets	81,119
NET ASSETS - JULY 1, 2009, RESTATED	<u>15,266,875</u>
NET ASSETS - JUNE 30, 2010	<u><u>\$ 15,347,994</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAY, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Public Works & Transfer Station Project	Town Office Project	Capital Reserves	Other Governmental Funds	Totals Governmental Funds
ASSETS						
Cash	\$ 6,693,626	\$ -	\$ -	\$ -	\$ 43,733	\$ 6,737,359
Investments	-	-	-	-	1,275,896	1,275,896
Accounts receivable (net of allowance of doubtful accounts)						
Taxes	80,387	-	-	-	-	80,387
Tax liens	334,560	-	-	-	-	334,560
Other	181,501	-	-	-	-	181,501
Prepaid expenses	31,621	-	-	-	-	31,621
Due from other funds	1,750	67,905	856,738	1,360,741	669,854	2,956,988
TOTAL ASSETS	\$ 7,323,445	\$ 67,905	\$ 856,738	\$ 1,360,741	\$ 1,989,483	\$ 11,598,312
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 118,984	\$ -	\$ -	\$ -	\$ 1,316	\$ 120,300
Accrued expenses	2,986	-	-	-	-	2,986
Accrued payroll	46,476	-	-	-	-	46,476
Prepaid taxes	40,959	-	-	-	-	40,959
Due to other funds	2,955,238	-	-	-	1,750	2,956,988
Deferred revenue	400	-	-	-	30,347	30,747
Deferred property tax	307,418	-	-	-	-	307,418
TOTAL LIABILITIES	3,472,461	-	-	-	33,413	3,505,874
Fund Equity						
General Fund:						
Designated	738,572	-	-	-	-	738,572
Undesignated	3,112,412	-	-	-	-	3,112,412
Special revenues funds	-	-	-	-	1,801,263	1,801,263
Capital projects						
Designated	-	67,905	856,738	-	-	924,643
Undesignated	-	-	-	1,360,741	-	1,360,741
Permanent funds	-	-	-	-	154,807	154,807
TOTAL FUND EQUITY	3,850,984	67,905	856,738	1,360,741	1,956,070	8,092,438
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,323,445	\$ 67,905	\$ 856,738	\$ 1,360,741	\$ 1,989,483	\$ 11,598,312

See accompanying independent auditor's report and notes to financial statements.

TOWN OF GRAY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 8,092,438
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	13,647,135
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	307,418
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(5,600,000)
Capital leases payable	(939,275)
Accrued compensated absences	<u>(159,722)</u>
Net assets of governmental activities	<u>\$15,347,994</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT E

TOWN OF GRAY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Public Works & Transfer Station Project	Town Office Project	Capital Reserves	Other Governmental Funds	Total Governmental Funds
REVENUE						
Taxes:						
Property	\$ 10,406,997	\$ -	\$ -	\$ -	\$ -	\$ 10,406,997
Excise	1,280,642	-	-	-	-	1,280,642
Intergovernmental	868,859	-	-	-	-	868,859
Interest income	89,743	2,115	24,023	20,287	32,793	168,961
Charges for services/fees	513,303	-	-	-	-	513,303
Other revenue	336,744	-	-	-	131,994	468,738
TOTAL REVENUE	<u>13,496,288</u>	<u>2,115</u>	<u>24,023</u>	<u>20,287</u>	<u>164,787</u>	<u>13,707,500</u>
EXPENDITURES						
Current						
General government	1,155,828	-	-	-	-	1,155,828
Public safety	758,869	-	-	-	-	758,869
Recreation and culture	368,480	-	-	-	-	368,480
Public works	1,921,913	-	-	-	-	1,921,913
Employee benefits	950	-	-	-	-	950
County tax	490,173	-	-	-	-	490,173
Education	7,179,650	-	-	-	-	7,179,650
Unclassified	61,828	-	-	-	338,791	400,619
Capital outlay	858,280	631,075	1,563,085	-	-	3,052,440
Debt service	488,665	-	-	-	-	488,665
Designated funds	147,984	-	-	-	-	147,984
TOTAL EXPENDITURES	<u>13,432,620</u>	<u>631,075</u>	<u>1,563,085</u>	<u>-</u>	<u>338,791</u>	<u>15,965,571</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>63,668</u>	<u>(628,960)</u>	<u>(1,539,062)</u>	<u>20,287</u>	<u>(174,004)</u>	<u>(2,258,071)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	374,475	-	-	120,000	315,920	810,395
Transfers out	<u>(435,920)</u>	<u>-</u>	<u>-</u>	<u>(289,475)</u>	<u>(85,000)</u>	<u>(810,395)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(61,445)</u>	<u>-</u>	<u>-</u>	<u>(169,475)</u>	<u>230,920</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	2,223	(628,960)	(1,539,062)	(149,188)	56,916	(2,258,071)
FUND BALANCES - JULY 1, RESTATED	<u>3,848,761</u>	<u>696,865</u>	<u>2,395,800</u>	<u>1,509,929</u>	<u>1,899,154</u>	<u>10,350,509</u>
FUND BALANCES - JUNE 30	<u>\$ 3,850,984</u>	<u>\$ 67,905</u>	<u>\$ 856,738</u>	<u>\$ 1,360,741</u>	<u>\$ 1,956,070</u>	<u>\$ 8,092,438</u>

See accompanying independent auditors report and notes to financial statements.

TOWN OF GRAY, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (2,258,071)</u>
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Amounts reported for governmental activities in the Statement of Activities
(Statement B) are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to be allocated those expenditures over the life of the assets:

Capital asset purchases capitalized	4,005,249
Capital asset disposed	(555,000)
Depreciation expense	<u>(264,720)</u>
	<u>3,185,529</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	<u>(1,171,000)</u>
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Taxes and liens receivable	<u>1,898</u>
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

	<u>316,775</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>5,988</u>
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Change in net assets of governmental activities (Statement B)	<u><u>\$ 81,119</u></u>
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See accompanying independent auditor' report and notes to financial statements.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Gray was incorporated under the laws of the State of Maine. The Town operates under the council-manager form of government and provides the following services: general government services, public safety, public works, education, and recreation and culture.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

Government –Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental.

In the government-wide Statement of Net Assets, governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government – wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Gray has a formal investment policy.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The cost value is determined using the first-in, first-out (FIFO) method.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$60,000 as of June 30, 2010.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2010 the Town's liability for compensated absences is \$159,722.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Town's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 1, 2009 on the assessed value listed as of April 1, 2009, for all real and personal property located in the Town. Taxes were due on in two installments on October 1, 2009 and April 1, 2010. Interest on unpaid taxes commenced on October 2, 2009 and April 2, 2010, at 11% per annum.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

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 \$87,350 for the year ended June 30, 2010.

The property tax collection rate was 97.4% for the year ended June 30, 2010 and 97.0% for the prior fiscal year, an increase of .4%.

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.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 any borrowing used for those assets, and adding back 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.

NOTE 2 - CASH AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2010, the Town's deposits of \$6,737,359 were comprised of bank balances of \$6,784,836 which were all insured by federal depository insurance or by collateral held by the pledging financial institution's trust department or agent in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 2,603,405
Savings accounts	4,181,431
	<u>\$ 6,784,836</u>

At June 30, 2010, the Town's investments were comprised of \$1,275,896 of which were insured by federal depository insurance and Town's coffers.

<u>Investment Type</u>	<u>Current</u>	<u>1 Year</u>	<u>2 - 5 Years</u>
Certificate of deposits	\$ -	\$ 1,275,896	\$ -
	<u>\$ -</u>	<u>\$ 1,275,896</u>	<u>\$ -</u>

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2010:

	Balance 7/1/09	Additions	Disposals	Balance 6/30/10
Non-depreciated assets:				
Land	\$ 124,803	\$ -	\$ -	\$ 124,803
Construction in progress	2,410,273	2,123,557	-	4,533,830
	<u>2,535,076</u>	<u>2,123,557</u>	<u>-</u>	<u>4,658,633</u>
Depreciated assets:				
Buildings & improvements	2,878,493	19,966	-	2,898,459
Furniture & equipment	1,542,916	121,675	-	1,664,591
Vehicles	5,498,433	1,346,406	(555,000)	6,289,839
Infrastructure	8,813,211	393,645	-	9,206,856
	<u>18,733,053</u>	<u>1,881,692</u>	<u>(555,000)</u>	<u>20,059,745</u>
Less accumulated depreciation:				
Buildings & improvements	(1,282,198)	(102,646)	-	(1,384,844)
Furniture & equipment	(1,388,874)	(50,353)	-	(1,439,227)
Vehicles	(4,125,143)	(277,271)	555,000	(3,847,414)
Infrastructure	(4,010,308)	(389,450)	-	(4,399,758)
	<u>(10,806,523)</u>	<u>(819,720)</u>	<u>555,000</u>	<u>(11,071,243)</u>
Net depreciated assets	<u>7,926,530</u>	<u>1,061,972</u>	<u>-</u>	<u>8,988,502</u>
Net capital assets	<u>\$ 10,461,606</u>	<u>\$ 3,185,529</u>	<u>\$ -</u>	<u>\$ 13,647,135</u>
Current year depreciation				
General Government				\$ 41,176
Pennell				14,841
Parks & Recreation				9,347
Public Safety				19,786
Fire & Rescue				182,324
Public Works				522,501
Buildings & Grounds				20,012
Solid Waste				<u>9,733</u>
Total depreciation expense				<u>\$ 819,720</u>

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2010 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
GENERAL FUND		
Major Funds:		
General fund	\$ 1,750	\$ 2,955,238
Transfer station project	67,905	-
Town office project	856,738	-
Capital reserves	1,360,741	-
Non-major funds:		
Special Revenue funds	669,712	-
Permanent funds	142	1,750
	<u>\$ 2,956,988</u>	<u>\$ 2,956,988</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	Balance 7/1/09	Additions	Reductions	Balance 6/30/10	Current Year Portion
Bonds payable	\$ 5,661,400	\$ -	\$ (61,400)	\$ 5,600,000	\$ 280,000
Capital leases payable	23,650	1,171,000	(255,375)	939,275	224,860
Accrued compensated absences	165,710	-	(5,988)	159,722	-
Totals	<u>\$ 5,789,360</u>	<u>\$ 1,171,000</u>	<u>\$ (322,763)</u>	<u>\$ 6,698,997</u>	<u>\$ 504,860</u>

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

\$3,200,000, 2009 General Obligation Bond due in annual installments and semiannual interest installments through October 2029. Interest is charged at a varying rate of 2.50% to 4.25% per annum. Annual principal installments are \$160,000. \$ 3,200,000

\$2,400,000, 2009 General Obligation Bond due in two annual installment and semiannual interest installments through October 2029. Interest is charged at a varying rate of 2.50% to 4.25% per annum. Annual principal installments are \$120,000. 2,400,000

Total Bonds Payable \$ 5,600,000

Principal and interest requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 280,000	\$ 179,900	\$ 459,900
2012	280,000	172,900	452,900
2013	280,000	165,900	445,900
2014	280,000	158,900	438,900
2015	280,000	683,200	963,200
2016-2020	1,400,000	469,000	1,869,000
2021-2025	1,400,000	202,650	1,602,650
2026-2030	1,400,000	5,950	1,405,950
	<u><u>\$ 5,600,000</u></u>	<u><u>\$2,038,400</u></u>	<u><u>\$ 7,638,400</u></u>

All bonds and notes are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for special assessment debt. All bonds and notes are payable from taxes levied on all taxable property located within the Town. The General Fund is used to liquidate the liability for the bonds, and notes.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of capital leases payable for the year ended June 30, 2010:

The Town leases photocopiers with a cancelable clause due to non-appropriation. The term of the lease is for a five year period expiring in August of 2012. Annual payments are \$6,534.

The Town leases vehicles with a cancelable clause due to non-appropriation lease agreement. The term of the lease is for a five year period expiring in 2014. Annual payments are \$249,836.

The future annual payments for this capital lease for the years ending June 30, are as follows:

2011	\$ 256,370
2012	256,370
2013	256,370
2014	249,836
2015	<u>-</u>
Total minimum lease payment	1,018,946
Less amount representing interest	<u>(79,671)</u>
Present value of future minimum lease payments	<u><u>\$ 939,275</u></u>

NOTE 6 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded and were covered by Council approval according to charter:

	<u>Excess</u>
General assistance	\$ 5,356
General insurance	29,062
Utilities	27,221
Parks and recreation administration	410
Summer roads	484
Garage	417
Transfer Station	242
Newbegin	175
Traffic detail	188
Pennell Building	<u>1,002</u>
	<u><u>\$ 64,557</u></u>

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 7 – RESERVED NET ASSETS

The following net assets have been reserved at June 30, 2010 for the following purposes:

Reserved for special revenue funds:	
TIF Reserve	\$ 619,867
Reserved for capital project funds	
Public works & transfer station project	67,905
Town office project	856,738
Reserved for permanent funds	<u>154,807</u>
Total	<u>\$ 1,699,317</u>

NOTE 8 – GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2010, the designated fund balances was made up of the following account balances carried forward into the subsequent year's budget:

General Fund:	
Designated fund:	
Cardiac Fund	\$ 6,668
Disaster Relief Fund	34,699
Dry Mill School	5,223
Food closet	2,410
Geo plan	1,919
Grant Match	11,009
Gray Matters	334
Gray Fire & Rescue Mem.Fund	21,870
Henry Pennell Municipal Complex	29,856
Libby Recreation Scholarship	647
Library Appeal	1,959
Library Fund - Barbara Bush	50
Library fund	21,747
Library Reserve	6,960
Library/Davis/Kim	1,217
Maxwell gravel pit reclamation	12,257
Mazur Parks/Rec Memorial Fund	2,151

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 – GENERAL FUND DESIGNATED FUND EQUITY (CONTINUED)

Penn Cable	73,901
Pennell Town Clock	17,785
Planning board escrow	51,200
Pennell Alumni Donation	7,717
Rescue/Kilby Fund	34,727
Revaluation	68,250
S/Dugas pit reclamation	8,507
Signs	705
Shannon Ronan Memorial Fund	2,533
Stimson Hall	22,250
Subdivision Recreation Fund	129,916
Tomco	20,500
Subtotal designated fund balances	<u>598,967</u>
Carry Forwards:	
Administrative services	1,410
Community development	1,663
Assessing	4,000
GIS mapping	8,556
Public communications	4,817
Library	1,095
Town office	1,000
CDBG Matches	74,283
Library	12,328
Bridges	22,328
Stimson Hall	4,125
Station #3	2,000
Dry Mills Fire Station & School house	2,000
	<u>139,605</u>
Total Designated Fund Equity	<u>\$ 738,572</u>

NOTE 9 – TAX INCREMENT FINANCING DISTRICT

The Town has established two tax increment financing districts in accordance with Maine statutes to finance development programs located in the Town of Gray. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured asset value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness to fund the expenditures of the development program and to finance future expansion.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 – TAX INCREMENT FINANCING DISTRICT (CONTINUED)

Northbrook Tax Increment Financing District

The Town has entered into an inducement agreement and a credit enhancement agreement with Enercon and Advance Realty whereby the Town has issued revenue obligation bonds on behalf of Advance Realty amounting to \$2,800,000. These bonds are not general obligation bonds of the Town and do not constitute a debt or obligation of the Town of Gray, Maine. The bonds will be paid solely by the revenue of the project provided by the companies. In 2010, \$114,310 of tax was captured and \$80,864 was returned to the companies. Additionally, the Town of Gray, Maine entered into an agreement with the Gray Water District to extend the waterline to the Northbrook campus. The Town's share of this project was capped at 30% or a maximum of \$200,000. The debt will be serviced by captured asset value within the district.

South Gray Tax Increment Financing District

The Town has entered into a contract with the Gray Water District where the Town will reimburse the Gray Water District 100% of the debt service on debt issued by the District to finance the costs of construction (including design and engineering) of a 16" public water line and related facilities running up to 2.4 miles from Gray Village along Route 100 toward Whitney Road. The combined principal amount of the bonds or notes issued by the Town and by the Gray Water District for such purpose shall not exceed \$1,650,000.

NOTE 10 – LANDFILL CLOSURE FUNDS

The Town of Gray closed its solid waste landfill as per State requirements in June of 1992. The Town has reserved \$146,830 for any capital repairs or improvements during the post closure period. The Town considers any liability for post closure monitoring to be immaterial and therefore has not recorded a liability in the entity-wide statements.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 11 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2010, the Town's share was approximately:

	<u>Outstanding Debt</u>	<u>Percentage</u>	<u>Amount</u>
Gray Water District	\$ 1,627,611	100.00%	\$ 1,627,611
County of Cumberland	3,772,625	2.20%	82,998
MSAD #15	8,434,065	64.19%	5,413,826
			<u>\$ 7,124,435</u>

The Town participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 12 – RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$10,000 for settlements exceeding the limits of coverage, which range from \$400,000 to \$3,000,000. The amount of settlements has not exceeded insurance coverage for each of the past three years.

TOWN OF GRAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 13 – CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 14 – DEFICIT FUND BALANCE

The Town had no deficit fund balances / net assets.

NOTE 15 – RESTATEMENT

The beginning net asset /fund balance amounts have been restated as of July 1, 2009. An increase to accounts payable beginning balance was done to post services rendered in fiscal year 2009 that were not accrued back. This restatement decreases the general fund beginning fund balance and the governmental activities beginning net assets. Another restatement was done to decrease the governmental activities beginning balance due to the long-term debt balance was misrepresented during fiscal year 2009.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual-General Fund

TOWN OF GRAY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted	Amounts	Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance - (Restated)				
July 1,	\$ 3,848,761	\$ 3,848,761	\$ 3,848,761	\$ -
Resources (Inflows):				
Property	10,394,699	10,394,699	10,406,997	12,298
Excise	1,218,700	1,218,700	1,280,642	61,942
Intergovernmental	513,079	899,853	868,859	(30,994)
Charges for services	462,650	462,650	513,303	50,653
Interest income	75,000	75,000	89,743	14,743
Other revenue	146,828	291,339	336,744	45,405
Transfers from other funds	374,475	374,475	374,475	-
Amounts Available for Appropriation	<u>17,034,192</u>	<u>17,565,477</u>	<u>17,719,524</u>	<u>154,047</u>
Charges to Appropriations (Outflows):				
Current:				
General government	1,184,145	1,184,145	1,155,828	28,317
Public safety	795,042	795,042	758,869	36,173
Recreation and culture	379,282	379,282	368,480	10,802
Public works	2,012,407	2,012,407	1,921,913	90,494
Employee benefits	2,650	2,650	950	1,700
County assessment	490,173	490,173	490,173	-
Education	7,179,650	7,179,650	7,179,650	-
Unclassified	149,724	149,724	61,828	87,896
Capital outlay	606,628	993,402	858,280	135,122
Debt service	546,053	546,053	488,665	57,388
Designated funds	602,502	747,013	147,984	599,029
Transfers to other funds	435,920	435,920	435,920	-
Total Charges to Appropriations	<u>14,384,176</u>	<u>14,915,461</u>	<u>13,868,540</u>	<u>1,046,921</u>
Budgetary Fund Balance, June 30	<u>\$ 2,650,016</u>	<u>\$ 2,650,016</u>	<u>\$ 3,850,984</u>	<u>\$ 1,200,968</u>
Utilization of undesignated fund balance	\$ 471,473	\$ 471,473	\$ -	\$ (471,473)
Utilization of designated fund balance	<u>727,272</u>	<u>727,272</u>	<u>-</u>	<u>(727,272)</u>
	<u>\$ 1,198,745</u>	<u>\$ 1,198,745</u>	<u>\$ -</u>	<u>\$ (1,198,745)</u>

See accompanying independent auditors report.

Other Supplementary Information

Other supplementary information includes financial statements not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule Budget and Actual – General Fund Revenues
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets By Function
- Schedule of Changes in General Capital Assets By Function

TOWN OF GRAY, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - REVENUES
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amount	Use of Receipts	Total Available	Actual Amounts
Resources (Inflows):				
Taxes:				
Property taxes	\$ 10,394,699	\$ -	\$ 10,394,699.00	\$ 10,406,997.00
Auto excise	1,200,000	-	1,200,000	1,262,189
Boat excise	18,700	-	18,700	18,453
Intergovernmental revenues:				
State revenue sharing	386,921	-	386,921	342,550
Highway block grant	82,308	-	82,308	82,308
Tree growth	8,000	-	8,000	12,083
Veterans' exemption	2,400	-	2,400	3,489
General assistance	29,650	-	29,650	32,504
FEMA	-	-	-	5,290
Snowmobiles	3,800	-	3,800	3,707
Grants	-	386,774	386,774	386,928
Charges for services:				
Clerk fees	35,400	-	35,400	35,151
Dog control	5,000	-	5,000	10,646
Electric fees	7,000	-	7,000	7,734
Plumbing fees	10,000	-	10,000	8,068
Zoning board applications	800	-	800	600
Planning board fees	1,000	-	1,000	656
Gravel pits	700	-	700	1,600
Street construction fees	750	-	750	-
Building fees	55,000	-	55,000	57,731
Driveway opening	150	-	150	200
Shoreland application fees	750	-	750	1,300
Rescue fees	250,000	-	250,000	251,058
Junkyard fees	50	-	50	100
Recycling	95,300	-	95,300	137,109
Tree removal	750	-	750	1,350
Interest income:				
Tax interest	30,000	-	30,000	52,630
Interest income	45,000	-	45,000	37,113
Miscellaneous revenues:				
Cable franchise fees	68,000	-	68,000	81,511
Leisure services	2,500	-	2,500	4,202
Designated fund receipts	67,383	144,511	211,894	204,987
Proceeds from sale of assets	-	-	-	41,507
Misc. other	8,945	-	8,945	4,537
Transfers from other funds	374,475	-	374,475	374,475
Amounts Available for Appropriation	<u>\$ 13,185,431</u>	<u>\$ 531,285</u>	<u>\$ 13,716,716</u>	<u>\$ 13,870,763</u>

See accompanying independent auditors' report.

TOWN OF GRAY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance 7/1/2009	Appropriations	Receipts	Total Available	Expenditures	Lapsed	Carried
GENERAL GOVERNMENT:							
Administrative services	\$ -	\$ 465,811	\$ -	\$ 465,811	\$ 452,806	\$ 11,595	\$ 1,410
Community development	-	107,573	-	107,573	104,641	1,269	1,663
Assessing	-	98,104	-	98,104	91,826	2,278	4,000
Code enforcement	-	144,300	-	144,300	137,478	6,822	-
GIS mapping	9,250	7,950	-	17,200	8,644	-	8,556
General assistance	-	64,136	-	64,136	69,492	(5,356)	-
Elections	-	11,458	-	11,458	9,841	1,617	-
Public communications	7,125	67,383	-	74,508	58,182	11,509	4,817
General insurance	-	146,100	-	146,100	175,162	(29,062)	-
Council, Boards, Committees	-	54,955	-	54,955	47,756	7,199	-
Totals	16,375	1,167,770	-	1,184,145	1,155,828	7,871	20,446
PUBLIC SAFETY:							
Public safety services	3,472	657,905	-	661,377	597,983	63,394	-
Utilities	-	133,665	-	133,665	160,886	(27,221)	-
Totals	3,472	791,570	-	795,042	758,869	36,173	-
RECREATION AND CULTURE							
Library	-	255,152	-	255,152	243,940	10,117	1,095
Parks and recreation administration	-	124,130	-	124,130	124,540	(410)	-
Totals	-	379,282	-	379,282	368,480	9,707	1,095
EMPLOYEE BENEFITS	2,650	-	-	2,650	950	1,700	-

SCHEDULE B (CONTINUED)

TOWN OF GRAY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance 7/1/2009	Appropriations	Receipts	Total Available	Expenditures	Lapsed	Carried
PUBLIC WORKS							
Winter roads	-	369,911	-	369,911	358,730	11,181	-
Summer roads	2,279	257,468	-	259,747	260,231	(484)	-
Additional roadwork	-	84,734	-	84,734	84,359	375	-
Garage	1,408	293,935	-	295,343	295,760	(417)	-
Recycling	-	860,185	-	860,185	791,472	68,713	-
Buildings and grounds	733	141,754	-	142,487	131,361	11,126	-
Totals	4,420	2,007,987	-	2,012,407	1,921,913	90,494	-
CAPITAL OUTLAY							
Town office	-	3,000	-	3,000		2,000	1,000
Public works	4,500	-	-	4,500	1,932	2,568	-
CDBG Matches	33,490	50,000	-	83,490	9,207	-	74,283
Library	20,407	3,000	-	23,407	11,079	-	12,328
Village fire station	1,142	7,800	-	8,942	-	8,942	-
Public safety equipment	-	10,700	-	10,700	10,551	149	-
Transfer station	-	1,500	-	1,500	1,742	(242)	-
Bridges	13,314	400,775	-	414,089	391,761	-	22,328
Technology	-	13,000	-	13,000	13,000	-	-
Libby hill	25,000	-	-	25,000	25,000	-	-
Stimson Hall	-	5,000	-	5,000	875	-	4,125
Lab Building	-	4,000	-	4,000	1,770	2,230	-
Dry Hydrants	-	2,000	-	2,000	1,589	411	-
Station #3	-	2,000	-	2,000	-	-	2,000
Dry Mills Fire Station	-	2,000	-	2,000	825	1,175	-
Dry Mills School house/museum	-	2,000	-	2,000	-	-	2,000
Grant	-	-	386,774	386,774	386,774	-	-
Newbegin	-	2,000	-	2,000	2,175	(175)	-
Totals	97,853	508,775	386,774	993,402	858,280	17,058	118,064
DEBT SERVICE	-	546,053	-	546,053	488,665	57,388	-
COUNTY TAX	-	490,173	-	490,173	490,173	-	-
EDUCATION	-	7,179,650	-	7,179,650	7,179,650	-	-

SCHEDULE B (CONTINUED)

TOWN OF GRAY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance 7/1/2009	Appropriations	Receipts	Total Available	Expenditures	Lapsed	Carried
Designated funds:							
Dry Mill School	5,223	-	-	5,223	-	-	5,223
Old Home Days	6,205	-	-	6,205	6,205	-	-
Penn Cable	146,864	-	-	146,864	72,963	-	73,901
Rescue/Kilby Fund	10,774	-	27,135	37,909	3,182	-	34,727
Cardiac Fund	4,357	-	2,311	6,668	-	-	6,668
Disaster Relief Fund	34,699	-	-	34,699	-	-	34,699
Grant Match	11,009	-	-	11,009	-	-	11,009
Library Fund - Barbara Bush	2,023	-	-	2,023	1,973	-	50
Subdivision Recreation Fund	119,916	-	10,000	129,916	-	-	129,916
Library Reserve	5,250	-	1,710	6,960	-	-	6,960
Library/Davis/Kim	1,308	-	-	1,308	91	-	1,217
Pennell Town Clock	18,285	-	-	18,285	500	-	17,785
Stimson Hall	22,250	-	-	22,250	-	-	22,250
Library Appeal	1,959	-	-	1,959	-	-	1,959
Gray Fire & Rescue Mem.Fund	21,720	-	150	21,870	-	-	21,870
Revaluation	68,250	-	-	68,250	-	-	68,250
Traffic Detail	-	-	-	-	188	(188)	-
GEO plan	3,206	-	4,613	7,819	5,900	-	1,919
Tomco	20,627	-	-	20,627	127	-	20,500
North Wall Framing Repair	-	-	5,800	5,800	5,800	-	-
Library fund	19,395	-	10,883	30,278	8,531	-	21,747
Planning board escrow	54,389	-	1,551	55,940	4,740	-	51,200
S/Dugas pit reclamation	8,507	-	-	8,507	-	-	8,507
Maxwell gravel pit reclamation	12,257	-	-	12,257	-	-	12,257
Food closet	1,878	-	825	2,703	293	-	2,410
Guardrail Repair	-	-	890	890	890	-	-
Henry Pennell Municipal Complex	-	-	37,069	37,069	7,213	-	29,856
Pennell Alumni Donation	-	-	11,717	11,717	4,000	-	7,717
North Shore Settlement	-	-	8,857	8,857	8,857	-	-
Wells Investigation	-	-	4,760	4,760	4,760	-	-
Libby Recreation Scholarship	-	-	897	897	-	-	897
Blane Gray Supplemental	-	-	11,771	11,771	11,771	-	-
Gray Matters	-	-	334	334	-	-	334
Signs	-	-	705	705	-	-	705
Shannon Ronan Memorial Fund	-	-	2,533	2,533	-	-	2,533
Mazur Parks/Rec Memorial Fund	2,151	-	-	2,151	-	-	2,151
	<u>602,502</u>	<u>-</u>	<u>144,511</u>	<u>747,013</u>	<u>147,984</u>	<u>(188)</u>	<u>599,217</u>
UNCLASSIFIED							
Stimson Hall	-	7,196	-	7,196	7,048	148	-
Community services	-	50,258	-	50,258	48,858	1,400	-
Pennell buildings	-	4,920	-	4,920	5,922	(1,002)	-
Overlay	-	87,350	-	87,350	-	87,350	-
Totals	<u>-</u>	<u>149,724</u>	<u>-</u>	<u>149,724</u>	<u>61,828</u>	<u>87,896</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 727,272</u>	<u>\$ 13,220,984</u>	<u>\$ 531,285</u>	<u>\$ 14,479,541</u>	<u>\$ 13,432,620</u>	<u>\$ 308,099</u>	<u>\$ 738,822</u>

See accompanying independent auditors' report.

TOWN OF GRAY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 1,535	\$ 42,198	\$ 43,733
Investments	1,161,679	114,217	1,275,896
Due from other funds	669,712	142	669,854
Total assets	<u>\$ 1,832,926</u>	<u>\$ 156,557</u>	<u>\$ 1,989,483</u>
LIABILITIES			
Accounts payable	\$ 1,316	\$ -	\$ 1,316
Accrued payroll	-	-	-
Deferred revenue	30,347	-	30,347
Due to other funds	-	1,750	1,750
Total liabilities	<u>31,663</u>	<u>1,750</u>	<u>33,413</u>
FUND EQUITY			
Fund balances:			
Designated for subsequent years' expenditures	1,801,263	154,807	1,956,070
Undesignated	-	-	-
Total fund equity	<u>1,801,263</u>	<u>154,807</u>	<u>1,956,070</u>
 Total liabilities and fund equity	 <u>\$ 1,832,926</u>	 <u>\$ 156,557</u>	 <u>\$ 1,989,483</u>

See accompanying independent auditors' report.

TOWN OF GRAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment income	\$ 30,117	\$ 2,676	\$ 32,793
Other	131,994	-	131,994
TOTAL REVENUES	<u>162,111</u>	<u>2,676</u>	<u>164,787</u>
EXPENDITURES	<u>333,623</u>	<u>5,168</u>	<u>338,791</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(171,512)</u>	<u>(2,492)</u>	<u>(174,004)</u>
OTHER FINANCING SOURCES (USES)			
Bond monies	-	-	-
Operating Transfers In	315,920	-	315,920
Operating Transfers Out	(85,000)	-	(85,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>230,920</u>	<u>-</u>	<u>230,920</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	59,408	(2,492)	56,916
FUND BALANCE - JULY 1	<u>1,741,855</u>	<u>157,299</u>	<u>1,899,154</u>
FUND BALANCE - JUNE 30	<u><u>\$ 1,801,263</u></u>	<u><u>\$ 154,807</u></u>	<u><u>\$ 1,956,070</u></u>

See accompanying independent auditors' report.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF GRAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	<u>TIF Reserve</u>	<u>Recreation Fund</u>	<u>Crisis Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ -	\$ -	\$ 1,535	\$ 1,535
Investments	-	-	1,161,679	1,161,679
Due from other funds	619,867	49,845	-	669,712
TOTAL ASSETS	<u>\$619,867</u>	<u>\$ 49,845</u>	<u>\$ 1,163,214</u>	<u>\$ 1,832,926</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ 1,316	\$ -	\$ 1,316
Accrued payroll	-	-	-	-
Deferred revenue	-	30,347	-	30,347
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>31,663</u>	<u>-</u>	<u>31,663</u>
FUND EQUITY				
Fund Balance:				
Designated	619,867	18,182	1,163,214	1,801,263
Undesignated	-	-	-	-
TOTAL FUND EQUITY	<u>619,867</u>	<u>18,182</u>	<u>1,163,214</u>	<u>1,801,263</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$619,867</u>	<u>\$ 49,845</u>	<u>\$ 1,163,214</u>	<u>\$ 1,832,926</u>

See accompanying independent auditors' report.

TOWN OF GRAY, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	TIF Reserve	Recreation Fund	Crisis Fund	Total
REVENUES				
Investment income	\$ 9,622	\$ -	\$ 20,495	\$ 30,117
Other income	-	131,994	-	131,994
TOTAL REVENUE	<u>9,622</u>	<u>131,994</u>	<u>20,495</u>	<u>162,111</u>
EXPENDITURES	<u>214,806</u>	<u>118,817</u>	<u>-</u>	<u>333,623</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(205,184)</u>	<u>13,177</u>	<u>20,495</u>	<u>(171,512)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	315,920	-	-	315,920
Operating Transfers Out	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>(85,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>230,920</u>	<u>-</u>	<u>-</u>	<u>230,920</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES (USES)	25,736	13,177	20,495	59,408
FUND BALANCE - JULY 1	<u>594,131</u>	<u>5,005</u>	<u>1,142,719</u>	<u>1,741,855</u>
FUND BALANCE - JUNE 30	<u><u>\$619,867</u></u>	<u><u>\$ 18,182</u></u>	<u><u>\$ 1,163,214</u></u>	<u><u>\$ 1,801,263</u></u>

See accompanying independent auditors' report.

SCHEDULE G

TOWN OF GRAY, MAINE

COMBINING SCHEDULE OF ACTIVITY – RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Balance, 7/1/2009	Revenue	Expenditures	Balance, 6/30/2010
Track and Field	\$ -	\$ -	\$ 75	\$ (75)
Day camp	-	31,067	31,190	(123)
Equipment	-	-	685	(685)
Ski program	-	1,135	850	285
Camps/clinics	-	3,046	6,174	(3,128)
Youth soccer	-	10,608	8,717	1,891
Adult volleyball	-	2,800	2,641	159
Youth basketball	-	10,990	8,672	2,318
Day camp/supplies/trips	-	3,987	6,875	(2,888)
Adult basketball	-	15,836	11,277	4,559
Newbegin rental	-	3,640	-	3,640
Gymnastics	-	2,755	2,028	727
Vacation day camp	-	812		812
Flag football	-	1,850	363	1,487
Cross country	-	30	-	30
Junior soccer	-	1,965	936	1,029
Junior track	-	1,785	1,081	704
Junior basketball	-	1,940	1,562	378
Softball tournament	-	650	337	313
Reach	-	27,810	21,334	6,476
Special events	-	428	3,233	(2,805)
Swim lessons	-	1,090	2,590	(1,500)
Brouchures/flyers	-	-	1,000	(1,000)
HS Field Hockey	-	740	714	26
HS Babe Ruth	-	75	-	75
HS Softball	-	35		35
HS Football	-	1,500	1,490	10
HS Boys Basketball	-	1,155	1,115	40
HS Boys Soccer	-	1,565	1,828	(263)
HS Girls Basketball	-	1,410	700	710
HS Girls Soccer	-	1,185	1,250	(65)
HS Cross Country	-	105	100	5
Subtotal - Recreation Department Activity	-	131,994	118,817	13,177
Beginning Fund Balance	5,005	-	-	5,005
Total Recreation Department Activity	<u>\$ 5,005</u>	<u>\$ 131,994</u>	<u>\$ 118,817</u>	<u>\$ 18,182</u>

See accompanying independent auditors' report.

Permanent Funds

To account for assets held by the Town of Gray in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF GRAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2010

	<u>Cemetery</u>	<u>George Doughty</u>	<u>Helen Frank Cemetery</u>	<u>Monument & Christian Temple</u>	<u>Pennell</u>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	23,187	10,165	34,162	2,992	33,797
Due from other funds	28	18	32	3	46
TOTAL ASSETS	<u>\$ 23,215</u>	<u>\$ 10,183</u>	<u>\$ 34,194</u>	<u>\$ 2,995</u>	<u>\$ 33,843</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Due to others funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY					
Fund Balance					
Designated	23,215	10,183	34,194	2,995	33,843
TOTAL FUND EQUITY	<u>23,215</u>	<u>10,183</u>	<u>34,194</u>	<u>2,995</u>	<u>33,843</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,215</u>	<u>\$ 10,183</u>	<u>\$ 34,194</u>	<u>\$ 2,995</u>	<u>\$ 33,843</u>

TOWN OF GRAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2010

	C Barker School	Grange Scholarship	Common School	Stimson Cemetery	Total
ASSETS					
Cash	\$ 24,891	\$ 17,307	\$ -	\$ -	\$ 42,198
Investments	-	-	2,798	7,116	114,217
Due from other funds	-	-	3	12	142
TOTAL ASSETS	<u>\$ 24,891</u>	<u>\$ 17,307</u>	<u>\$ 2,801</u>	<u>\$ 7,128</u>	<u>\$ 156,557</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Due to others funds	\$ 750	\$ 1,000	\$ -	\$ -	\$ 1,750
TOTAL LIABILITIES	<u>750</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,750</u>
FUND EQUITY					
Fund Balance					
Designated	24,141	16,307	2,801	7,128	154,807
TOTAL FUND EQUITY	<u>24,141</u>	<u>16,307</u>	<u>2,801</u>	<u>7,128</u>	<u>154,807</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 24,891</u>	<u>\$ 17,307</u>	<u>\$ 2,801</u>	<u>\$ 7,128</u>	<u>\$ 156,557</u>

See accompanying independent auditors' report.

TOWN OF GRAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Cemetery</u>	<u>George Doughty</u>	<u>Helen Frank Cemetery</u>	<u>Monument & Christian Temple</u>	<u>Pennell</u>
REVENUES					
Investment income	\$ 417	\$ 183	\$ 614	\$ 55	\$ 607
Other income	-	-	-	-	-
TOTAL REVENUE	<u>417</u>	<u>183</u>	<u>614</u>	<u>55</u>	<u>607</u>
EXPENDITURES	<u>1,156</u>	<u>502</u>	<u>1,534</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(739)</u>	<u>(319)</u>	<u>(920)</u>	<u>55</u>	<u>607</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES (USES)	<u>(739)</u>	<u>(319)</u>	<u>(920)</u>	<u>55</u>	<u>607</u>
FUND BALANCE - JULY 1	<u>23,954</u>	<u>10,502</u>	<u>35,114</u>	<u>2,940</u>	<u>33,236</u>
FUND BALANCE - JUNE 30	<u>\$ 23,215</u>	<u>\$ 10,183</u>	<u>\$ 34,194</u>	<u>\$ 2,995</u>	<u>\$ 33,843</u>

TOWN OF GRAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	C Barker School	Grange Scholarship	Common School	Stimson Cemetery	Total
REVENUES					
Investment income	\$ 363	\$ 259	\$ 50	\$ 128	\$ 2,676
Other income	-	-	-	-	-
TOTAL REVENUE	<u>363</u>	<u>259</u>	<u>50</u>	<u>128</u>	<u>2,676</u>
EXPENDITURES	<u>500</u>	<u>1,000</u>	<u>-</u>	<u>476</u>	<u>5,168</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(137)</u>	<u>(741)</u>	<u>50</u>	<u>(348)</u>	<u>(2,492)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES (USES)	(137)	(741)	50	(348)	(2,492)
FUND BALANCE - JULY 1	<u>24,278</u>	<u>17,048</u>	<u>2,751</u>	<u>7,476</u>	<u>157,299</u>
FUND BALANCE - JUNE 30	<u>\$ 24,141</u>	<u>\$ 16,307</u>	<u>\$ 2,801</u>	<u>\$ 7,128</u>	<u>\$ 154,807</u>

See accompanying independent auditors' report.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

TOWN OF GRAY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2010

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
General Government	\$ 1,603,562	\$ 518,417	\$ 341,294	\$ 143,640	\$ 2,606,913
Pennell	34,563	313,456	418,923	-	766,942
Parks & Recreation	3,850	225,227	69,562	-	298,639
Public Safety	11,567	531,297	43,679	-	586,543
Fire & Rescue	19,318	464,594	4,076,606	-	4,560,518
Public Works	2,955,773	510,869	2,744,090	8,669,570	14,880,302
Buildings & Grounds	30,000	144,059	34,500	393,646	602,205
Soild Waste	-	190,540	225,776	-	416,316
Total General Capital Assets	4,658,633	2,898,459	7,954,430	9,206,856	24,718,378
Less: Accumulated Depreciation	-	(1,384,844)	(5,286,641)	(4,399,758)	(11,071,243)
Net General Capital Assets	<u>\$ 4,658,633</u>	<u>\$ 1,513,615</u>	<u>\$ 2,667,789</u>	<u>\$ 4,807,098</u>	<u>\$ 13,647,135</u>

See accompanying independent auditors' report.

TOWN OF GRAY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2010

	General Capital Assets 7/1/09	Additions	Deletions	General Capital Assets 6/30/10
General Government	\$ 1,011,563	\$1,595,350	\$ -	\$ 2,606,913
Pennell	755,863	11,079	-	766,942
Parks & Recreation	298,639	-	-	298,639
Public Safety	580,043	6,500	-	586,543
Fire & Rescue	4,376,479	739,039	(555,000)	4,560,518
Public Works	13,626,312	1,253,990	-	14,880,302
Buildings & Grounds	202,914	399,291	-	602,205
Soild Waste	416,316	-	-	416,316
Total General Capital Assets	21,268,129	4,005,249	(555,000)	24,718,378
Less: Accumulated Depreciation	(10,806,523)	(819,720)	555,000	(11,071,243)
Net General Capital Assets	<u>\$ 10,461,606</u>	<u>\$3,185,529</u>	<u>\$ -</u>	<u>\$ 13,647,135</u>

See accompanying independent auditors' report.