

APPENDIX TO THE FY 2014 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2012

South Portland Budget History

Municipal Property Tax Levy Limit

School Department Budget

Glossary of Terms

[Sec.] 502. Preparation and submission of budget.

The city manager, not later than the third Monday in October of 1978, shall submit to the council a municipal budget only (minus school expenses) for the interim six-month fiscal year and an explanatory budget message in the form and with contents provided by sections 513 through 516. Thereafter, the city manager shall, not later than the third Monday in March, submit to the council a budget and an explanatory budget message in the form and with contents provided by sections 513 through 516. For such purpose, at such date as he shall determine, he, or an officer designated by him, shall obtain from the head of each office, department or agency estimates of revenue and expenditure of that office, department or agency, detailed by organization units, and character and object of expenditure, and such other supporting data as he may request; together with an estimate of all capital projects pending or which such department head believes should be undertaken (a) within the budget year and (b) within the 6 next succeeding years. In preparing the budget, the city manager shall review the estimates, and may revise them as he may deem advisable.

(Ref. of 6-13-78)

[Sec.] 503. Budget a public record.

The budget and budget message and all supporting schedules shall be a public record in the office of the city clerk open, to public inspection by anyone. The city manager shall cause sufficient copies of the budget and budget message or summary thereof to be prepared for distribution to interested persons at least 7 days prior to the public hearing provided for by section 505.

[Sec.] 504. Publication of notice of public hearing.

At the meeting of the council at which the budget and budget message are submitted, the council shall determine the place and time of the public hearing on the budget, and shall cause to be published a notice of the place and time, not less than 7 days after date of publication but during the month of April of the current budget year at which the council will hold a public hearing.

(Ref. of 6-13-78)

[Sec.] 505. Public hearing on budget.

At the time and place so advertised, or at any time and place to which such public hearing shall from time to time be adjourned, the council shall hold a public hearing on the budget as submitted, at which all interested persons shall be given an opportunity to be heard, for or against the estimates or any item thereof.

[Sec.] 506. Further consideration of budget.

After the conclusion of such public hearing, the council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law or prescribed by sections 525.7 to 525.8. The council may not vary the titles, descriptions or conditions of administration specified in the budget.

[Sec.] 507. Increase of budget.

If the council inserts additional items, or makes increases, which increase the total proposed expenditures, it shall also increase the total anticipated revenue to at least equal such total proposed expenditures.

[Sec.] 508. Adoption of budget; vote required.

The budget shall be adopted by the favorable votes of at least a majority of all the members of the council.

[Sec.] 509. Date of final adoption; failure to adopt; provision for expenditures until adopted.

The budget shall be finally adopted not later than 90 days after the beginning of the fiscal year. Should the council take no final action on or prior to such date, the budget, as submitted, shall be deemed to have been finally adopted by the council. Before the budget has been adopted, the city council may make appropriation for current departmental expenses chargeable to the budget for the year, when passed, to an amount sufficient to cover the necessary expenses of the various departments until the annual budget is in force.

(P.&S.L. 1967, Ch. 37, § 4)

[Sec.] 510. Effective date of budget; certification; copies made available.

Upon final adoption, the budget shall be in effect for the budget year. A copy of the budget, as finally adopted, shall be certified by the city manager and city clerk and filed in the office of the director of finance. The budget so certified shall be printed, mimeographed or otherwise reproduced and sufficient copies thereof shall be made available for the use of all offices, departments and agencies and for the use of interested persons and civic organizations.

[Sec.] 511. Budget establishes appropriations.

From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several objects and purposes therein named.

[Sec.] 512. Budget establishes amount to be raised by property tax; certificate to city assessor.

From the effective date of the budget, the amount stated therein as the amount to be raised by property tax shall constitute a determination of the amount of the levy for the purposes of the city, in the corresponding tax year. In accordance with Maine Constitution Art. 1, §22 and Art. 8, Pt. 2, §1, the amount of revenue to be raised by property taxation shall be determined by the City Council, acting as the municipal officers. The sole limitation on the authority of the City Council to determine the revenue to be raised by property taxation is the right of the residents of the City of South Portland, in a local municipal election in which only qualified electors of the City vote, to enact a minimum or maximum amount of revenue to be raised by property taxation by the City. A copy of the budget as finally adopted shall be certified by the city manager and filed by him with the city assessor, whose duty it shall be to levy such taxes for the corresponding tax year.

(Ref of 11/2/04)

[Sec.] 513. Budget message; current operations.

The budget message submitted by the city manager to the council shall be explanatory of the budget, shall contain an outline of the proposed financial policies of the city for the budget year and shall describe in connection therewith the important features of the budget plan. It shall set forth the reasons for salient changes from the previous year in cost and revenue items and shall explain any major changes in financial policy.

[Sec.] 905. Powers and duties.

The school board shall have all the powers conferred and shall perform all the duties imposed by law upon superintending school committees in regard to the care and management of the public schools of the city, except as otherwise provided in this charter. The school board shall, when requested by the city manager, furnish budget estimates in detail of the several sums required during the ensuing budget year for the support of the public schools and shall make such financial and activity reports in writing whenever and in such form to the city manager as the manager may require.

From the effective date of the budget the several amounts stated therein as proposed expenditures by the Department of Education and as approved expenditures by the City Council shall be and become appropriated to the specified categories as stated and shall not be used for other objects and purposes except as permitted in this section. The school superintendent may at any time transfer any unencumbered appropriation balance or portion thereof within but not between the categories of salaries, contracted services, supplies and capital outlay. At the request of the school superintendent, the school board may by resolution transfer any unencumbered appropriation balance or portion thereof from one aforementioned category to another.

FINANCIAL SECTION



Independent Auditor's Report

City Council
City of South Portland, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of South Portland, Maine'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, business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and TIF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2012, on our consideration of the City of South Portland, 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.

City Council
City of South Portland, Maine

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Portland, Maine's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.



December 21, 2012
South Portland, Maine

City Council
City of South Portland, Maine

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December 21, 2012
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis
June 30, 2012

As management of the City of South Portland, we offer readers of the City of South Portland's financial statements this narrative overview and analysis of the financial activities of the City of South Portland for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the City of South Portland exceeded its liabilities at the close of the most recent fiscal year by \$159,483,524 (*net assets*). Of this amount, \$23,406,575 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,651,367.
- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net assets of \$98,542,451, an increase of \$1,890,443 in comparison with the prior year. Approximately 18.1 percent of this total amount, \$17,843,882, is *available for spending* at the City's discretion (unrestricted net assets).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,591,915, or 15.08% of total general fund expenditures. Last year, the City implemented GASB Statement No. 54 which substantially altered the categories and terminology historically used to describe fund balance.
- The City's total bonded debt increased by \$27,310,000 during the current fiscal year. City voters approved borrowing \$41,500,000 for renovations and addition to the South Portland High School. During the year, the City issued \$30,000,000 of bonding for this project. Construction on this project started in April of 2012 and is to be completed in phases to reduce the impact to students and taxpayers.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of South Portland's basic financial statements. The City of South Portland's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of South Portland's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of South Portland's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South Portland is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Portland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Portland include general government, public safety,

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

public works, culture and recreation, transportation and waterfront, health, welfare and social services, and education. The business-type activities of the City of South Portland include water resource protection (sewage treatment) activities. The government-wide financial statements can be found on pages 29-30 of this report.

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 City of South Portland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Portland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 city'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*.

The City of South Portland maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, TIF fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of South Portland adopts an annual appropriated budget for its general fund and TIF funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 31-32 of this report.

Proprietary funds. The City of South Portland maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Portland uses an enterprise fund to account for its sewer user fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the individual enterprise fund, which is considered to be a major fund of the City of South Portland.

The City of South Portland adopts an annual appropriated budget for its enterprise fund. Schedules of revenues, expenses and changes in net assets on the budgetary basis of accounting statement have been provided for the enterprise fund to demonstrate compliance with this budget.

The basic proprietary fund financial statements can be found on pages 35-37 of this report. The budget basis schedule demonstrating compliance can be found on page 95 of this report.

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of South Portland's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

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 fund financial statements.

The notes to the financial statements can be found on pages 40-62 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 67-108 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of South Portland, assets exceeded liabilities by \$159,483,524 at the close of the most recent fiscal year.

City of South Portland's Net Assets

	Governmental Activities		Business-type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 77,066,411	\$ 47,326,462	\$ 12,492,248	\$ 12,060,942	\$ 89,558,659	\$ 59,387,404
Capital assets	86,621,261	83,267,897	49,975,537	48,649,832	136,596,798	131,917,729
Total assets	163,687,672	130,594,359	62,467,785	60,710,774	226,155,457	191,305,133
Long-term liabilities	58,481,148	28,555,290	707,358	1,039,461	59,188,506	29,594,751
Other liabilities	6,664,073	5,387,061	819,354	491,164	7,483,427	5,878,225
Total liabilities	65,145,221	33,942,351	1,526,712	1,530,625	66,671,933	35,472,976
Net assets:						
Invested in capital assets, net of related debt	68,914,663	65,465,039	49,501,248	47,843,440	118,415,911	113,308,479
Restricted	11,783,906	16,473,151	5,877,132	6,884,009	17,661,038	23,357,160
Unrestricted	17,843,882	14,713,818	5,562,693	4,452,700	23,406,575	19,166,518
Total net assets	\$ 98,542,451	\$ 96,652,008	\$ 60,941,073	\$ 59,180,149	\$ 159,483,524	\$ 155,832,157

By far, the largest portion of the City of South Portland's net assets (74.2 percent or \$118,415,911) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of South Portland uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Portland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of South Portland's net assets (11.1 percent or \$17,661,038) represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (14.6% or \$23,406,575) may be used to meet the City's on-going obligation to citizens and creditors. At the end of the current fiscal year, the City of South Portland is able to report a positive balance in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

The City's total net assets increased by \$3,651,367 during the current fiscal year. This increase is attributable to a combination of actual revenues being in excess of estimates and management's efforts to control and reduce budgeted expenditures.

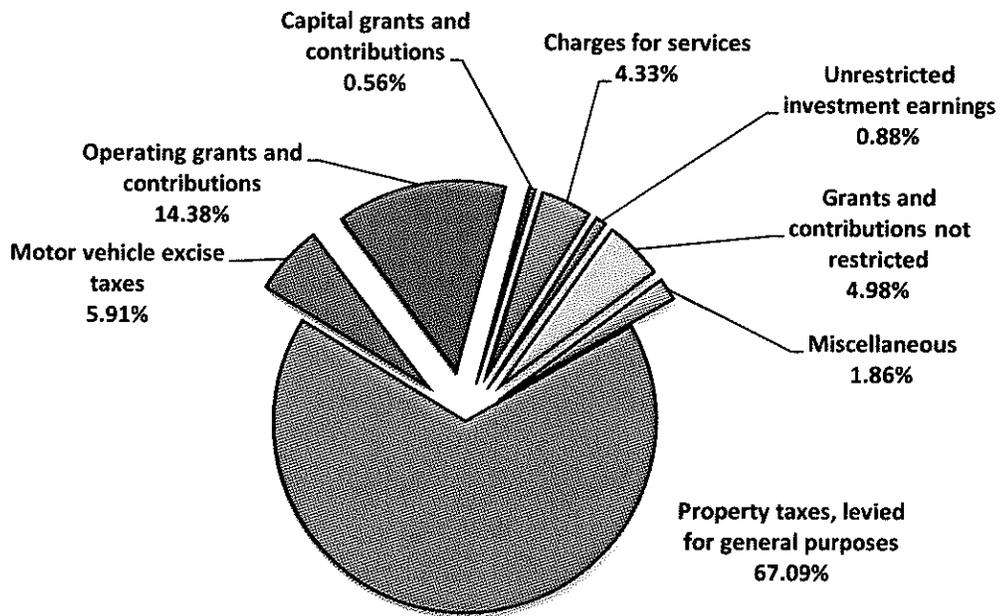
City of South Portland's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,690,285	\$ 3,495,377	\$ 5,436,377	\$ 5,397,938	\$ 9,126,662	\$ 8,893,315
Operating grants and contributions	12,254,487	11,296,237	-	-	12,254,487	11,296,237
Capital grants and contributions	479,280	1,888,618	110,000	63,392	589,280	1,952,010
General revenues:						
Property and other taxes	62,214,384	60,531,550	-	-	62,214,384	60,531,550
Grants and contributions not restricted to specific programs	4,244,228	4,234,142	-	-	4,244,228	4,234,142
Other	2,336,615	2,233,707	30,143	30,537	2,366,758	2,264,244
Total revenues	85,219,279	83,679,631	5,576,520	5,491,867	90,795,799	89,171,498
Expenses:						
General government	10,384,706	9,760,459	-	-	10,384,706	9,760,459
Public safety	11,883,029	11,475,123	-	-	11,883,029	11,475,123
Public works	7,333,922	7,919,091	-	-	7,333,922	7,919,091
Culture and recreation	4,349,852	4,271,160	-	-	4,349,852	4,271,160
Transportation and waterfront	1,220,037	1,100,308	-	-	1,220,037	1,100,308
Health, wealth and social services	321,795	346,737	-	-	321,795	346,737
Interest on debt service	853,840	1,020,873	-	-	853,840	1,020,873
Education	45,043,366	44,770,727	-	-	45,043,366	44,770,727
Sewer	-	-	5,632,254	5,721,362	5,632,254	5,721,362
Total expenses	81,390,547	80,664,478	5,632,254	5,721,362	87,022,801	86,385,840
Increase (decrease) in net assets before transfers and other	3,828,732	3,015,153	(55,734)	(229,495)	3,772,998	2,785,658
Gain (loss) on disposal of capital asset	(121,631)	289,956	-	(621,367)	(121,631)	(331,411)
Transfers	(1,816,658)	(210,802)	1,816,658	210,802	-	-
Increase (decrease) in net assets	1,890,443	3,094,307	1,760,924	(640,060)	3,651,367	2,454,247
Net assets - beginning of year	96,652,008	93,557,701	59,180,149	59,820,209	155,832,157	153,377,910
Net assets - end of year	\$ 98,542,451	\$ 96,652,008	\$ 60,941,073	\$ 59,180,149	\$ 159,483,524	\$ 155,832,157

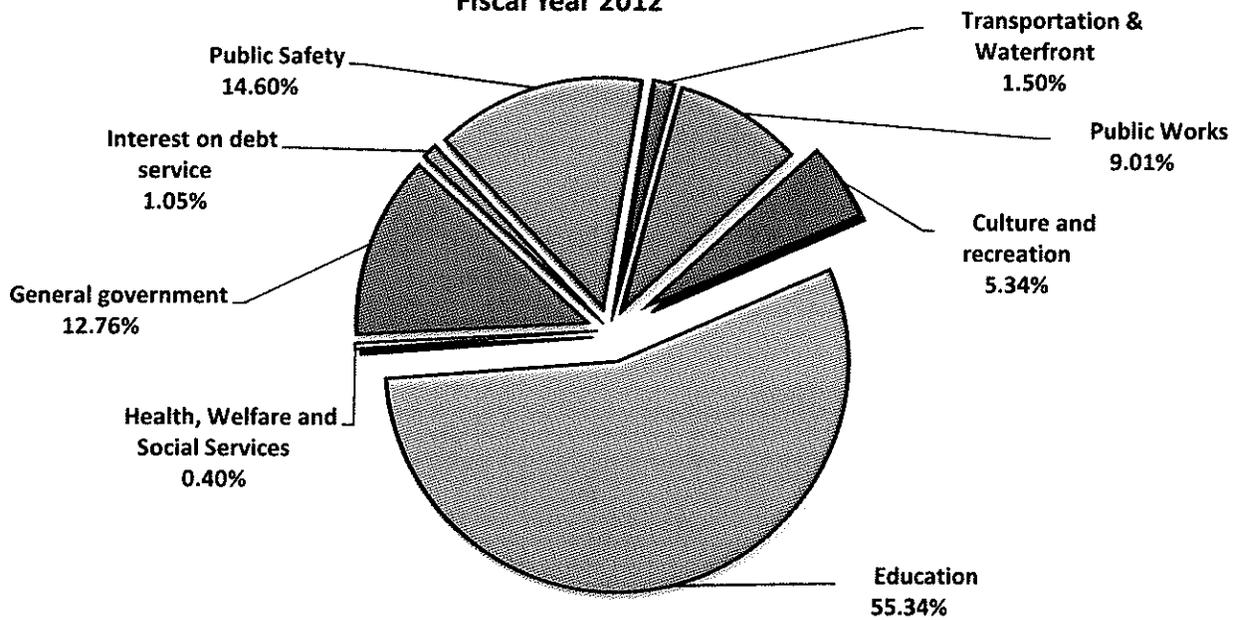
Governmental activities. During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net assets of \$3.651 million. This amount represented an increase in the net assets of 2.34%. Key elements of this increase are as follows:

- Property and other taxes increased by \$1.663 million (2.74 percent). This was primary due to an increase in taxes to support the School and City budgets. Included in this tax increase was the increase to support the High School renovation project which the funding for is being phased in over several years.
- Capital grants and contributions decrease \$1.41 million. This was primary due to the City receiving a Federal and state grant for three transit buses totaling \$1,077,777 and a homeland security grant of \$467,488 for new communications equipment in the prior year.
- Total expenses increased by \$726,069 (.9%). Citywide insurance and benefit costs were the single largest area that increased during the year total approximately .5 million. An increase in public safety costs were offset by a decrease in public work with minor changes in other areas.

Government -wide
Revenues by Source - Governmental Activities
Fiscal Year 2012



Government -wide
Expenses by Function- Governmental Activities
Fiscal Year 2012

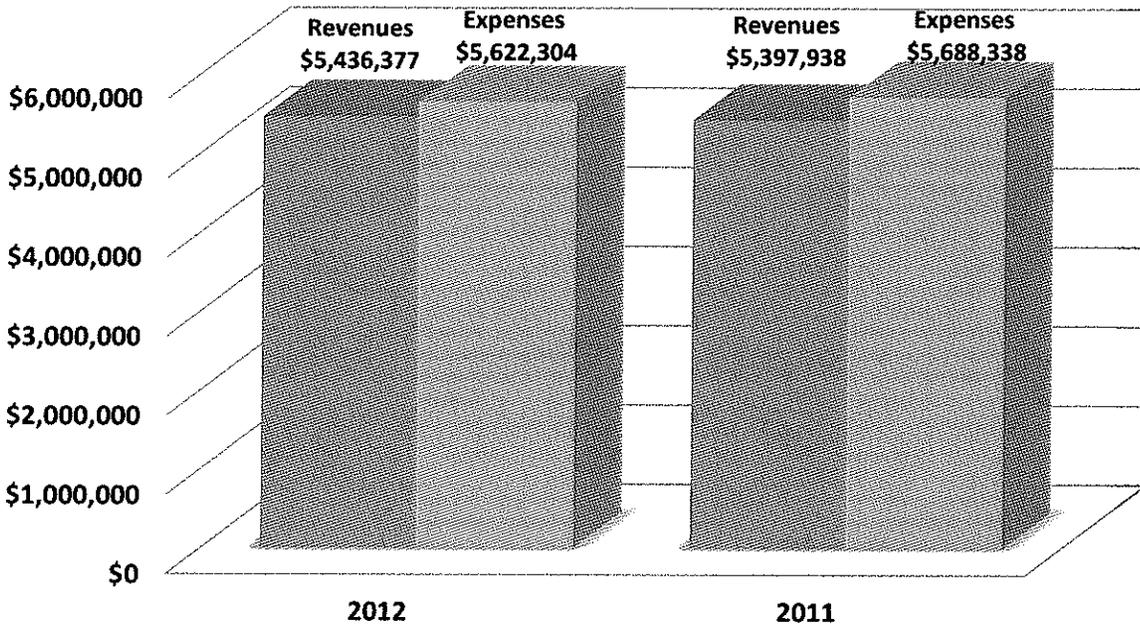


CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

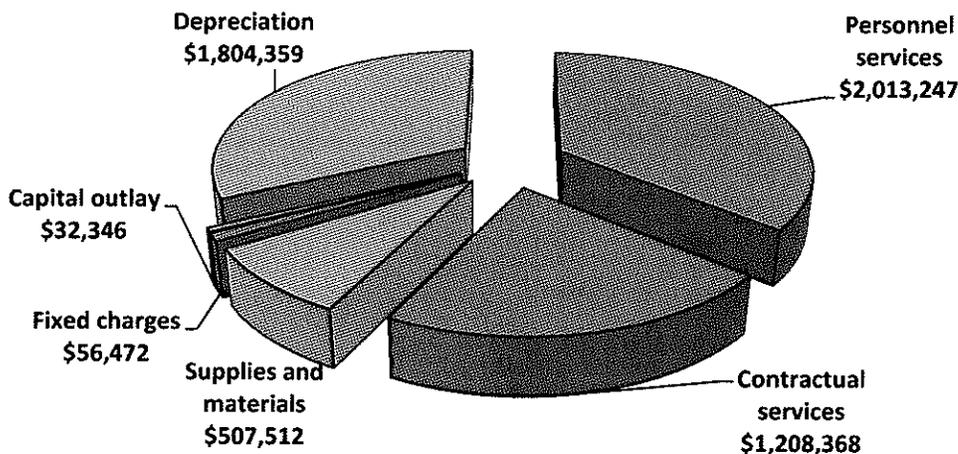
Business-type activities. The City's business-type activities which consist of sewer user operations increased the City of South Portland's net assets by \$1.76 million. A large portion of this was the result of the City's TIF districts transferring \$1.8 million towards the Knightville sewer and storm water separation phase II project.

Revenues for business-type activities increased by \$45K in billings due to an increase in user rates which were offset by lower consumption during the year. Total operating expenses for business-type activities decreased in total -\$66K or -1.16 percent due primarily to decreases in contractual services (-\$203K) and capital outlay (-\$114K) offset by an increases in personal services (\$176K) and depreciation (\$74K).

Sewer User Operations
Comparative Revenues and Expenses
Fiscal Years 2012 and 2011



Sewer User Operations
Expenses by Function
Fiscal Year 2012



CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

Financial Analysis of the Government's Funds

As noted earlier, the City of South Portland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The financial reporting focus of the City of South Portland'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 City of South Portland's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of South Portland's governmental funds reported combined ending fund balances of \$69.65 million, an increase of \$28.7 million in comparison with the prior year. A significant portion of the increase relates to the start of the High School renovation capital project (\$32.56 million) which received partial bond funding late in the year. Additionally, City TIF funds were spent down by approximately \$800K through the funding of the Knightville phase II projects as approved in the City's CIP program.

General Fund - The general fund is the central operating fund of the City of South Portland. At the end of the current fiscal year, the total fund balance of the general fund was \$22,036,221. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. General fund fund balance represents 31.38 percent of total general fund expenditures (\$70,215,793). Under the new breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2012, general fund restricted balance for education totaled \$5,284,024, a decrease of \$634,168. Additionally, the City maintains various reserve balances for various future needs. These balances are now reported as either committed or assigned and in total decreased slightly during the year.

In June of 2011, the City Council amended its fund balance policy to better reflect the changes brought about by GASB Statement No. 54 which alters the focus and terminology used for fund balance reporting. The purpose of the fund balance policy is to help insure the future financial stability of the City and to mitigate financial risk that can occur from unforeseen revenue fluctuations or unanticipated expenditures. The City's fund balance policy, which is based on the new unassigned fund balance component of fund balance, establishes a minimum unassigned fund balance of 9 percent of the City's general fund budget. As of June 30, 2012, the unassigned fund balance was \$10,591,915 or 14.84 percent of the City's FY 2013, budget (\$71,366,213).

The total fund balance of the City of South Portland's general fund increased by \$64,462 during the current fiscal year. Key factors in this change are as follows:

- Total actual revenues collected exceeded budgeted by approximately \$1,588,000. The largest budgetary surplus resulted from excise taxes collected in excess of budget totaling approximately \$812K. The City collects considerable excise taxes from fleet vehicles. However, the reliability of this revenue stream is at times uncertain and as a result, the City budgets conservatively. Property taxes also exceeded budget by \$533K. Additionally, estimated budgets for various revenues were exceeded; State revenue sharing (149K), BETE revenue (\$71K). For more detailed information on actual revenues to budget, please refer to the General Fund Highlights and Exhibit A-2.
- Total actual expenditures were less than budgeted by approximately \$1.47 million. The major discrepancies included unexpended education appropriations (\$691K), various public safety departments totaling \$108K, and public works (\$271K) coming in less than anticipated. For more detailed information on actual expenditures to budget, please refer to the General Fund Highlights and Exhibit A-2.
- As part of the City's 2012-13 capital improvement budget, the City appropriated \$1.1 million from unassigned fund balance to fund certain City capital projects. Additionally, the City contributed \$360K towards the City's tax stabilization reserve.

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

TIF - The TIF (Tax Increment Financing) fund includes all of the activity in the City's nine tax increment financing districts. At the end of the current fiscal year, the total fund balance of the TIF fund was \$4,265,177, all of which must be used for eligible projects as defined by Maine State Law. TIF funds are typically used to fund credit enhancement agreements with developers and also to fund capital improvement projects in and around the TIF districts. During the year, the City appropriated \$2.3 million towards sewer, storm water and public works capital improvement projects.

Capital Projects - The capital project fund has a total fund balance of \$39,006,304. The increase in fund balance during the current year in the capital project fund was \$29.6 million. This past year's projects included the first phase bonding \$30 million of the High School Renovation project that was approved by the voters in November of 2010.

Proprietary funds. The City of South Portland's proprietary fund, which consists of the sewer user fund, provides the same type of information found in the government-wide financial statements, but in a more detail budgetary basis.

Unrestricted net assets of the sewer user fund at the end of the year amounted to \$1,931,219. The increase in total unrestricted net assets for the sewer user fund was \$770,561. The City sets aside funds in various reserves for future capital needs. As part of its budgetary process annual appropriations are made to the reserves and are available to fund future improvements. On a budgetary basis, the sewer fund reported a surplus of \$329K on revenues coming in greater than anticipated \$127K and expenditures coming in approximately \$202K under budget.

Budgetary Highlights

General Fund:

Revenue for the general fund totaled \$68,030,217 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2012. Actual revenues exceeded estimates by \$1,587,810.

General Fund Revenues Budget to Actual Summary			
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 57,531,642	58,907,951	1,376,309
Intergovernmental	5,950,903	5,971,062	20,159
Licenses, permits, fees and fines	778,450	785,020	6,570
Charges for services	1,465,862	1,619,847	153,985
Unclassified	115,550	171,624	56,074
Interest earned	600,000	574,713	(25,287)
Total revenues	\$ 66,442,407	68,030,217	1,587,810

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$1.376 million of which \$812K is attributable to an excise tax surplus due primarily to budgeting conservatively for fleet vehicles which are susceptible to major swings. Additionally property taxes exceeded budget by \$533K
- A surplus in charges for services relating to ambulance billings and bus service ridership which exceed anticipated revenues by \$51,171 and \$65,985 respectively.
- An investment earnings deficit of \$25,287 as a result of significantly lower interest rates on investments.

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

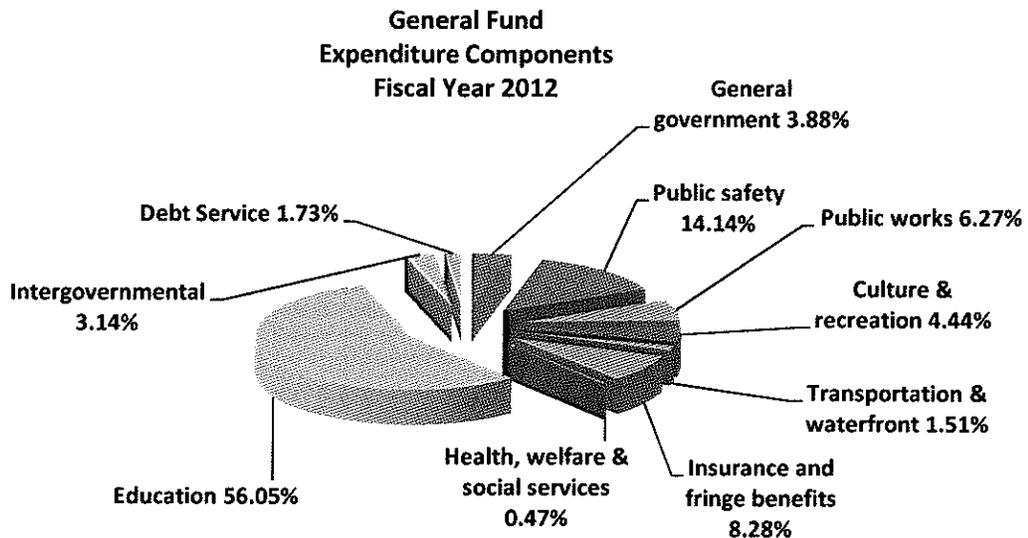
Expenditures for the general fund totaled \$66,014,613 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2012.

General Fund Expenditures Budget to Actual Summary

	Budget	Actual	Variance
Expenditures:			
General government	\$2,641,674	2,564,083	77,591
Public safety	9,438,881	9,331,249	107,632
Public works	4,408,595	4,137,661	270,934
Culture and recreation	2,998,296	2,933,959	64,337
Transportation and waterfront	997,516	994,717	2,799
Health, welfare and social services	416,986	312,993	103,543
Insurance and fringe benefits	5,506,807	5,464,308	42,499
Education	37,693,072	37,001,532	691,540
Intergovernmental (county tax)	2,072,476	2,072,476	-
Other	162,453	60,392	102,061
Debt Service	1,144,404	1,141,243	3,161
Total expenditures	\$67,481,160	66,014,613	1,466,547

The following areas had expenditure surpluses attributable to management efforts to control budgeted expenditures:

- General government legal expenditures were lower than anticipated with a surplus to budget of \$33,451. Additional, the senior property tax reimbursement program which was introduced for the first time this past year, came in under budget with a surplus of \$17,887.
- Public safety expenditures were under budget with Police (surplus of \$52,619), Fire (surplus of \$14,659) and communications (surplus of \$20,647) making up the larger components.
- Public works was significantly under budget because of the very mild winter with Streets and Sidewalks (surplus of \$174,648) and the Garage (surplus of \$59,777).
- General assistance after several years of higher payments saw a decline this past year with a surplus \$102,672.
- Education surplus of \$691,540 attributable to lower than anticipated, High School (surplus of \$179,251) special education costs (surplus of \$241,876), board of education expenses (surplus of \$161,926) offset by higher costs expended for Technology (deficit of \$137,193).



CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

Capital Asset and Debt Administration

Capital assets. The City of South Portland's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$136,596,798 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer system, improvements, machinery and equipment, vehicles, park facilities, roads, highways and dams. The total increase in the City of South Portland's investment in capital assets for the current fiscal year was 3.55 percent (a 4.03 percent increase for governmental activities and a 2.72 percent increase for business-type activities).

City of South Portland's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 9,251,519	\$ 9,251,519	1,221,558	1,221,558	10,473,077	10,473,077
Buildings	51,862,295	51,916,077	17,440,155	18,023,391	69,302,450	69,939,468
Improvements other than buildings	1,368,715	1,312,972	-	-	1,368,715	1,312,972
Machinery and equipment	3,766,465	3,845,556	4,418,660	4,836,060	8,185,125	8,681,616
Infrastructure	11,220,198	10,885,909	23,303,691	23,478,073	34,523,889	34,363,982
Construction in progress	4,891,087	1,418,659	3,085,231	474,118	7,976,318	1,892,777
Vehicles	4,260,981	4,637,204	506,242	616,632	4,767,223	5,253,836
Total	\$ 86,621,261	\$83,267,897	49,975,537	48,649,832	136,596,798	131,917,729

Major capital asset events during the current fiscal year included the following:

- City building and equipment energy improvements were completed totaling approximately \$1,038,000 during the year at numerous City Buildings.
- HVAC and pool shell improvements totaling \$151,000 at the Community Center swimming pool.
- Field, track and fencing improvements at various School and City grounds totaling \$223,000.
- Exterior improvements to the Hutchins School Building totaling \$76,000
- Various vehicles purchased included a new \$187,000 2012 sweeper and \$127,000 2012 dump truck for public works and various other City vehicles totaling \$278,000.
- Public safety security equipment totaling \$129,000 were purchased with the aid of a Federal grant.
- Telephone improvements at Memorial Middle School and system wide.
- Data archival hardware/software totaling \$76,000 and computer network system totaling \$59,000.
- Architectural, other design work and the start of construction on the High School Renovation project totaling \$3.3 million.
- Various paving and sidewalk projects totaling \$729,000.
- Start if Millcreek park improvements totaling \$91,000.
- Waterline replacement at Port Harbor Marine totaling \$151,000
- Construction of CSO clarifier equipment and domes totaling \$748,000
- Security system and other improvements at Mahoney Middle School totaling \$791,514.
- Completion of Phase 1 and start of Phase 2 sewer, storm water, street, sidewalk, transit hub, and lighting projects for the Knightville area totaling \$1,697,000.
- Completion of the pump station telemetry alarm system totaling \$1,059,000.

Additional information on the City of South Portland's capital assets can be found in the notes to the financial statements on pages 50-51 of this report.

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

Long-term debt. The State allows municipalities to borrow up to 15% of their total valuation. With the City's State Valuation at \$3,556,500,000 for 2012, the debt limit would be over \$533,475,000. Our current debt is \$50,064,289, or less than 1.41% of State Valuation or approximately 9.38% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2012, the City of South Portland's debt per capita (including lease obligations) was \$2,090 as compared to the prior year of \$1,022.

The following is a summary of bond and note transactions of the City for the year ended June 30, 2011:

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds payable at June 30, 2011	\$ 22,280,000	806,392	23,086,392
Principal additions	30,000,000	-	30,000,000
Advance refunding –net reduction	(95,000)	-	(95,000)
Principal payments	(2,595,000)	(332,102)	(2,927,102)

General Obligation Bonds payable at June 30, 2012 \$ 49,590,000 474,289 50,064,289

The City of South Portland's total bonded debt increased by \$26,977,897 during the current fiscal year as a result of bonding \$30,000,000 for the first phase of the High School renovation project. Additionally the City was able to advance refund portions of the 2002 and 2003 general obligation bonds. This refunding resulted in significant savings over the remaining 13 year term of the bonds, saving the City debt service costs in excess of \$1,080,000 (present value savings in excess of \$918,000).

The City of South Portland maintains a "Aaa" rating from Moody's and a "AA+" rating from Standard & Poor's for general obligation debt. Please refer to the agencies' reports for a comprehensive explanation of their rating assessment.

Additional information on the City of South Portland's long-term debt can be found in the notes to the financial statements on pages 51-53 of this report.

Economic Factors and Next Year's Budgets and Rates

South Portland continues to be the retail center for Northern New England with a diverse economic base that includes a regional mall, numerous large insurance and financial service companies, two semi-conductor manufacturing plants, hotels and restaurants, and petroleum distribution facilities. The local economy of the City of South Portland has not been immune from the recent global recession experience over the past few years. However, development has continued with strong building permit activity into the new fiscal year.

- The October 2012 unemployment rate for the Portland/South Portland area is currently at 5.5% which is unchanged from the rate a year ago. This rate compares favorably to the state's average unemployment rate of 7.4% and the national average rate of 7.5%.
- As of December 2011, the vacancy rate for Class A office space in the mall area was 13.13% from 16.3% in December 2010 and the vacancy rate for Class B office space in the mall area was 8.3% from 6.0% in December 2010. We believe that more recent activity would conclude that that the Class A office space has improved since that time.

In adopting the budget for the ensuing fiscal year 2013, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic City services to the citizens while attempting to keep the property tax rate low.

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

During the upcoming fiscal year (2013) the City's management will continue to monitor and evaluate local economic conditions. In the forefront of our revenue and expenditure concerns are:

Revenue Projections:

- Continuing uncertainty in the State budget and the funding formula for local school aid and the elimination of federal stimulus and jobs bond programs.
- Risk of rolling back into recession that may translate to a reduction in building permits, automobile excise revenues, recreational fees, and tax collections.
- A continued decrease in interest rates that may lead to a further reduction in investment income.

Property Values and Business Development:

- The regional economy appears to have stabilized in regards to property market values, however we will be watching this very closely over the coming months. Vacancy rates in the mall area appear to have declined some and the City will be working with businesses to assist in business development.

Health Insurance and Other Costs:

- The cost of health insurance continues to rise. The 2013 calendar year premiums will see an increase of 10.23%. The City is actively taking steps to improve the City's health insurance experience rating. The City feels that by having a healthier workforce its long term cost for both health and worker's compensation insurance will be reduced.
- The employer cost for funding the City's defined benefit retirement plan have increased 25% each year for the past 3 years resulting from investment returns not meeting estimates.
- The volatile and increasing cost of petroleum products is a concern as the City uses large quantities of gas, diesel, and #2 fuel oil to support its operations.
- The costs of maintaining our facilities, vehicles and infrastructure including expanding paving streets.

The fiscal year 2013 budget was approved in June 2012, with a \$2,755,353 (3.97%) increase in the overall general fund expenditure budget. Included in the budget is a contribution of \$1,350,000 towards the High School Renovation project. This contribution will reduce the amount required to bond for the High School Project while at the same time help phase in the impact to taxpayers on future debt service requirements. Overall, the cost of living increases and increased estimated revenues resulted in a tax rate increase to 16.50 per thousand from the prior year 16.10.

Requests for Information

This financial report is designed to provide a general overview of the City of South Portland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of South Portland, Maine, 25 Cottage Road, South Portland, Maine 04106.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 76,761,216	-	76,761,216
Investments	8,342,943	-	8,342,943
Receivables, net of allow. of \$659,054 and \$163,242	2,114,021	518,426	2,632,447
Taxes receivable	1,437,957	-	1,437,957
Tax liens and acquired property	306,842	-	306,842
Prepaid expenses	-	7,893	7,893
Inventory	19,361	-	19,361
Internal balances	(11,965,929)	11,965,929	-
Restricted assets, cash	50,000	-	50,000
Capital assets, not being depreciated	14,142,606	4,306,790	18,449,396
Capital assets, net of accumulated depreciation	72,478,655	45,668,747	118,147,402
Total assets	163,687,672	62,467,785	226,155,457
LIABILITIES			
Accounts payable	2,729,600	817,490	3,547,090
Accrued liabilities	443,471	1,864	445,335
Accrued interest	323,564	-	323,564
Accrued teachers' summer salaries	3,167,438	-	3,167,438
Non-current liabilities:			
Due within one year	3,583,220	105,707	3,688,927
Due in more than one year	54,897,928	601,651	55,499,579
Total liabilities	65,145,221	1,526,712	66,671,933
NET ASSETS			
Invested in capital assets, net of related debt	68,914,663	49,501,248	118,415,911
Restricted for:			
Permanent Funds - Nonexpendable principal	198,949	-	198,949
Permanent Funds - Expendable	132,232	-	132,232
Education	5,284,024	-	5,284,024
Other grants	1,903,524	-	1,903,524
Tax Increment Financing	4,265,177	-	4,265,177
Capital	-	5,877,132	5,877,132
Unrestricted	17,843,882	5,562,693	23,406,575
Total net assets	\$ 98,542,451	60,941,073	159,483,524

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Activities
For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 10,384,706	305,479	898,041	-	(9,181,186)	-	(9,181,186)
Public safety	11,883,029	1,188,407	799,252	-	(9,895,370)	-	(9,895,370)
Public works	7,333,922	200,634	-	351,262	(6,782,026)	-	(6,782,026)
Culture and recreation	4,349,852	923,531	-	-	(3,426,321)	-	(3,426,321)
Transportation and waterfront	1,220,037	393,663	169,086	128,018	(529,270)	-	(529,270)
Health, welfare and social services	321,795	-	99,697	-	(222,098)	-	(222,098)
Education	45,043,366	678,571	10,288,411	-	(34,076,384)	-	(34,076,384)
Interest on debt service	853,840	-	-	-	(853,840)	-	(853,840)
Total governmental activities	81,390,547	3,690,285	12,254,487	479,280	(64,966,495)	-	(64,966,495)
Business-type activities:							
Sewer	5,632,254	5,436,377	-	110,000	-	(85,877)	(85,877)
Total business-type activities	5,632,254	5,436,377	-	110,000	-	(85,877)	(85,877)
Total primary government	\$ 87,022,801	9,126,662	12,254,487	589,280	(64,966,495)	(85,877)	(65,052,372)
General revenues:							
Property taxes, levied for general purposes					\$ 57,176,484	-	57,176,484
Motor vehicle excise taxes					5,037,900	-	5,037,900
Cable television franchise					185,000	-	185,000
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					1,888,773	-	1,888,773
Homestead exemption					466,578	-	466,578
Other State aid					1,888,877	-	1,888,877
Unrestricted investment earnings					751,519	30,143	781,662
Miscellaneous					1,400,096	-	1,400,096
Gain (loss) on disposal of capital assets					(121,631)	-	(121,631)
Transfers					(1,816,658)	1,816,658	-
Total general revenues and transfers					66,856,938	1,846,801	68,703,739
Change in net assets					1,890,443	1,760,924	3,651,367
Net assets - beginning					96,652,008	59,180,149	155,832,157
Net assets - ending					\$ 98,542,451	60,941,073	159,483,524

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2012

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 32,370,604	4,250,351	40,140,261	-	76,761,216
Investments	7,572,185	-	-	770,758	8,342,943
Due from other governments	257,608	-	128,018	1,412,767	1,798,393
Accounts receivable, net of allowance of \$659,054	263,975	22,678	-	28,975	315,628
Taxes receivable	1,437,957	-	-	-	1,437,957
Tax liens and tax acquired property	306,842	-	-	-	306,842
Interfund loans receivable	-	-	-	2,565,143	2,565,143
Inventory	-	-	-	19,361	19,361
Restricted assets, cash	50,000	-	-	-	50,000
Total assets	\$ 42,259,171	4,273,029	40,268,279	4,797,004	91,597,483
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,277,097	7,852	1,261,975	181,059	2,727,983
Accrued liabilities	412,065	-	-	31,406	443,471
Interfund loans payable	14,532,689	-	-	-	14,532,689
Deferred tax revenue	1,076,000	-	-	-	1,076,000
Accrued teachers' summer salaries	2,925,099	-	-	242,339	3,167,438
Total liabilities	20,222,950	7,852	1,261,975	454,804	21,947,581
Fund balances:					
Nonspendable	-	-	-	218,310	218,310
Restricted	5,284,024	4,265,177	33,669,569	2,035,756	45,254,526
Committed	3,340,240	-	5,488,392	2,199,643	11,028,275
Assigned	2,820,042	-	-	-	2,820,042
Unassigned	10,591,915	-	(151,657)	(111,509)	10,328,749
Total fund balances	22,036,221	4,265,177	39,006,304	4,342,200	69,649,902
Total liabilities and fund balances	\$ 42,259,171	4,273,029	40,268,279	4,797,004	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					86,621,261
Other long-term assets are not available to pay for current period expenditure and, therefore, are deferred in the funds					1,076,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds					
Bond premium					(2,737,580)
Accrued compensated absences					(3,128,005)
Other postemployment benefits liability					(724,976)
Accrued interest					(323,564)
Landfill closure					(102,000)
Capital leases					(2,198,587)
Bonds payable					(49,590,000)
Net assets of governmental activities					\$ 98,542,451

See accompanying notes to basic financial statements

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance:
Governmental Funds
For the year ended June 30, 2012

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 58,907,951	2,400,433	1,050,000	20,000	62,378,384
Intergovernmental	9,425,026	944,803	128,018	6,480,148	16,977,995
Licenses, permits, fees and fines	785,020	-	-	-	785,020
Charges for services	1,619,847	-	-	1,470,418	3,090,265
Unclassified	632,075	-	-	700,827	1,332,902
Interest earned	602,078	41,585	60,542	47,314	751,519
Total revenues	71,971,997	3,386,821	1,238,560	8,718,707	85,316,085
Expenditures:					
Current:					
General government	8,261,581	-	-	1,080,038	9,341,619
Public safety	9,441,068	-	-	737,318	10,178,386
Public works	4,152,365	190,380	-	420,812	4,763,557
Culture and recreation	2,904,299	-	-	912,791	3,817,090
Transportation and waterfront	994,717	-	-	18,028	1,012,745
Health, welfare and social services	321,795	-	-	-	321,795
Education	40,540,585	-	-	4,239,996	44,780,581
School lunch program	-	-	-	1,591,951	1,591,951
Intergovernmental	2,072,476	-	-	-	2,072,476
Other	53,621	1,470,750	-	1,679	1,526,050
Debt service (excluding education)	1,141,243	-	-	-	1,141,243
Capital expenditures	332,043	-	6,616,799	-	6,948,842
Total expenditures	70,215,793	1,661,130	6,616,799	9,002,613	87,496,335
Excess (deficiency) of revenues over (under) expenditures	1,756,204	1,725,691	(5,378,239)	(283,906)	(2,180,250)
Other financing sources (uses):					
Refunding bonds issued and premium	9,584,150	-	-	-	9,584,150
Payments to refunded bonds escrow agent and fees	(9,516,956)	-	-	-	(9,516,956)
Transfers in	560,038	-	4,598,124	885,527	6,043,689
Transfers out	(2,318,974)	(2,525,593)	(2,250,395)	(765,385)	(7,860,347)
Issuance of debt	-	-	32,642,580	-	32,642,580
Total other financing sources (uses)	(1,691,742)	(2,525,593)	34,990,309	120,142	30,893,116
Net change in fund balances	64,462	(799,902)	29,612,070	(163,764)	28,712,866
Fund balances, beginning of year	21,971,759	5,065,079	9,394,234	4,505,964	40,937,036
Fund balances, end of year	\$ 22,036,221	4,265,177	39,006,304	4,342,200	69,649,902

See accompanying notes to basic financial statements

CITY OF SOUTH PORTLAND, 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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$	28,712,866
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
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 acquisitions (\$7,783,805) exceed book value of disposed assets (\$121,631) and depreciation (\$4,308,810).		3,353,364
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in deferred revenues.		(164,000)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$259,639) exceed proceeds (\$0).		259,639
Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$-76,753), accrued interest (\$85,929), and other postemployment benefits liability (\$214,670).		(223,846)
Changes in long-term liabilities on the statement of net assets, are expenditures in the governmental funds. This is the change of the landfill closure liability.		-
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Bond proceeds totaled \$30,000,000 for the year. Governmental funds report the effects of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. During the year, the City received \$2,737,580 of bond premiums. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the year, the amount of repayments were \$2,690,000).		(30,047,580)
Change in net assets of governmental activities (see Statement 2)	\$	1,890,443

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund and TIF Funds
For the year ended June 30, 2012

	General Fund				TIF Funds			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 57,531,642	57,531,642	58,907,951	1,376,309	2,261,450	2,261,450	2,400,433	138,983
Intergovernmental	5,950,903	5,950,903	5,971,062	20,159	834,000	834,000	944,803	110,803
Licenses, permits, fees and fines	778,450	778,450	785,020	6,570	-	-	-	-
Charges for services	1,465,862	1,465,862	1,619,847	153,985	-	-	-	-
Unclassified	115,550	115,550	171,624	56,074	-	-	-	-
Interest earned	600,000	600,000	574,713	(25,287)	-	-	41,585	41,585
Total revenues	66,442,407	66,442,407	68,030,217	1,587,810	3,095,450	3,095,450	3,386,821	291,371
Expenditures:								
Current:								
General government	8,259,594	8,148,481	8,028,391	120,090	-	-	-	-
Public safety	9,375,202	9,438,881	9,331,249	107,632	-	-	-	-
Public works	4,407,390	4,408,595	4,137,661	270,934	241,660	241,660	190,380	51,280
Culture and recreation	3,042,954	2,998,296	2,933,959	64,337	-	-	-	-
Transportation and waterfront	997,082	997,516	994,717	2,799	-	-	-	-
Health, welfare and social services	416,986	416,986	312,993	103,993	-	-	-	-
Education	37,693,072	37,693,072	37,001,532	691,540	-	-	-	-
Intergovernmental	2,072,476	2,072,476	2,072,476	-	-	-	-	-
Other	174,000	162,453	60,392	102,061	386,283	1,470,750	1,470,750	-
Debt service (excluding education)	1,042,404	1,144,404	1,141,243	3,161	-	-	-	-
Capital expenditures	-	-	-	-	2,306,102	1,221,635	-	1,221,635
Total expenditures	67,481,160	67,481,160	66,014,613	1,466,547	2,934,045	2,934,045	1,661,130	1,272,915
Excess (deficiency) of revenues over (under) expenditures	(1,038,753)	(1,038,753)	2,015,604	3,054,357	161,405	161,405	1,725,691	1,564,286
Other financing sources (uses):								
Budgeted use of surplus - City	-	1,486,543	-	(1,486,543)	-	2,365,578	-	(2,365,578)
Budgeted use of surplus - School	1,200,000	1,200,000	-	(1,200,000)	-	-	-	-
Refunding bonds issued and premium	-	-	9,584,150	9,584,150	-	-	-	-
Payments to refunded bonds escrow agent and fee:	-	-	(9,516,956)	(9,516,956)	-	-	-	-
Transfer in	560,014	560,014	560,038	24	-	-	-	-
Transfers out	(721,261)	(2,207,804)	(2,682,734)	(474,930)	(161,405)	(2,526,983)	(2,525,593)	1,390
Total other financing sources (uses)	1,038,753	1,038,753	(2,055,502)	(3,094,255)	(161,405)	(161,405)	(2,525,593)	(2,364,188)
Net change in fund balance - budgetary basis:	-	-	(39,898)	(39,898)	-	-	(799,902)	(799,902)
Reconciliation to GAAP basis:								
Change in encumbrances - City			140,912				-	
Change in encumbrances - School			83,242				-	
Change in reserves			(119,794)				-	
Net change in fund balance - GAAP basis:			64,462				(799,902)	
Fund balance, beginning of year			21,971,759				5,065,079	
Fund balance, end of year	\$		22,036,221				4,265,177	

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2012 and 2011

Business-type Activities - Enterprise Funds		
	Sewer	
	2012	2011
ASSETS		
Current assets:		
Due from other governments	\$ -	269,751
Receivables, net of allowance of \$163,242 and \$165,302, respectively	421,283	463,507
Sewer liens	97,143	8,692
Prepaid expenses	7,893	7,435
Interfund loan receivables	11,965,929	11,311,557
Total current assets	12,492,248	12,060,942
Noncurrent assets:		
Capital assets, not being depreciated	4,306,790	1,695,676
Capital assets	84,184,097	83,852,882
Accumulated depreciation	(38,515,350)	(36,898,726)
Total noncurrent assets	49,975,537	48,649,832
Total assets	62,467,785	60,710,774
LIABILITIES		
Current liabilities:		
Accounts payable	817,490	460,264
Accrued wages	1,864	25,147
Accrued interest	-	5,753
Current portion of noncurrent liabilities:		
Compensated absences	78,605	77,530
Bonds payable	27,102	332,102
Total current liabilities	925,061	900,796
Noncurrent liabilities:		
Compensated absences	154,464	155,539
Bonds payable	447,187	474,290
Total noncurrent liabilities	601,651	629,829
Total liabilities	1,526,712	1,530,625
NET ASSETS		
Invested in capital assets, net of related debt	49,501,248	47,843,440
Restricted for capital projects	5,877,132	6,884,009
Unrestricted - reserves	3,631,474	3,292,042
Unrestricted	1,931,219	1,160,658
Total net assets	\$ 60,941,073	59,180,149

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the years ended June 30, 2012 and 2011

Business-type Activities - Enterprise Funds		
	Sewer	
	2012	2011
Operating revenues:		
Charges for services	\$ 5,386,650	5,341,582
Interest and penalties	729	568
Licenses	48,998	55,788
Total operating revenues	5,436,377	5,397,938
Operating expenses:		
Personnel services	2,013,247	1,837,471
Contractual services	1,208,368	1,411,783
Supplies and materials	507,512	506,762
Fixed charges	56,472	55,477
Capital outlay	32,346	146,058
Depreciation	1,804,359	1,730,787
Total operating expenses	5,622,304	5,688,338
Operating loss	(185,927)	(290,400)
Nonoperating revenues (expenses):		
Interest revenue	30,143	30,537
Gain (loss) on disposal of capital assets	-	(621,367)
Interest and other debt issuance expense	(9,950)	(33,024)
Total nonoperating revenues (expenses)	20,193	(623,854)
Loss before transfers and capital contributions	(165,734)	(914,254)
Capital contributions	110,000	63,392
Transfers in	1,817,954	273,972
Transfer out	(1,296)	(63,170)
Total transfers and capital contributions	1,926,658	274,194
Change in net assets	1,760,924	(640,060)
Net assets, beginning of year	59,180,149	59,820,209
Net assets, end of year	\$ 60,941,073	59,180,149

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2012 and 2011

	Sewer	
	2012	2011
Business-type Activities - Enterprise Funds		
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,390,150	5,200,488
Payments to suppliers	(1,447,930)	(1,857,923)
Payments to employees	(2,036,528)	(1,844,196)
Net cash provided by operating activities	1,905,692	1,498,369
Cash flows from noncapital financing activities:		
Transfer in from other funds	1,817,954	273,972
Interfund loan	(654,372)	2,116,900
Transfers to other funds	(1,296)	(63,170)
Net cash (used in) provided by noncapital financing activities	1,162,286	2,327,702
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,020,066)	(3,805,469)
Proceeds from bonded obligations	269,751	319,739
Interest and debt issuance costs paid on bonds	(15,703)	(38,776)
Principal payments on bonds	(332,103)	(332,102)
Net cash (used in) provided by capital and related financing activities	(3,098,121)	(3,856,608)
Cash flows from investing activities:		
Interest revenue	30,143	30,537
Net cash provided by investing activities	30,143	30,537
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	-
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (185,927)	(290,400)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,804,359	1,730,787
(Increase) decrease in receivables	42,224	(196,072)
(Increase) decrease in liens	(88,451)	(1,378)
(Increase) decrease in prepaid expenses	(458)	(225)
Increase (decrease) in accounts payable	357,226	262,382
Increase (decrease) in accrued wages	(23,283)	7,322
Increase (decrease) in compensated absences	2	(14,047)
Net cash provided by operating activities	\$ 1,905,692	1,498,369
Noncash investing, capital, and financing activities:		
Transfers of capital assets from governmental funds	110,000	63,392

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

		Private- purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$	158,752	104,285
Investments		2,196,788	-
Accounts receivable		915	-
Due from others		1,617	-
Total assets		2,358,072	104,285
LIABILITIES			
Accounts payable		1,739	-
Due to others		-	104,285
Total liabilities		1,739	104,285
NET ASSETS			
Held in trust	\$	2,356,333	-

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012

	Private- purpose Trust Funds
Additions:	
Donations	\$ 57,018
Investment earnings:	
Interest	78,112
Unrealized gain (loss)	30,841
Total additions	165,971
Deductions:	
Scholarships and other	72,137
Total deductions	72,137
Change in net assets	93,834
Net assets, beginning of year	2,262,499
Net assets, end of year	\$ 2,356,333

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of South Portland, Maine functions under a City Manager - City Council form of government.

The financial statements of the City of South Portland have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

This report includes all funds of the City of South Portland, Maine. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used 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.

It is the City's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the City of South Portland that should be included as part of these financial statements.

B. Government-wide and Fund 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 City. For the most part, the effect of interfund activity has been removed from these statements. 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 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 City 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Project Fund accounts for the resources accumulated and payments made for the acquisition construction of major capital facilities (other than those financed by the proprietary fund).

The Tax Increment Financing Fund accounts for resources accumulated and payments made for the Tax Increment Financing Districts established by the City.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary fund:

The Sewer User Fund accounts for the operation of the sewer treatment plant, sewage pumping stations and collection systems.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the governmental-wide statements. The City's fiduciary funds include the following:

Private-purpose trust funds account for resources where funds are legally restricted by a formal trust agreement and may be used for purposes that benefit individuals, private organizations, or other governments. These include scholarship, education, and public library funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The student activity funds are used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund is charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as time deposits and certificates of deposit owned by the City. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments are stated at fair value. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

E. Interfund Loans

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund loans receivable" or "interfund loans payable" on the balance sheet.

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

F. Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are generally recorded as expenditures when consumed rather than when purchased

G. Restricted Assets

The City has a \$50,000 deposit with the State of Maine related to workers' compensation self insurance from prior years.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, sewer system and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. If material, interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Capital Assets, continued

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 50
Building/land improvements	20
Streets, street lights and sidewalks	10 - 20
Bridges	50
Collection and distribution systems	65
Vehicles	3 - 20
Machinery and equipment	5 - 20

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City provides vesting for vacation and sick leave benefits based upon length of employment. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay a portion of unused sick time based on length of service when employees separate from service with the City. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

Governmental Fund fund balance is reported in five classification that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
 - *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
 - *Committed* – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
-

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Assigned* – resources that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the City Council or a body or official delegated by the City Council may assign fund balance, including unspent budgeted amounts, for specific purposes in the General Fund at year end based on Department requests.

The City’s fund balance policy states when both restricted and unrestricted resources are available for use, it is the City’s intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the City’s intent to use committed or assigned resources first, and then unassigned resources as they are needed. The City Council approved the fund balance policy and fund classifications on June 20, 2011, in order #166-10/11.

L. Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except internal services provided and used for transactions and reimbursements, are reported as transfers.

M. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in all statements because its inclusion would make certain statements unduly complex and difficult to understand.

N. Use of Estimates

Preparation of the City’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

O. 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 City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2012:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 166,169,625	88,490,887
Accumulated depreciation	(79,548,364)	(38,515,350)
Bonds payable and premiums	(52,327,580)	(474,289)
Add back bonds payable pertaining to Maine PERS	3,150,000	-
Add back bond proceeds unexpended	33,669,569	-
Capital leases	(2,198,587)	-
Total invested in capital assets net of related debt	\$ 68,914,663	49,501,248

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted by the City Council for the General Fund, Sewer Use Fund and the TIF Fund. The budgets are prepared substantially in accordance with accounting principles generally accepted in the United States of America, except that the general fund revenues and expenditures related to "on-behalf payments" made by the State of Maine to the Maine Public Employees Retirement System for teachers and other school employees are not budgeted. The Sewer Use Fund budgets for debt service principal and interest payments as an expense and does not budget for depreciation expense. In addition, capital contributions from other funds are not budgeted. The legal level of budgetary control is at the department level.

The City employs encumbrance accounting in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were in the general fund in the amount of \$217,096.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures Over Appropriations

Per City Charter, the level of budgetary control is at the department level. For the year ended June 30, 2012, all departments were within their charter level budget limits.

C. Deficit Fund Balances

At June 30, 2012, the following funds had deficit fund balances:

<u>Special Revenue Funds:</u>		<u>Capital Project Funds:</u>	
Long Creek Watershed Plan	\$ 1,249	Energy Savings Projects	151,657
LID Manual	4,826		
Maine Investigative Agent	978		
Bug Light Beautification	941		
Recreation	93,744		
Title V	2		
Learning Results	405		
Memorial Tech Grant - Koelker	1,237		
National Semiconductor - Brown	3,683		
Hockey Boosters	3,931		
Staff Computer Training	476		
Robotics	37		

These deficits will be funded by future grant revenue, charges for services, lease proceeds or transfers.

DEPOSITS AND INVESTMENTS

As of June 30, 2012, the City had the following deposits and investments with the following maturities, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>
Checking, money market and cash management sweep	\$ 11,693,346	11,693,346	-	-
U.S. Treasury Notes	1,968,416	-	1,248,351	720,065
Federal Home Loan Bank	3,118,609	127,559	1,223,097	1,767,953
Federal National Mortgage	5,399,907	214,979	4,061,930	900,325
Certificates of Deposit	66,922,320	49,088,261	17,834,059	-
Stock Mutual Fund	52,801	Not applicable		

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2012, the City had bank balances of \$78,615,666. In accordance with its investment policy, the City's funds should whenever practicable be fully covered under FDIC, fully insured or fully collateralized, or covered with an irrevocable stand by letter of credit, with pledged collateral being at least 102% of market value of the principal and accrued interest, and must be marked to market daily. As of June 30, 2012, the City had \$401,969 of deposits which were subject to custodial credit risk because they were not insured and not collateralized. This occurred as the result of an agency bond pending investment settlement.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2012, the City had fair value investment balances of \$10,539,732 of which only the stock mutual fund was subject to custodial credit risk. In accordance with its investment policy, the City minimizes custodial credit risk by doing business with authorized institutions, depositories, and broker/dealers, and that funds should be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 102% of market value of the principal and accrued interest, and must be marked to market daily.

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. U.S. Treasury Notes are not rated. As of June 30, 2012, the City's investments in Federal Home Loan Banks and Federal National Mortgage Associations were rated AA+ by Standard & Poor's. In accordance with its investment policy, the City minimizes credit risk by limiting the types of investments to be purchased and diversifying the investment portfolio so that the impact of potential losses will be minimized.

Interest rate risk – In accordance with its investment policy, the City structures its investment portfolio so securities mature to meet cash requirements for ongoing operations. It invests funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX

Property taxes for the current period were committed on July 15, 2011 on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. The City performed a revaluation to bring assessed values in line with market values prior to the commitment date.

The City 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 \$504,295 for the year ended June 30, 2012.

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

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

The following summarizes the levy:

	<u>2012</u>	<u>2011</u>
Assessed value	\$ 3,531,907,500	3,523,224,400
Tax rate (per \$1,000)	16.10	15.70
Commitment	56,863,711	55,314,623
Add:		
Supplementals	-	8,374
Total commitment	56,863,711	55,322,997
Less:		
Abatements	34,385	69,115
Collections	55,608,726	54,175,209
Current year taxes receivable at end of year	1,220,600	1,078,673
Taxes and liens receivable - prior years	524,199	673,178
Total taxes and liens receivable	\$ 1,744,799	1,751,851

Due dates:	1st quarter	August 18, 2011	August 19, 2010
	2nd quarter	November 17, 2011	November 18, 2010
	3rd quarter	February 16, 2012	February 17, 2011
	4th quarter	May 10, 2012	May 12, 2011

	<u>2012</u>	<u>2011</u>
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.85%	98.05%

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,251,519	-	-	9,251,519
Construction in progress	<u>1,418,659</u>	<u>3,786,264</u>	<u>313,836</u>	<u>4,891,087</u>
Total capital assets not being depreciated	10,670,178	3,786,264	313,836	14,142,606
Capital assets, being depreciated:				
Buildings	82,341,066	1,566,622	-	83,907,688
Improvements other than buildings	3,925,885	193,942	150,437	3,969,390
Machinery and equipment	11,664,308	620,534	114,279	12,170,563
Vehicles	13,075,995	591,760	556,966	13,110,789
Infrastructure	<u>37,530,070</u>	<u>1,338,519</u>	<u>-</u>	<u>38,868,589</u>
Total capital assets being depreciated	148,537,324	4,311,377	821,682	152,027,019
Less accumulated depreciation for:				
Buildings	30,424,991	1,620,402	-	32,045,393
Improvements other than buildings	2,612,913	138,199	150,437	2,600,675
Machinery and equipment	7,818,750	672,090	86,742	8,404,098
Vehicles	8,438,791	873,888	462,871	8,849,808
Infrastructure	<u>26,644,159</u>	<u>1,004,231</u>	<u>-</u>	<u>27,648,390</u>
Total accumulated depreciation	75,939,604	4,308,810	700,050	79,548,364
Total capital assets being depreciated, net	<u>72,597,719</u>	<u>2,567</u>	<u>121,632</u>	<u>72,478,655</u>
Governmental activities capital assets, net	<u>\$ 83,267,897</u>	<u>3,788,831</u>	<u>435,468</u>	<u>86,621,261</u>

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

Governmental activities:	
General government	\$ 178,385
Public safety	664,188
Public works	1,242,131
Culture and recreation	532,762
Transportation and waterfront	207,292
Education	<u>1,484,052</u>
Total depreciation expense – governmental activities	<u>\$ 4,308,810</u>

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,221,558	-	-	1,221,558
Construction in progress	474,118	2,703,997	92,883	3,085,232
Total capital assets not being depreciated	1,695,676	2,703,997	92,883	4,306,790
Capital assets, being depreciated:				
Buildings	34,103,092	111,594	-	34,214,686
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	12,946,633	53,973	10,780	12,989,826
Vehicles	1,406,133	-	176,956	1,229,177
Infrastructure	35,316,693	353,384	-	35,670,077
Total capital assets being depreciated	83,852,882	518,951	187,736	84,184,097
Less accumulated depreciation for:				
Buildings	16,079,701	694,830	-	16,774,531
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	8,110,573	471,373	10,780	8,571,166
Vehicles	789,501	110,390	176,956	722,935
Infrastructure	11,838,620	527,767	-	12,366,387
Total accumulated depreciation	36,898,726	1,804,360	187,736	38,515,350
Total capital assets being depreciated, net	46,954,156	(1,285,409)	-	45,668,747
Business-type activities capital assets, net	\$ 48,649,832	1,418,588	92,883	49,975,537

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 22,280,000	30,000,000	2,690,000	49,590,000	2,315,000
Bond Premiums	-	2,737,580	-	2,737,580	160,765
Capital leases	2,458,226	-	259,639	2,198,587	201,721
Landfill closure	102,000	11,778	11,778	102,000	8,500
Other post employment benefits	510,306	316,282	101,612	724,976	-
Compensated absences	3,204,758	1,387,664	1,464,417	3,128,005	897,234
Governmental activity					
long-term liabilities	\$ 28,555,290	34,453,304	4,527,446	58,481,148	3,583,220

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Business-type activities:					
General obligation bonds	\$ 806,392	-	332,102	474,289	27,102
Compensated absences	233,069	150,425	150,425	233,069	78,605
Business-type activities					
long-term liabilities	\$ 1,039,461	150,425	482,527	707,358	105,707

Long-term debt payable at June 30, 2012 is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2012
Governmental activities:					
1994 Series B - School	12/1/1994	\$ 3,250,000	9/1/2014	5.70-6.50%	375,000
2003 Brown Elementary – School	10/1/2003	6,000,000	10/1/2023	2.50-4.45%	600,000
2004 MSRS (1) – City & School	1/15/2004	8,200,000	3/1/2017	3.00-5.10%	3,150,000
2007 Paving and Refinancing (2)	5/15/2009	2,075,000	9/1/2016	4.00-5.00%	950,000
2010 1999 Community Center – City	2/1/2010	1,890,000	11/1/2018	2.00-3.00%	1,470,000
2010 HS & MS Renovations - School	2/1/2010	4,613,000	11/1/2029	2.00-4.00%	4,140,000
2011 Refund 2002 & 2003 Elem-Sch.	11/9/2011	8,905,000	7/1/2023	2.00-4.375%	8,905,000
2011 HS Construction – School	5/30/2012	30,000,000	7/15/2032	2.00-4.00%	30,000,000
Total governmental activities:					49,590,000
Business-type activities:					
2009 SRF (Long creek)	10/7/2009	749,716	10/1/2029	N/A	474,289
Total business-type activities					474,289
Total bonds payable					\$ 50,064,289

- (1) Of the outstanding bond principal, 81.55% is City (\$2,568,825) and 18.45% is School (\$581,175).
- (2) Of the outstanding bond principal, \$250,000 is for City and \$700,000 is for School.

In November of 2010, the voters approved a bond referendum for the High School Renovation and Addition project totaling \$41,500,000. During the fiscal year, the City issued bonds totaling \$30,000,000. Additionally the City received a bond premium totaling \$2,642,580. At June 30, 2012, \$11,500,000 was authorized but unissued for this project.

During the year, the City issued \$8,905,000 in general obligation bonds with interest rates ranging from 2.0% to 4.375% to advance refund \$9,000,000 of outstanding 2002 and 2003 general obligation bonds which had interest rates ranging from 3.55% to 5.00%. The net proceeds of \$9,584,150 (including a \$679,150 premium and after payment of \$113,001 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2002, and 2003 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$95,000.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City was able to reduce its total debt service payments over 13 years by \$1,080,128 and to obtain a present value savings of \$918,748 or 10.21% percentage savings of refunded bonds.

All governmental activity debt service payments, including capital leases and compensated absences, were made within the General Fund. Other post employment benefits are not currently being funded on a budgetary level. If and when such funding would occur, it would be funded within the general fund. Capital lease proceeds have been recorded in the vehicle replacement city reserve fund and in the municipal buildings capital project.

The annual requirements to amortize long-term debt outstanding as of June 30, 2012 are as follows:

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,315,000	1,321,228	3,636,228	27,102	-	27,102
2014	3,810,000	1,617,728	5,427,728	27,102	-	27,102
2015	3,810,000	1,489,502	5,299,502	27,102	-	27,102
2016	3,685,000	1,344,085	5,029,085	27,102	-	27,102
2017	3,510,000	1,203,780	4,713,780	27,102	-	27,102
2018-2022	13,520,000	4,555,750	18,075,750	135,511	-	135,511
2023-2027	9,250,000	2,529,250	11,779,250	135,511	-	135,511
2028-2032	8,190,000	858,900	9,048,900	67,757	-	67,757
2033-2037	1,500,000	22,500	1,522,500	-	-	-
Total	\$ 49,590,000	14,942,723	64,532,723	474,289	-	474,289

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. At June 30, 2012, the statutory limit for the City was \$533,475,000. The City's outstanding long-term debt of \$50,064,289 at June 30, 2012 was \$483,410,711 less than the statutory limit.

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2012:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to South Portland</u>	<u>City of South Portland's share of debt</u>
Cumberland County	\$ 37,220,000	9.00%	3,351,468
Portland Water District	28,438,885	13.83%	3,932,690

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

JOINTLY GOVERNED ORGANIZATION

The City of South Portland participates in a jointly governed organization, which is not part of the City's reporting entity.

Ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford and York counties in Maine. Owned and controlled by 21 member communities, Ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The City is a member community in Ecomaine. Interlocal (waste handling) agreements between Ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to Ecomaine for processing and to make service payments and pay tipping fees for such processing. The City has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in Ecomaine. Selected balance sheet information for Ecomaine for the year ended June 30, 2012 includes total assets of \$60,491,701, and total liabilities of \$22,953,734 and unrestricted net assets of \$9,881,421. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,694,020. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of Ecomaine may be obtained at their administrative office: Ecomaine, 64 Blueberry Road, Portland, Maine 04102.

CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment and has also entered into an energy performance lease arrangement. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2012 was \$2,524,173.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2012.

	<u>Governmental activities</u>
2013	\$ 279,360
2014	246,412
2015	251,015
2016	252,555
2017	255,389
2018-2022	1,273,054
<u>2023-2027</u>	<u>94,957</u>
Total minimum lease payments	2,652,742
Less: amount representing interest	454,155
Present value of future minimum lease payments	<u>\$ 2,198,587</u>

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

LANDFILL

The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities. State and federal laws and regulations require the City to place a final cover on its Highland Avenue landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill ceased accepting waste, effective January 1, 1993, as required by State regulations. Since that time, the twenty-five acre landfill has remained inactive. Although it was not at capacity, its useful life was over. The City completed the landfill closure process in fiscal year 2000. At June 30, 2012, the City had recorded approximately \$102,000 of estimated cost remaining related to postclosure care of the landfill. The City has amounts available in the capital project fund and general fund to fund these estimated costs. The actual cost may be higher due to inflation, changes in technology, or changes in regulations.

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2012, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	14,532,689
Sewer Use Fund	11,965,929	-
Nonmajor Special Revenue Funds:		
City Special Revenues	2,315,169	-
School Grant Funds	182,700	-
School Adult Education	5,239	-
School Lunch Fund	62,035	-
Private-purpose Trust Funds	1,617	-
Total interfund balances	\$ 14,532,689	14,532,689

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

As of June 30, 2012, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 560,038	2,318,974
Sewer Use Fund	1,817,954	1,296
Tax Increment Financing	-	2,525,593
Capital Projects	4,598,124	2,250,395
Nonmajor Special Revenue Funds:		
City Special Revenues	-	231,412
School Grant Funds	21,054	-
School Lunch Fund	330,500	-
Total interfund transfers	\$ 7,327,670	7,327,670

The primary purpose of the transfers is to move unrestricted revenues from various funds to finance various programs and capital projects that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or match funds for various grant programs.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCES

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The minimum target level is set at 9% of general fund budgeted expenditures. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan, implemented through the annual budgetary process, to bring the balance back to the target level over a period of no more than three (3) fiscal years. Amounts in excess of the targeted maximum of 12% of general fund measured on a GAAP basis shall be used for capital improvements or other one-time expenditures as identified by the City Council. The policy was adopted by the City to recognize the financial importance of a stable and sufficient level of unassigned fund balance. However, the City Council reserves the right to appropriate funds from the unassigned fund balance for emergencies and other requirements the City Council believes to be in the best interest of the City of South Portland. At June 30, 2012, the City maintained an unassigned fund balance of \$10,591,915 which is 14.70 percent of the fiscal year 2013 budget of \$72,027,775.

Stabilization arrangement. In the periods of economic decline where valuation assessments are flat or decreasing, and/or periods of significant estimated revenue loss or periods of high increases in budgeted expenditures, the City Council may set aside funds in the tax rate stabilization reserve to be used to reduce the needs from taxation for the coming year(s). Funds set aside in the tax rate stabilization reserve should have a planned exit strategy to reduce the use of such reserves in subsequent budgets and should be fully funded to the extent necessary to properly provide a declining (tiered) use of this reserve for a period no greater than 5 years. The objective of this tiered approach is to lessen the impact in subsequent years for the lower estimated revenues from the tax rate stabilization reserve. The committed general fund balances include a \$1,000,511 tax rate stabilization reserve at June 30, 2012 with \$400,000 anticipated to be used in the funding of fiscal year ending June 30, 2013 budget.

As of June 30, 2012, fund balance components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Inventory and prepaid items	\$ -	19,361	19,361
<u>Principal for permanent funds</u>	<u>-</u>	<u>198,949</u>	<u>198,949</u>
<u>Total nonspendable</u>	<u>-</u>	<u>218,310</u>	<u>218,310</u>
Restricted:			
Education	5,284,024	912,845	6,196,869
TIF funds	-	4,265,177	4,265,177
Capital projects	-	33,669,569	33,669,569
General government	-	340,754	340,754
Public safety	-	93,612	93,612
Public works	-	425,754	425,754
Culture and recreation	-	101,946	101,946
Transit and waterfront	-	28,613	28,613
<u>Permanent funds</u>	<u>-</u>	<u>132,232</u>	<u>132,232</u>
<u>Total restricted</u>	<u>5,284,024</u>	<u>39,970,502</u>	<u>45,254,526</u>

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCES, CONTINUED

Committed:

General government	\$ 1,891,373	1,177,459	3,068,832
Public safety	519,831	100,683	620,514
Public works	670,121	584,161	1,254,282
Transit and waterfront	258,915	168,070	426,985
Culture and recreation	-	169,270	169,270
Capital projects	-	5,488,392	5,488,392
Total committed	3,340,240	7,688,035	11,028,275

Assigned:

General government	2,489,919	-	2,489,919
Public safety	96,173	-	96,173
Public works	16,854	-	16,854
Encumbrances	217,096	-	217,096
Total assigned	2,820,042	-	2,820,042

Unassigned	10,591,915	(263,166)	10,328,749
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Total fund balance	\$ 22,036,221	47,613,681	69,649,902
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CONSTRUCTION COMMITMENTS

The School Department has entered into contracts in connection with the High School construction project. Additionally, the City has entered into a contract for the Knightville Phase II project. The following is a summary of the commitments at June 30, 2012:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Balance Remaining</u>
High School Project:				
Construction contract	\$ 39,257,405	4.19%	1,646,435	37,610,970
Engineering contract	2,361,761	80.97%	1,912,217	449,544
Knightville Phase II Project:				
Construction contract	2,778,802	28.85%	793,443	1,985,359

The High School project is anticipated to be completed in two phases with phase one bonding of \$30,000,000 having been issued to-date.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

Maine Public Employees Retirement System - Consolidated Plan

Description of the Plan - The City contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees 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 Public Employees 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 Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the City of South Portland is required to contribute an actuarially determined rate. The current rate is 4.4% of covered payroll for the regular plan and 8.3% of covered payroll for the special plan. The contribution rates of plan members and the City of South Portland are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2012, 2011 and 2010 were \$639,328, \$486,241, and \$293,667, respectively, and were equal to the required contribution for each year.

Maine Public Employees Retirement System – Teachers Group

Description of Plan – All school teachers, plus other qualified educators, participate in the Maine Public Employees 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 Public Employees 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 Maine Public Employees Retirement System Board of Trustees. The Maine Public Employees 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 Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,453,964 (16.36%) for the fiscal year 2012. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statements 2 and 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 16.36% of their compensation. This cost is charged to the applicable grant.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of South Portland for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The City is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in October 2011 based on an actuarial valuation date of January 1, 2011.

Plan Descriptions – In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis primarily from the general fund. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal cost	\$ 90,618	90,618	90,618
Amortization of unfunded	228,444	228,444	228,444
Adjustment to ARC	(29,511)	(20,629)	(10,803)
<u>Interest</u>	<u>26,731</u>	<u>20,588</u>	<u>13,791</u>
Annual required contribution	\$ 316,282	319,021	322,050

Net OPEB Obligation – The City's net OPEB obligation was calculated as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPEB liability, July 1, 2011	\$ 510,306	356,715	186,812
Annual required contribution	316,282	319,021	322,050
<u>Less: Actual contributions</u>	<u>(101,612)</u>	<u>(165,430)</u>	<u>(152,147)</u>
OPEB liability, June 30, 2012	\$ 724,976	510,306	356,715

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Funding Status and Funding Progress – The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 316,282	319,021	322,050
Actual contribution	101,612	165,431	152,147
Percent contributed	32.13%	51.86%	47.24%
<hr/>			
Actuarial accrued liability	\$ 4,108,269	4,108,269	4,108,269
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 4,108,269	4,108,269	4,108,269
Covered payroll	12,376,330	11,964,142	11,048,641
Unfunded actuarial accrued liability as a percentage of covered payroll	33.19%	34.34%	37.18%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare cost trend rate	4.0% - 8.7%

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

DEFERRED COMPENSATION PLAN

The City of South Portland offers on a voluntary basis to all permanent employees working at least fifteen hours per week and covered by the City's Section 215 Agreement (Social Security), and who do not participate in the Maine Public Employees Retirement System Plan, the following options, with a City contribution: Internal Revenue Code Section 457, Deferred Compensation Plan or Internal Revenue Code Section 401(a), Defined Contribution Plan. In addition, employees who participate in the MSRS plan or 401(a) plans may also participate in the 457 Deferred Compensation Plan without a City contribution. The employees' accounts are not available until termination, retirement, death or an unforeseeable emergency. The City contributed approximately \$367,877 to the plans during the year ended June 30, 2012.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions. During fiscal year 2012, the City was a member of the Maine Municipal Association Property and Casualty Risk Pool which provides auto, general liability, and property insurance, as well as the Maine Municipal Associations Workers' Compensation Fund. Members of the pools have joint and several liability. If the assets of the Pool are at any time actuarially determined to be insufficient to enable the Pool to discharge its legal liabilities and other obligations and to maintain actuarially sound reserves, the Pool has the power to make up the deficiency by the levy of a pro-rated assessment upon Pool Members for the amount needed to make up the deficiency. Management believes that no such deficiency exists at June 30, 2012. The City also maintains commercial insurance for other specific liabilities with deductibles from \$1,000 to \$25,000. There have been no changes in commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

Prior to June 30, 1993, the City was partially self-insured with respect to workers' compensation insurance coverage and maintains a \$50,000 restricted deposit with the State of Maine for this program. Deductible amounts under excess workers' compensation insurance coverage range from \$250,000 to \$350,000 per claim with an aggregate deductible ranging from \$459,000 to \$1,650,000. The City is also self-insured with respect to unemployment benefits.

The following summarizes the claims activity with respect to the City's self-insurance programs during 2012:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 125,000</u>	<u>-</u>
Provision for current year events	-	35,143
<u>Increase in provision for prior year events</u>	<u>-</u>	<u>-</u>
Total incurred claims	-	35,143
Payments:		
Claims attributable to current year	-	35,143
<u> Claims attributable to prior year</u>	<u>23,162</u>	<u>-</u>
Total payments	23,162	35,143
<u>Unpaid claims, end of year</u>	<u>\$ 101,838</u>	<u>-</u>

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

RISK MANAGEMENT, CONTINUED

The following summarizes the claims activity with respect to the City's self-insurance programs during 2011:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 125,000</u>	<u>-</u>
Provision for current year events	-	60,840
<u>Increase in provision for prior year events</u>	<u>1,352</u>	<u>-</u>
Total incurred claims	1,352	60,840
Payments:		
Claims attributable to current year	-	60,840
<u> Claims attributable to prior year</u>	<u>1,352</u>	<u>-</u>
Total payments	1,352	60,840
 <u>Unpaid claims, end of year</u>	 <u>\$ 125,000</u>	 <u>-</u>

The estimate of unpaid claims is based on a review of actual claims by an independent third party.

CONTINGENT LIABILITIES

Grant Funds – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed 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 City expects such amounts, if any, to be immaterial.

TAX INCREMENT FINANCING DISTRICTS

The City has established ten tax increment financing districts under the terms of applicable state laws.

	<u>Original</u> <u>value</u>	<u>Increase in</u> <u>value</u>	<u>TIF</u> <u>cap</u>	<u>Captured</u> <u>value</u>	<u>Captured</u> <u>tax</u>
Fairchild TIF	\$ 33,512,500	17,892,600	100%	17,892,600	288,071
Texas Instruments TIF	20,509,000	163,682,600	50%	81,841,300	1,317,645
Cummings TIF	1,697,200	25,184,200	20%	5,036,840	81,093
One Wallace TIF	2,718,200	3,711,200	100%	3,711,200	59,750
Long Creek TIF	1,066,300	10,845,300	100%	10,845,300	174,609
Brick Hill TIF	-	19,739,200	100%	19,739,200	317,801
Jared TIF	957,500	1,228,500	100%	1,228,500	19,779
Hannaford TIF	343,000	8,800,300	100%	8,800,300	141,685
Downtown TIF	114,438,200	-	100%	-	-
Transit TIF	18,373,000	-	100%	-	-

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$12,367,933	33.22%
2010	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$11,048,641	37.18%
2011	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$11,964,142	34.34%
2012	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$12,376,330	33.19%

GENERAL FUND

The General Fund is the general operating fund of the City. 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. The fund pays general operating expenditures, fixed charges and capital improvement costs which are not paid through other funds.

CITY OF SOUTH PORTLAND, MAINE
General Fund
Comparative Balance Sheets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 32,370,604	33,179,585
Investments	7,572,185	6,729,620
Due from other governments	257,608	109,100
Receivables, net of allowance of \$655,609 and \$958,788	263,975	295,588
Taxes receivable	1,437,957	1,257,623
Tax liens and tax acquired property	306,842	494,228
Prepaid expenditures	-	28,138
Restricted assets, cash	50,000	50,000
Total assets	\$ 42,259,171	42,143,882
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	1,277,097	971,472
Accrued liabilities	412,065	675,432
Interfund loans payable	14,532,689	14,428,022
Deferred tax revenue	1,076,000	1,240,000
Accrued teachers' summer salaries	2,925,099	2,857,197
Total liabilities	20,222,950	20,172,123
Fund balances:		
Nonspendable	-	28,138
Restricted	5,284,024	5,918,192
Committed	3,340,240	3,679,767
Assigned	2,820,042	2,658,767
Unassigned	10,591,915	9,686,895
Total fund balances	22,036,221	21,971,759
Total liabilities and fund balances	\$ 42,259,171	42,143,882

CITY OF SOUTH PORTLAND, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance positive (negative)	2011 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property	\$ 52,971,790	53,505,182	533,392	52,436,750
Excise	4,226,000	5,037,900	811,900	4,942,156
Interest and penalties	110,000	123,249	13,249	136,826
Payments in lieu of taxes	223,852	241,620	17,768	240,148
Total taxes	57,531,642	58,907,951	1,376,309	57,755,880
Intergovernmental:				
State Revenue Sharing	1,740,000	1,888,773	148,773	1,751,872
State BETE Revenue	850,000	921,472	71,472	897,637
Homestead reimbursement	455,000	466,578	11,578	442,112
State education subsidy	2,123,289	2,108,358	(14,931)	1,940,324
State agency client	175,000	161,197	(13,803)	319,277
Medicaid	220,000	80,664	(139,336)	48,607
Section 9	159,000	157,584	(1,416)	157,233
General assistance	142,000	99,697	(42,303)	131,513
Other State revenue	86,614	86,739	125	99,815
Total intergovernmental	5,950,903	5,971,062	20,159	5,788,390
Licenses, permits, fees, and fines:				
Cable franchise fee	185,000	185,000	-	180,000
City clerk	160,800	158,602	(2,198)	166,776
Planning	4,750	8,614	3,864	9,971
Police	108,900	97,711	(11,189)	96,667
Code enforcement	300,000	314,425	14,425	369,836
Public library	19,000	20,668	1,668	19,888
Total licenses, permits, fees, and fines	778,450	785,020	6,570	843,138
Charges for services:				
Rent and leases	62,800	70,246	7,446	121,407
Finance and Information Technology	108,531	124,567	16,036	114,108
Fire	725,100	776,271	51,171	756,102
Public works - Transfer facility	94,000	90,579	(3,421)	74,967
Parks and recreation	149,000	166,304	17,304	172,633
Bus service	243,681	309,666	65,985	250,052
Other	5,400	4,864	(536)	5,388
Education	77,350	77,350	-	114,136
Total charges for services	1,465,862	1,619,847	153,985	1,608,793
Unclassified:				
City clerk	15,000	18,770	3,770	19,467
Finance	15,000	21,581	6,581	23,919
Police	8,000	8,013	13	9,311
Fire	3,000	4,445	1,445	4,015
Planning and Code enforcement	2,750	3,941	1,191	2,845
Public works	29,000	45,251	16,251	35,409
Other	4,800	15,052	10,252	5,928
Education	38,000	54,571	16,571	54,414
Total unclassified	115,550	171,624	56,074	155,308
Interest earned	600,000	574,713	(25,287)	642,388
Total revenues	66,442,407	68,030,217	1,587,810	66,793,897

CITY OF SOUTH PORTLAND, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	Budget	Actual	Variance positive (negative)	2011 Actual
Expenditures:				
Current:				
General government:				
City council	\$ 128,283	107,862	20,421	97,477
Executive	188,476	186,066	2,410	180,698
City clerk	214,166	212,704	1,462	209,138
Corporation council	189,541	155,297	34,244	127,684
Finance	936,894	932,180	4,714	898,993
Information technology	324,573	329,491	(4,918)	318,001
Planning	215,375	212,396	2,979	235,992
Human resources	264,798	264,565	233	227,378
City building	179,568	163,522	16,046	172,793
Citywide insurance and benefit costs	5,506,807	5,464,308	42,499	4,977,343
Total general government	8,148,481	8,028,391	120,090	7,445,497
Public safety:				
Police department	3,724,152	3,671,533	52,619	3,533,834
Fire department	4,356,313	4,334,466	21,847	4,256,730
Communications	705,134	684,487	20,647	659,109
Code enforcement	640,772	628,816	11,956	638,199
Civil service	12,510	11,947	563	4,728
Total public safety	9,438,881	9,331,249	107,632	9,092,600
Public works:				
Administration	171,125	159,848	11,277	167,792
Streets and sidewalks	1,710,171	1,535,523	174,648	1,715,790
Rubbish disposal	2,012,458	2,009,692	2,766	2,018,858
Public works garage	280,511	220,734	59,777	277,582
Transfer facility	234,330	211,864	22,466	219,837
Total public works	4,408,595	4,137,661	270,934	4,399,859
Culture:				
Main library	547,956	541,559	6,397	555,365
Branch library	91,582	97,841	(6,259)	73,527
Total culture	639,538	639,400	138	628,892
Parks and recreation:				
Administration	146,579	116,628	29,951	121,343
Parks	1,107,150	1,096,488	10,662	1,060,284
Pool	365,374	345,131	20,243	342,424
Recreation	739,655	736,312	3,343	719,273
Total parks and recreation	2,358,758	2,294,559	64,199	2,243,324
Total culture, parks, and recreation	2,998,296	2,933,959	64,337	2,872,216
Transportation and waterfront:				
Bus service	959,466	957,360	2,106	920,845
Waterfront	38,050	37,357	693	38,006
Total transportation and waterfront	997,516	994,717	2,799	958,851

CITY OF SOUTH PORTLAND, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2012

(with comparative actual amounts for the year ended June 30, 2011)

	Budget	Actual	Variance positive (negative)	2011 Actual
Expenditures, continued:				
Current, continued:				
Health, welfare and social services				
Welfare:				
Administration	\$ 77,708	76,837	871	75,375
General assistance	296,250	193,578	102,672	239,836
Total welfare	373,958	270,415	103,543	315,211
Health	43,028	42,578	450	42,578
Total health, welfare and social services	416,986	312,993	103,993	357,789
Intergovernmental - County tax	2,072,476	2,072,476	-	2,058,577
Other:				
Contingency and abatement reserve	162,453	60,392	102,061	32,703
Total other	162,453	60,392	102,061	32,703
Education	37,693,072	37,001,532	691,540	35,913,762
Debt service (excluding education):				
Administration	6,000	1,600	4,400	3,614
Principal	925,165	925,161	4	898,765
Interest	213,239	214,482	(1,243)	247,590
Total debt service	1,144,404	1,141,243	3,161	1,149,969
Total expenditures	67,481,160	66,014,613	1,466,547	64,281,823
Excess (deficiency) of revenues over (under) expenditures	(1,038,753)	2,015,604	3,054,357	2,512,074
Other financing sources (uses):				
Budgeted use of surplus - City	1,486,543	-	(1,486,543)	-
Budgeted use of surplus - School	1,200,000	-	(1,200,000)	-
Refunding bonds issued and premium	-	9,584,150	9,584,150	-
Payment to refunded bonds escrow agent and fees	-	(9,516,956)	(9,516,956)	-
Transfers - in	560,014	560,038	24	615,259
Transfers - out	(2,207,804)	(2,682,734)	(474,930)	(3,302,436)
Total other financing sources (uses)	1,038,753	(2,055,502)	(3,094,255)	(2,687,177)
Net change in fund balance - budgetary basis	-	(39,898)	(39,898)	(175,103)
Reconciliation to GAAP basis:				
Change in encumbrances - City		140,912		(18,364)
Change in encumbrances - School		83,242		169,943
Change in reserves		(119,794)		407,627
Net change in fund balance - GAAP basis		64,462		384,103
Fund balance, beginning of year		21,971,759		21,587,656
Fund balance, end of year	\$	22,036,221		21,971,759

CITY OF SOUTH PORTLAND, MAINE
General Fund - Education
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2012

(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance positive (negative)	2011 Actual
	Budget	Actual		
Revenues:				
Local assessment	\$ 34,063,256	34,063,256	-	33,729,699
State education subsidy	2,123,289	2,108,358	(14,931)	1,940,324
State agency client	175,000	161,197	(13,803)	319,277
Medicaid	220,000	80,664	(139,336)	48,607
Charges for services	77,350	77,350	-	114,136
Other	38,000	54,571	16,571	54,414
Total revenues	36,696,895	36,545,396	(151,499)	36,206,457
Expenditures:				
Current:				
Brown Elementary	1,531,264	1,567,838	(36,574)	1,475,284
Dyer Elementary	1,579,798	1,625,175	(45,377)	1,501,191
Kaler Elementary	1,226,636	1,175,078	51,558	1,190,521
Skillin Elementary	2,289,694	2,224,652	65,042	2,212,326
Small Elementary	1,673,916	1,716,622	(42,706)	1,612,344
Mahoney Middle School	2,269,009	2,179,093	89,916	2,303,380
Memorial Middle School	2,261,674	2,212,157	49,517	2,222,389
South Portland High School	5,968,944	5,789,693	179,251	5,858,339
K-12 instrumental music	106,636	111,019	(4,383)	95,738
6-12 athletics	628,510	603,954	24,556	599,197
Special education	7,420,222	7,178,346	241,876	6,732,696
Health	339,078	327,347	11,731	325,453
Board of education	295,844	133,918	161,926	106,722
Superintendent of schools	340,396	350,203	(9,807)	322,014
Assistant superintendent	1,670,092	1,589,978	80,114	1,571,982
Technology	548,287	685,480	(137,193)	583,020
Business office	963,507	959,400	4,107	735,691
Operations/maintenance	3,025,602	3,025,919	(317)	2,640,025
Transportation	1,240,899	1,232,596	8,303	1,246,064
Debt service:				
Principal	1,761,235	1,761,235	-	1,764,235
Interest	551,829	551,829	-	815,151
Total expenditures	37,693,072	37,001,532	691,540	35,913,762
Excess (deficiency) of revenues over (under) expenditures	(996,177)	(456,136)	540,041	292,695
Other financing sources (uses):				
Transfers - in	150,517	150,517	-	143,239
Transfers - out	(354,340)	(678,356)	(324,016)	(1,410,824)
Refunding Bonds issued and premium	-	9,584,150	9,584,150	-
Payments to refunded bonds escrow agent and fees	-	(9,516,956)	(9,516,956)	-
Budgeted use of surplus	1,200,000	-	(1,200,000)	-
Total other financing sources (uses)	996,177	(460,645)	(1,456,822)	(1,267,585)
Net change in fund balances - budgetary basis	-	(916,781)	(916,781)	(974,890)
Reconciliation to GAAP basis:				
Change in encumbrances		83,242		169,943
Change in reserves		199,371		(36,599)
Net change in fund balance - GAAP basis		(634,168)		(841,546)
Fund balance, beginning of year		5,918,192		6,759,738
Fund balance, end of year	\$	5,284,024		5,918,192

CITY OF SOUTH PORTLAND, MAINE
Reserves - General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	Fund balance beginning of year	Revenues			Expenditures	Other financing sources (uses)	Fund balance end of year
		Other	Investment earnings	Transfers			
<u>City committed reserves:</u>							
1801	Equipment replacement	\$ 112,342	340	861	21,757	23,580	115,366
1803	Unemployment - City	66,818	-	416	35,143	30,000	62,091
1804	Self-Insurance - City	35,463	55,324	267	58,275	12,500	45,279
1805	Municipal facilities	48,950	2,500	290	25,040	(10,000)	16,700
1806	Safety reserve	73,871	58,546	661	2,413	-	130,665
1807	Computerization project	187,013	17,240	1,281	101,871	96,000	199,663
1809	Litigation - legal	94,263	-	714	5,142	33,000	122,835
1822	Communication equipment - police	56,570	-	448	-	2,600	59,618
1824	Body armor - police	10,050	-	-	-	(10,050)	-
1830	Fire	798,177	-	5,671	20,333	(388,000)	395,515
1834	Traffic improvements	29,275	-	216	-	(6,700)	22,791
1836	Public works equipment	42,385	3,667	306	-	(25,000)	21,358
1840	Snow removal	313,458	-	2,480	-	100,000	415,938
1845	Cummings Road sewer	204,237	-	1,616	-	-	205,853
1847	Bus	225,274	-	1,779	18,138	50,000	258,915
1850	Senior Property Tax Program	-	-	-	-	17,887	17,887
1861	Tax stabilization	1,032,354	-	8,157	-	(40,000)	1,000,511
1864	Call company retirement	64,698	-	-	-	-	64,698
1869	Energy efficient	48,593	57,742	-	86,987	-	19,348
1871	Solid waste	23,208	-	-	19,027	-	4,181
1872	Municipal buildings & land acq.	212,768	57,232	1,544	84,081	(26,435)	161,028
	Subtotal City committed reserves	3,679,767	252,591	26,707	478,207	(140,618)	3,340,240
<u>City assigned reserves:</u>							
1828	Vehicle replacement - police	58,895	34,294	-	1,165	-	92,024
1867	Phone system	90,042	-	-	1,542	21,600	110,100
1868	Compensated absences	2,399,137	-	-	169,318	150,000	2,379,819
2172	Outside OT - Police	-	138,156	-	134,319	-	3,837
2173	Outside OT - Fire	-	1,144	-	832	-	312
2176	Fuel Distribution	34,510	-	-	17,656	-	16,854
	Subtotal City assigned reserves	2,582,584	173,594	-	324,832	171,600	2,602,946
	Total City reserves	6,262,351	426,185	26,707	803,039	30,982	5,943,186
<u>School reserves:</u>							
0202	Restricted school reserve funds:						
	School consolidation	323,684	30	-	96	-	323,618
	School tech upgrade	529,891	-	-	17,050	300,000	812,841
	Unemployment - School	60,470	-	-	27,176	23,840	57,134
	School bus	506,923	-	-	-	-	506,923
	School resource officer	48,171	-	-	-	-	48,171
	School elementary	114,804	-	-	95,293	-	19,511
	School hold harmless	(8,938)	-	-	-	8,938	-
	Self-insurance - School	10,965	-	-	957	-	10,008
	Musical program	139,128	-	-	-	-	139,128
	Maintenance	626,200	-	-	130	-	626,070
	Adult education	20,000	-	-	-	-	20,000
	Student educational support	8,417	17,422	-	27,629	-	(1,790)
	Laptop repair	12,345	16,814	-	-	-	29,159
	Special Education	200,000	-	-	-	-	200,000
0456	School facility	83,142	-	658	-	-	83,800
	Total School reserves	2,675,202	34,266	658	168,331	332,778	2,874,573
	Total reserves	\$ 8,937,553	460,451	27,365	971,370	363,760	8,817,759

**City of South Portland
Budget History**

Fiscal Year	Municipal Approp.	Dollar Change	Percent Change	County Approp.	Dollar Change	Percent Change	Capital Reserve	Dollar Change	Percent Change
1987	\$11,419,865	\$716,266	6.69%	\$467,473	\$110,316	30.89%			
1988	\$12,166,114	\$746,249	6.53%	\$441,975	(\$25,498)	-5.45%			
1989	\$13,493,393	\$1,327,279	10.91%	\$490,900	\$48,925	11.07%			
1990	\$13,790,402	\$297,009	2.20%	\$612,900	\$122,000	24.85%			
1991	\$14,755,550	\$965,148	7.00%	\$818,985	\$206,085	33.62%			
1992	\$15,116,220	\$360,670	2.44%	\$836,267	\$17,282	2.11%			
1993	\$15,202,397	\$86,177	0.57%	\$830,893	(\$5,374)	-0.64%			
1994	\$15,560,194	\$357,797	2.35%	\$1,038,188	\$207,295	24.95%			
1995	\$16,355,458	\$795,264	5.11%	\$1,017,821	(\$20,367)	-1.96%			
1996	\$17,407,363	\$1,051,905	6.43%	\$1,243,624	\$225,803	22.18%			
1997	\$17,850,133	\$442,770	2.54%	\$1,244,899	\$1,275	0.10%			
1998	\$18,452,186	\$602,053	3.37%	\$1,265,514	\$20,615	1.66%	\$500,000	\$500,000	na
1999	\$19,219,213	\$767,027	4.16%	\$1,289,523	\$24,009	1.90%	\$689,443	\$189,443	37.89%
2000	\$20,368,695	\$1,149,482	5.98%	\$1,244,518	(\$45,005)	-3.49%	\$565,000	(\$124,443)	-18.05%
2001	\$21,591,755	\$1,223,060	6.00%	\$1,335,095	\$90,577	7.28%	\$1,140,101	\$575,101	101.79%
2002	\$22,910,032	\$1,318,277	6.11%	\$1,486,495	\$151,400	11.34%	\$1,046,900	(\$93,201)	-8.17%
2003	\$22,687,422	(\$222,610)	-0.97%	\$1,769,580	\$283,085	19.04%	\$347,120	(\$699,780)	-66.84%
2004	\$22,748,043	\$60,621	0.27%	\$1,884,150	\$114,570	6.47%	\$788,330	\$441,210	127.11%
2005	\$23,765,228	\$1,017,185	4.47%	\$1,888,324	\$4,174	0.22%	\$550,670	(\$237,660)	-30.15%
2006	\$24,610,020	\$844,792	3.55%	\$1,916,839	\$28,515	1.51%	\$0	(\$550,670)	-100.00%
2007	\$25,773,697	\$1,163,677	4.73%	\$1,916,991	\$152	0.01%	\$0	\$0	na
2008	\$26,964,280	\$1,190,583	4.62%	\$1,941,542	\$24,551	1.28%	\$0	\$0	na
2009	\$27,802,987	\$838,707	3.11%	\$1,999,427	\$57,885	2.98%	\$0	\$0	na
2010	\$27,463,860	(\$339,127)	-1.22%	\$2,034,423	\$34,996	1.75%	\$0	\$0	na
2011	\$27,174,401	(\$289,459)	-1.05%	\$2,058,577	\$24,154	1.19%	\$506,623	\$506,623	na
2012	\$28,082,534	\$908,133	3.34%	\$2,072,476	\$13,899	0.68%	\$1,050,000	\$543,377	107.25%
2013	\$28,585,977	\$503,443	1.79%	\$2,075,037	\$2,561	0.12%	\$1,350,000	\$300,000	28.57%
2014	\$29,082,149	\$496,172	1.74%	\$2,215,084	\$140,047	6.75%	\$300,000	(\$1,050,000)	-77.78%

Fiscal Year	School Dept. Appropriation	Dollar Change	Percent Change	Total School App.	Dollar Change	Percent Change	Total Appropriation	Dollar Change	Percent Change
1987	\$12,135,438	\$1,471,914	13.80%	\$12,135,438	\$1,471,914		\$24,022,776	\$2,298,496	10.58%
1988	\$14,625,722	\$2,490,284	20.52%	\$14,625,722	\$2,490,284	20.52%	\$27,233,811	\$3,211,035	13.37%
1989	\$15,260,246	\$634,524	4.34%	\$15,260,246	\$634,524	4.34%	\$29,244,539	\$2,010,728	7.38%
1990	\$15,823,123	\$562,877	3.69%	\$15,823,123	\$562,877	3.69%	\$30,226,425	\$981,886	3.36%
1991	\$17,138,476	\$1,315,353	8.31%	\$17,138,476	\$1,315,353	8.31%	\$32,713,011	\$2,486,586	8.23%
1992	\$18,104,054	\$965,578	5.63%	\$18,104,054	\$965,578	5.63%	\$34,056,541	\$1,343,530	4.11%
1993	\$17,999,451	(\$104,603)	-0.58%	\$17,999,451	(\$104,603)	-0.58%	\$34,032,741	(\$23,800)	-0.07%
1994	\$18,829,433	\$829,982	4.61%	\$18,829,433	\$829,982	4.61%	\$35,427,815	\$1,395,074	4.10%
1995	\$19,708,768	\$879,335	4.67%	\$19,708,768	\$879,335	4.67%	\$37,082,047	\$1,654,232	4.67%
1996	\$21,109,302	\$1,400,534	7.11%	\$21,109,302	\$1,400,534	7.11%	\$39,760,289	\$2,678,242	7.22%
1997	\$22,425,146	\$1,315,844	6.23%	\$22,425,146	\$1,315,844	6.23%	\$41,520,178	\$1,759,889	4.43%
1998	\$23,048,107	\$622,961	2.78%	\$23,548,107	\$1,122,961	5.01%	\$43,265,807	\$1,745,629	4.20%
1999	\$24,298,651	\$1,250,544	5.43%	\$24,988,094	\$1,439,987	6.12%	\$45,496,830	\$2,231,023	5.16%
2000	\$25,662,344	\$1,363,693	5.61%	\$26,227,344	\$1,239,250	4.96%	\$47,840,557	\$2,343,727	5.15%
2001	\$27,037,126	\$1,374,782	5.36%	\$28,177,227	\$1,949,883	7.43%	\$51,104,077	\$3,263,520	6.82%
2002	\$29,716,921	\$2,679,795	9.91%	\$30,763,821	\$2,586,594	9.18%	\$55,160,348	\$4,056,271	7.94%
2003	\$32,176,592	\$2,459,671	8.28%	\$32,523,712	\$1,759,891	5.72%	\$56,980,714	\$1,820,366	3.30%
2004	\$32,646,082	\$469,490	1.46%	\$33,434,412	\$910,700	2.80%	\$58,066,605	\$1,085,891	1.91%
2005	\$35,189,016	\$2,542,934	7.79%	\$35,739,686	\$2,305,274	6.89%	\$61,393,238	\$3,326,633	5.73%
2006	\$36,205,662	\$1,016,646	2.89%	\$36,205,662	\$465,976	1.30%	\$62,732,521	\$1,339,283	2.18%
2007	\$37,542,545	\$1,336,883	3.69%	\$37,542,545	\$1,336,883	3.69%	\$65,233,233	\$2,500,712	3.99%
2008	\$39,061,628	\$1,519,083	4.05%	\$39,061,628	\$1,519,083	4.05%	\$67,967,450	\$2,734,217	4.19%
2009	\$39,952,991	\$891,363	2.28%	\$39,952,991	\$891,363	2.28%	\$69,755,405	\$1,787,955	2.63%
2010	\$39,455,123	(\$497,868)	-1.25%	\$39,455,123	(\$497,868)	-1.25%	\$68,953,406	(\$801,999)	-1.15%
2011	\$37,374,164	(\$2,080,959)	-5.27%	\$37,880,787	(\$1,574,336)	-3.99%	\$67,113,765	(\$1,839,641)	-2.67%
2012	\$38,067,412	\$693,248	1.85%	\$39,117,412	\$1,236,625	3.26%	\$69,272,422	\$2,158,657	3.22%
2013	\$40,016,741	\$1,949,329	5.12%	\$41,366,741	\$2,249,329	5.75%	\$72,027,755	\$2,755,333	3.98%
2014	\$43,002,556	\$2,985,815	7.46%	\$43,302,556	\$1,935,815	4.68%	\$74,599,789	\$2,572,034	3.57%

**City of South Portland
Budget History**

Fiscal Year	Total Need From Taxes	Dollar Change	Percent Change	Tax Rate	Percent Increase
1987	\$14,423,005	\$ 319,611	227.00%	\$17.20	0.00%
1988	\$18,147,000	\$3,723,995	25.82%	\$20.20	17.44%
1989	\$21,464,550	\$3,317,550	18.28%	\$22.60	11.88%
1990	\$22,122,263	\$657,713	3.06%	\$22.50	-0.44%
1991	\$24,711,479	\$2,589,216	11.70%	\$25.00	11.11%
1992	\$26,387,825	\$1,676,346	6.78%	\$26.80	7.20%
1993	\$26,523,838	\$136,013	0.52%	\$27.60	2.99%
1994	\$27,372,928	\$849,090	3.20%	\$19.60	Revaluation
1995	\$27,951,835	\$578,907	2.11%	\$19.60	0.00%
1996	\$29,298,844	\$1,347,009	4.82%	\$20.24	3.27%
1997	\$30,507,851	\$1,209,007	4.13%	\$19.94	-1.48%
1998	\$32,206,901	\$1,699,050	5.57%	\$19.44	-2.51%
1999	\$33,138,864	\$931,963	2.89%	\$19.44	0.00%
2000	\$35,343,425	\$2,204,561	6.65%	\$20.43	5.09%
2001	\$37,851,329	\$2,507,904	7.10%	\$21.55	5.48%
2002	\$42,535,670	\$4,684,341	12.38%	\$23.30	8.12%
2003	\$43,354,908	\$819,238	1.93%	\$17.06	Revaluation
2004	\$44,479,305	\$1,124,397	2.59%	\$17.49	2.52%
2005	\$46,546,474	\$2,067,169	4.65%	\$18.10	3.49%
2006	\$46,971,257	\$424,783	0.91%	\$18.27	0.94%
2007	\$48,809,321	\$1,838,064	3.91%	\$13.10	Revaluation
2008	\$50,977,823	\$2,168,502	4.44%	\$13.69	4.50%
2009	\$51,630,233	\$652,410	1.28%	\$14.00	2.26%
2010	\$52,148,676	\$518,443	1.00%	\$14.70	Revaluation
2011	\$52,699,426	\$550,750	1.06%	\$15.70	Revaluation
2012	\$54,041,790	\$1,342,364	2.55%	\$16.10	2.55%
2013	\$55,926,955	\$1,885,165	3.49%	\$16.50	2.48%
2014	\$56,799,997	\$873,042	1.56%	\$16.70	1.56%

City of South Portland
FY2014 LD 1 Worksheet (with Comparison FY13)
PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A

	<u>FY14</u>	<u>FY13</u>
1. Prior Year Property Tax Levy/Limit for Municipal Services	<u>20,006,498</u>	<u>19,307,105</u>
2. Income Growth Factor (State Planning Office calculation)	<u>0.0105</u>	<u>0.0143</u>
3. Property Growth Factor (see property growth sheet)	<u>0.0295</u>	<u>0.0224</u>
4. LD 1 Growth Limit Factor (Line 2 + Line 3)	<u>0.0400</u>	<u>0.0367</u>
5. Add 1 to the Growth Limitation Factor calculated in Line 4. <i>(For example, if Line 4 is 0.0360, the enter 1.0360 on Line 5.)</i>	<u>1.0400</u>	<u>1.0367</u>
6. Net New State Funding (see instruction sheet)		
6A. Net New Revenue Sharing	<u>48,766</u>	<u>9,178</u>
6B. Loss of Revenue Sharing		
7. Multiply Line 1 by Line 5	<u>20,806,758</u>	<u>20,015,676</u>
8. FY2014 Property Tax Levy Limit		
8A. Line 7 less Line 6A (complete only if data is reported in 6A)		
8B. Line 7 plus Line 6B (complete only if data is reported in 6B)	<u>20,757,992</u>	<u>20,006,498</u>
9. FY2014 Municipal Appropriations <i>(Do not include any school appropriations.)</i>	<u>29,082,149</u>	<u>28,585,997</u>
10. FY2014 Total Deductions <i>(Do not include any school revenues.)</i>	<u>11,609,130</u>	<u>11,316,727</u>
11. 2014 Municipal Property Tax Levy (Line 9 less Line 10)	<u>17,473,019</u>	<u>17,269,270</u>
12. Over/(Under) Limit (Line 11 less Line 8)*	<u>(3,284,973)</u>	<u>(2,737,228)</u>

* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2014.

CITY OF SOUTH PORTLAND
 2014 MUNICIPAL PROPERTY TAX GROWTH FACTOR
 PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A.1.C.

2012/13 Total Valuation	+	\$	3,553,378,600
Abatements	-	\$	504,000
Supplements	+	\$	-
BETE increases		\$	29,156,900
Adjust 2011 Valuation	=	\$	3,582,031,500
Real Estate Growth		\$	59,572,300
Personal Property Growth		\$	17,980,400
BETE increases		\$	29,156,900
Total		\$	106,709,600
Property Tax Growth			2.95%

The annual property growth factor for a municipality is a fraction established by the municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in the municipality during the prior fiscal year that may become subject to taxation for the first time, or taxed as a separate parcel for the first time during such fiscal year, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property.

Office of Policy and Management

Executive Department

PAUL R. LEPAGE
Governor

PETER J. ROGERS
Acting Director

TO: Municipal and County Officials
FROM: Amanda Rector, State Economist
DATE: September 25, 2012
RE: **Next Year's LD 1 Average Personal Income Growth is 1.05%**

With the passage of "LD 1" in 2005, towns and counties are required to calculate a property tax levy limit each year based on local property growth and statewide average personal income growth. Each town and county is responsible for calculating its property growth using the most recent valuation data available. The Office of Policy and Management (OPM) is responsible for calculating income growth. For the purpose of calculating municipal property tax levy limits for next year's municipal budgets (the 1/1/2013 - 12/31/2013 budget year for municipalities on a calendar-year budget or the 7/1/2013 - 6/30/2014 budget year for municipalities on a fiscal-year budget), OPM has determined average personal income growth to be 1.05%. The table below shows how this figure was calculated.

Calculation of Maine's "Average Personal Income Growth"

Calendar Year	Nominal Personal Income (thousands)	% Change	CPI-U	% Change	Real Personal Income
2001	\$36,232,131		177.1		
2002	\$37,383,244	3.18%	179.9	1.58%	1.60%
2003	\$39,000,530	4.33%	184.0	2.28%	2.05%
2004	\$41,164,305	5.55%	188.9	2.66%	2.89%
2005	\$41,981,794	1.99%	195.3	3.39%	-1.40%
2006	\$44,307,181	5.54%	201.6	3.23%	2.31%
2007	\$46,353,508	4.62%	207.3	2.85%	1.77%
2008	\$48,469,425	4.56%	215.3	3.84%	0.73%
2009	\$47,840,170	-1.30%	214.5	-0.36%	-0.94%
2010	\$48,620,161	1.63%	218.1	1.64%	-0.01%
2011	\$50,868,518	4.62%	224.9	3.16%	1.47%
AVERAGE					1.05%

Sources: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

This calculation reflects the methodology described in LD 1, which is now Public Law 2005, Chapter 2: "Average real personal income growth" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the percent change in the Consumer Price Index for the calendar year." 2011 is currently the most recent year for which data is available.

SOUTH PORTLAND SCHOOL DEPARTMENT

BOARD OF EDUCATION

FY 2014

BUDGET SUMMARY

PART I - BUDGET - LOCALLY SUPPORTED PROGRAMS

	2012-13 Budget	2013-14 Budget	% Change
REGULAR INSTRUCTION	15,758,992	16,677,889	5.8%
SPECIAL EDUCATION	8,070,705	8,140,612	0.9%
CAREER & TECHNICAL ED	300,647	257,693	-14.3%
OTHER INSTRUCTION	738,978	786,475	6.4%
STUDENT & STAFF SUPPORT	3,430,463	3,541,612	3.2%
SYSTEM ADMINISTRATION	1,194,517	1,217,832	2.0%
SCHOOL ADMINISTRATION	2,192,930	2,190,758	-0.1%
TRANSPORTATION & BUSES	1,405,900	1,524,279	8.4%
FACILITIES MAINTENANCE	3,818,431	3,775,471	-1.1%
DEBT SERVICE	2,707,683	4,482,440	65.5%
ALL OTHER EXPENDITURES	377,495	387,495	2.6%
SUBTOTAL	<u>39,996,741</u>	<u>42,982,556</u>	
ADULT EDUCATION	20,000	20,000	0.0%
TOTAL	<u>\$40,016,741</u>	<u>\$43,002,556</u>	7.5%

**SOUTH PORTLAND SCHOOL DEPARTMENT
REVENUE COMPARISONS - PART I BUDGET**

DESCRIPTION	2009-10 BUDGETED REVENUES	2010-11 BUDGETED REVENUES	2011-12 BUDGETED REVENUES	2012-13 BUDGETED REVENUES	2013-14 ESTIMATED REVENUES
USE OF FUND BALANCE	\$1,200,000	\$1,200,000	\$1,200,000	\$1,050,000	\$875,000
TUITION FOR STATE AGENCY CLIENTS	533,613	336,989	175,000	75,000	25,000
STUDENT ADM.	20,000	20,000	20,000	20,000	25,000
OTHER REVENUE	50,000	18,000	18,000	18,000	15,840
STATE SUBSIDY**	3,435,568	1,809,638	2,123,289	3,103,278	est. 4,613,723
FEDERAL STATE STABILIZATION FUNDS*	1,383,984	1,960,287	371,414	-	-
FEDERAL EDUCATION JOBS FUNDS*	0	0	1,226,140	-	-
MAINE CARE	200,000	0	220,000	120,000	50,000
PORTLAND TRANSPORTATION AGRMT	94,400	96,599	77,350	77,350	78,666
TRANSFER IN FROM POB RESERVE	5,896	813	0	0	0
TRANSFER IN FROM BRICKHILL TIF	140,755	142,426	150,517	145,046	153,683
TRANSFER IN SRO/BUS RESERVES	-	-	-	175,419	53,750
SUB TOTAL REVENUE	5,680,232	3,624,465	3,984,156	4,784,093	5,890,662
LOCAL EFFORT - OPERATING	33,774,891	33,749,699	34,083,256	35,232,648	37,111,895
TOTAL REVENUE	\$39,455,123	\$37,374,164	\$38,067,412	\$40,016,741	\$43,002,556
* Not part of local operating budget.					
** State subsidy includes \$550,606 in projected local budget MSRS contribution expense.					

SOUTH PORTLAND SCHOOL DEPARTMENT

TAX CALCULATION

	2009-10	2010-11	2011-12	2012-13	2013-14
PART I LOCAL OPERATING BUDGET	\$39,455,123	\$37,354,164	\$38,047,412	\$39,471,741	\$40,745,456
ADULT EDUCATION BUDGET	\$0	\$20,000	\$20,000	\$20,000	\$20,000
SPHS BOND/INTEREST PAYMENT	\$0	\$0	\$0	\$525,000	\$2,237,100
TOTAL SCHOOL OPERATING BUDGET	\$39,455,123	\$37,374,164	\$38,067,412	\$40,016,741	\$43,002,556
REVENUE & ADJUSTMENTS:					
PART I REVENUE	\$4,480,232	\$2,424,465	\$2,784,156	\$3,734,093	\$5,015,662
USE OF FUND BALANCE	1,200,000	1,200,000	1,200,000	1,050,000	875,000
TOTAL SCHOOL FUNDS AVAILABLE	\$5,680,232	\$3,624,465	\$3,984,156	\$4,784,093	\$5,890,662
TOTAL AMOUNT TO BE RAISED BY TAXES	\$33,774,891	\$33,749,699	\$34,083,256	\$35,232,648	\$37,111,895
ASSESSED VALUATION	\$3,547,000,000	\$3,357,000,000	\$3,357,000,000	\$3,383,000,000	\$3,383,000,000
SPHS ADDITION/RENOVATION DEBT					
BOND PAYMENT AMOUNTS	\$0	\$0	\$0	\$525,000	\$2,237,100
LESS: EXPIRING DEBT				-	(52,305)
NET BOND PAYMENT				525,000	2,184,796
MIL RATE	\$0.00	\$0.00	\$0.00	\$0.16	\$0.65
CHANGE IN MIL RATE FROM PRIOR YEAR	\$0.00	\$0.00	\$0.00	\$0.16	\$0.49
SECONDARY SCHOOL RESERVE					
TOTAL RESERVE COLLECTED	\$0	\$375,938	\$1,050,000	\$1,350,000	\$300,000
MIL RATE	\$0.00	\$0.11	\$0.31	\$0.40	\$0.09
CHANGE IN MIL RATE FROM PRIOR YEAR	\$0.00	\$0.11	\$0.20	\$0.09	(\$0.31)
NET ADDITION TO MIL RATE FOR SPHS ADDITION/RENOVATION BOND					\$0.18
SCHOOL OPERATING					
OPERATING AMOUNT FROM TAXES	\$33,774,891	\$33,749,699	\$34,083,256	\$34,707,648	\$34,927,099
MIL RATE	\$9.52	\$10.05	\$10.15	\$10.26	\$10.32
TAX INCREASE (\$)	(11,481)	(\$25,192)	\$333,557	\$624,392	\$219,451
TAX INCREASE (%)	-0.03%	-0.07%	0.99%	1.83%	0.63%
CHANGE IN MIL RATE FROM PRIOR YEAR	\$0.36	\$0.53	\$0.10	\$0.11	\$0.065
COMBINED OPERATING, DEBT AND RESERVE					
TOTAL TAX COLLECTED	\$33,774,891	\$34,125,637	\$35,133,256	\$36,582,648	\$37,411,895
TAX RATE	\$9.52	\$10.17	\$10.47	\$10.81	\$11.06
TAX INCREASE (%)	-0.03%	1.04%	2.95%	4.13%	2.27%
MIL RATE INCREASE	\$0.36	\$0.64	\$0.30	\$0.35	\$0.245

Glossary of Terms

Annual Budget - a budget applicable to a single fiscal year.

Appropriation - an authorization granted by the City Council to a specified unit of City government to incur obligations and make expenditures of resources.

Assessment - the official valuation of property for purposes of taxation.

BETE (Business Equipment Tax Exemption) BETE is a 100% property tax exemption for eligible property first subject to tax on or after 4/1/08 (for property placed in service after April 1, 2007). Under this program the State of Maine reimburses the Municipality for a portion of the taxes that would have been collected. For FY09 the reimbursement percent was 100% and for FY2010 it is anticipated to be 90%. The percentage reimbursement declines by 10% each year to a minimum 50% reimbursement.

Bond - a written promise to pay a specified sum of money (called principal) at a specified date in the future, plus periodic interest at a specified rate. In the budget document these payments are identified as debt service. General Obligation Bonds are debt approved by voter referendum to which the full faith and credit of the City is pledged.

Budget - a plan for the acquisition and allocation of resources to accomplish specified purposes. The term may be used to describe special purpose fiscal plans or parts of a fiscal plan, such as "the budget of the Fire Department," "the Capital Budget" or it may relate to a fiscal plan for an entire jurisdiction, such as "the budget of the City of South Portland."

Capital - a category of account codes which identify major expenditures of public funds, beyond maintenance and operating costs, for procurement of items such as vehicles, computer equipment, office furniture, and the acquisition or construction of a needed physical facility.

Capital Equipment - fixed assets such as automobiles, typewriters, furniture, technical instruments, etc., which have a life expectancy of more than one year and a value over five hundred dollars.

Capital Improvement Program (CIP) - a document which provides a prioritization and orderly implementation of short and long-range plans for land acquisition and construction of capital projects. It further provides for the scheduling of the associated expenditures over a period of seven years in order to maximize the use of public funds. The first year of the program represents the proposed capital budget for that fiscal year. The schedule is based on a series of priorities which take into consideration the respective projects' function and urgency. In addition, special consideration is given to the projects' relation to other improvements and plans, and the City's current and anticipated financial capacity. The Capital Improvement Program is updated annually, at which time the schedule and the projects are reevaluated, new or deferred projects are added, and the time frame is extended by one additional fiscal year.

Capital Outlays - expenditures which result in the acquisition of or an addition to fixed assets.

Cash Management - a conscious effort to manage cash flows in such a way that interest and penalties paid are minimized and interest earned is maximized. Checks received are deposited the same day, bills are paid no sooner than the due date unless discounts can be obtained by paying earlier, future needs for cash are determined with exactness and cash on hand not needed immediately is invested in short term interest-bearing securities.

Contingency Account - a budgetary reserve set-aside for emergencies or unforeseen expenditures not otherwise budgeted.

Debt - an obligation resulting from the borrowing of money.

Debt Service - the accounting for payments of principal and interest on long-term debt.

Deficit – (1) the excess of the liabilities of a fund over its assets. (2) the excess of expenditures over revenues during an accounting period.

Department - a separate functional and accounting entity within a certain fund type.

Designated Fund Equity – funds approved and set-aside for a specific defined purpose, by the City Council.

Encumbrance - a reservation of funds for an anticipated expenditure prior to actual payment for an item. Funds usually are reserved or encumbered once a contracted obligation has been signed for an item, but prior to the cash payment actually being dispersed.

Employee Benefits - the employee benefit expenditures included in the budget are the City's share of an employee's fringe benefits. These include FICA (Social Security), health insurance, life insurance, retirement, unemployment, disability insurance, employee assistance program, and worker's compensation.

Expenditure - a decrease in net financial resources. Expenditures include payment in cash for current operating expenses, debt service and capital outlays.

Expenses - charges incurred, whether paid or unpaid, for operations, maintenance, interest and other charges, which are presumed to benefit the current fiscal year.

Fiscal Year - in the City of South Portland, the twelve months beginning July 1 and ending the following June 30th.

Fund - a fiscal and accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Fund Balance - the excess of a fund's assets over its liabilities and reserves.

Generally Accepted Accounting Principles – government accounting and financial reporting is guided by what are referred to as “generally accepted accounting principles” (GAAP) applicable to governmental units. These standards were formulated through the voluntary action of several professional groups and are evaluated and updated by the Government Accounting Standards Board (GASB).

General Fund - accounts for the general operations of the City. This fund accounts for all financial transactions and resources not required to be accounted for in an enterprise fund.

Goal - a general statement of purpose. A goal provides a framework within which the program unit operates; it reflects realistic constraints upon the unit providing the service. A goal statement speaks generally toward results rather than toward specific actions.

Liability - debt or other legal obligations arising out of transactions in the past that must be paid or refunded at some future date, not including encumbrances.

Line Item - a specific expenditure category within an agency budget, e.g., rent, travel, telephone, postage, printing and forms, or office supplies. Defined by an account number.

Management Information Systems (MIS) – an activity center within the Executive Department responsible for computer and network installation, maintenance, support, and troubleshooting.

Mission Statement - a general statement of the purposes of the City. The mission statement is all-inclusive and expresses organizational values and philosophies.

Modified Accrual Basis – an accounting method where revenues are acknowledged in the period within which they are earned and expenditures are accounted for at the time they are obligated.

Objective - a statement of purpose defined more specifically than a goal. (A goal may subsume several related objectives.) An objective normally indicates anticipated levels of achievement and is usually time limited and quantifiable. Within the objective, specific statements with regard to targets and/or standards often are included.

Obligations - amounts that the City may be required to meet out of its resources.

Operating Expenditures - a category of recurring expenses, other than salaries and capital equipment costs, which covers expenditures necessary to maintain facilities, collect revenues, provide services and otherwise carry out the City's goals. Typical line items are supplies, printing, postage, transportation and utilities.

Operations and Maintenance (O&M) - a category of account codes which identify general operating expenses, i.e., supplies, routine equipment and building maintenance, and other overhead-type expenditures.

Personnel Services - a category of account codes which identifies various classification of wages, and salaries and overtime expenses.

- **Position** - a group of duties and responsibilities, as prescribed by an office or department, to be performed by a person on a full-time, part-time and/or temporary basis. The status of a position is not to be confused with the status of the employee.

Public Hearing - a scheduled meeting or time specifically set aside to provide an opportunity for citizens to discuss their feelings about a particular issue. Prior to a public hearing, the scheduled date and time, as well as the subject, must be advertised.

Reserve - an account, which records a portion of the fund, balance which must be segregated for some future use and which is not available for future appropriation or expenditures.

Revenues - funds which the government receives as income. It includes such items as fees from specific services, boarding of prisoners, grants, and interest income.

Surplus – See **Fund Balance**.

Unappropriated Fund Balance - fund balance at close of fiscal year is not included in the annual budget.

Undesignated Fund Equity – Funds not earmarked for a specific purpose and used to meet unanticipated expenditure demands.