

# APPENDIX TO THE FY 2015 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2013

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





Certified Public Accountants and Business Consultants

## Independent Auditor's Report

City Council  
City of South Portland, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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City Council  
City of South Portland, Maine

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIF Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 about 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.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Portland, Maine's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial are fairly stated in all material respects in relation to the basic financial statements as a whole.

City Council  
City of South Portland, Maine

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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the City of South Portland, Maine's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Portland, Maine's internal control over financial reporting and compliance.



December 18, 2013  
South Portland, Maine

**CITY OF SOUTH PORTLAND, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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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, 2013.

**Financial Highlights**

- The assets of the City of South Portland exceeded its liabilities at the close of the most recent fiscal year by \$163,358,468 (*net position*). Of this amount, \$25,314,816 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,874,944.
- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net position of \$102,201,456, an increase of \$3,659,005 in comparison with the prior year. Approximately 18% of this total amount, \$18,392,216, is *available for spending* at the City's discretion (*unrestricted net position*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,144,040, or 13.88% of total general fund expenditures.
- The City's total bonded debt decreased by \$2,315,000 during the current fiscal year. City voters approved borrowing \$41,500,000 for renovations and addition to the South Portland High School. Construction on this project started in April of 2012 and is to be completed in phases to reduce the impact to students and taxpayers. In the coming year, the City will be borrowing an additional \$9.5 million for the final phase of the project.

**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 position* presents information on all of the City of South Portland's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 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 31-32 of this report.

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

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**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 33-34 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 position 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 37-39 of this report. The budgetary basis schedule demonstrating compliance can be found on page of this report.

**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 40-41 of this report.

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

**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 42-63 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 position 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 \$163,358,468 at the close of the most recent fiscal year.

**City of South Portland's Net Position**

|                          | Governmental Activities |               | Business-type Activities |               | Total Activities |                |
|--------------------------|-------------------------|---------------|--------------------------|---------------|------------------|----------------|
|                          | 2013                    | 2012          | 2013                     | 2012          | 2013             | 2012           |
| Current and other assets | \$ 55,980,875           | \$ 77,066,411 | \$ 11,834,868            | \$ 12,492,248 | \$ 67,815,743    | \$ 89,558,659  |
| Capital assets           | 111,601,253             | 86,621,261    | 50,137,633               | 49,975,537    | 161,738,886      | 136,596,798    |
| Total assets             | 167,582,128             | 163,687,672   | 61,972,501               | 62,467,785    | 229,554,629      | 226,155,457    |
| Long-term liabilities    | 57,251,311              | 58,481,148    | 684,041                  | 707,358       | 57,935,352       | 59,188,506     |
| Other liabilities        | 8,129,361               | 6,664,073     | 131,448                  | 819,354       | 8,260,809        | 7,483,427      |
| Total liabilities        | 65,380,672              | 65,145,221    | 815,489                  | 1,526,712     | 66,196,161       | 66,671,933     |
| Net investment           |                         |               |                          |               |                  |                |
| in capital assets        | 72,207,636              | 68,914,663    | 49,690,446               | 49,501,248    | 121,898,082      | 118,415,911    |
| Restricted               | 11,601,604              | 11,783,906    | 4,543,966                | 5,877,132     | 16,145,570       | 17,661,038     |
| Unrestricted             | 18,392,216              | 17,843,882    | 6,922,600                | 5,562,693     | 25,314,816       | 23,406,575     |
| Total net position       | \$ 102,201,456          | \$ 98,542,451 | \$ 61,157,012            | \$ 60,941,073 | \$ 163,358,468   | \$ 159,483,524 |

By far, the largest portion of the City of South Portland's net position (74.6% or \$121,898,082) 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 position (9.9% or \$16,145,570) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (15.5% or \$25,314,816) 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 position, 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 position increased by \$3,874,944 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.

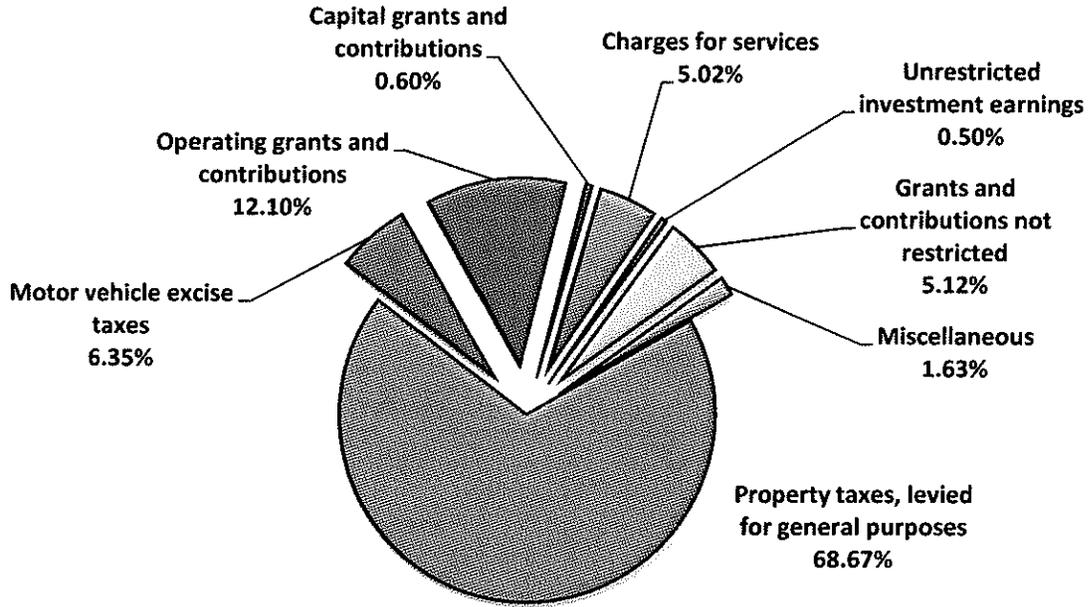
**City of South Portland's Changes in Net Position**

|  | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                      | <u>Total Activities</u> |                       |
|--|--------------------------------|----------------------|---------------------------------|----------------------|-------------------------|-----------------------|
|  | <u>2013</u>                    | <u>2012</u>          | <u>2013</u>                     | <u>2012</u>          | <u>2013</u>             | <u>2012</u>           |
| Revenues:  |                                |                      |                                 |                      |                         |                       |
| Program revenues:  |                                |                      |                                 |                      |                         |                       |
| Charges for services   | \$ 4,310,410                   | \$ 3,690,285         | \$ 5,637,193                    | \$ 5,436,377         | \$ 9,947,603            | \$ 9,126,662          |
| Operating grants and contributions                           | 10,382,263                     | 12,254,487           | -                               | -                    | 10,382,263              | 12,254,487            |
| Capital grants and contributions                             | 518,319                        | 479,280              | 138,232                         | 110,000              | 656,551                 | 589,280               |
| General revenues:  |                                |                      |                                 |                      |                         |                       |
| Property and other taxes                                     | 64,392,887                     | 62,214,384           | -                               | -                    | 64,392,887              | 62,214,384            |
| Grants and contributions not restricted to specific programs | 4,391,399                      | 4,244,228            | -                               | -                    | 4,391,399               | 4,244,228             |
| Other  | 1,832,641                      | 2,336,615            | 27,079                          | 30,143               | 1,859,720               | 2,366,758             |
| Total revenues   | <u>85,827,919</u>              | <u>85,219,279</u>    | <u>5,802,504</u>                | <u>5,576,520</u>     | <u>91,630,423</u>       | <u>90,795,799</u>     |
| Expenses:  |                                |                      |                                 |                      |                         |                       |
| General government   | 10,512,718                     | 10,506,337           | -                               | -                    | 10,512,718              | 10,506,337            |
| Public safety  | 12,030,128                     | 11,883,029           | -                               | -                    | 12,030,128              | 11,883,029            |
| Public works   | 7,282,274                      | 7,333,922            | -                               | -                    | 7,282,274               | 7,333,922             |
| Culture and recreation                                       | 4,333,705                      | 4,349,852            | -                               | -                    | 4,333,705               | 4,349,852             |
| Transportation and waterfront                                | 1,218,546                      | 1,220,037            | -                               | -                    | 1,218,546               | 1,220,037             |
| Health, wealth and social services                           | 329,143                        | 321,795              | -                               | -                    | 329,143                 | 321,795               |
| Interest on debt service                                     | 1,761,281                      | 853,840              | -                               | -                    | 1,761,281               | 853,840               |
| Education  | 44,402,127                     | 45,043,366           | -                               | -                    | 44,402,127              | 45,043,366            |
| Sewer  | -                              | -                    | 5,885,557                       | 5,632,254            | 5,885,557               | 5,632,254             |
| Total expenses   | <u>81,869,922</u>              | <u>81,512,178</u>    | <u>5,885,557</u>                | <u>5,632,254</u>     | <u>87,755,479</u>       | <u>87,144,432</u>     |
| Increase (decrease) in net position before transfers         | 3,957,997                      | 3,707,101            | (83,053)                        | (55,734)             | 3,874,944               | 3,651,367             |
| Transfers  | (298,992)                      | (1,816,658)          | 298,992                         | 1,816,658            | -                       | -                     |
| Increase (decrease) in net position                          | <u>3,659,005</u>               | <u>1,890,443</u>     | <u>215,939</u>                  | <u>1,760,924</u>     | <u>3,874,944</u>        | <u>3,651,367</u>      |
| Net position - beginning of year                             | <u>98,542,451</u>              | <u>96,652,008</u>    | <u>60,941,073</u>               | <u>59,180,149</u>    | <u>159,483,524</u>      | <u>155,832,157</u>    |
| Net position - end of year                                   | <u>\$ 102,201,456</u>          | <u>\$ 98,542,451</u> | <u>\$ 61,157,012</u>            | <u>\$ 60,941,073</u> | <u>\$ 163,358,468</u>   | <u>\$ 159,483,524</u> |

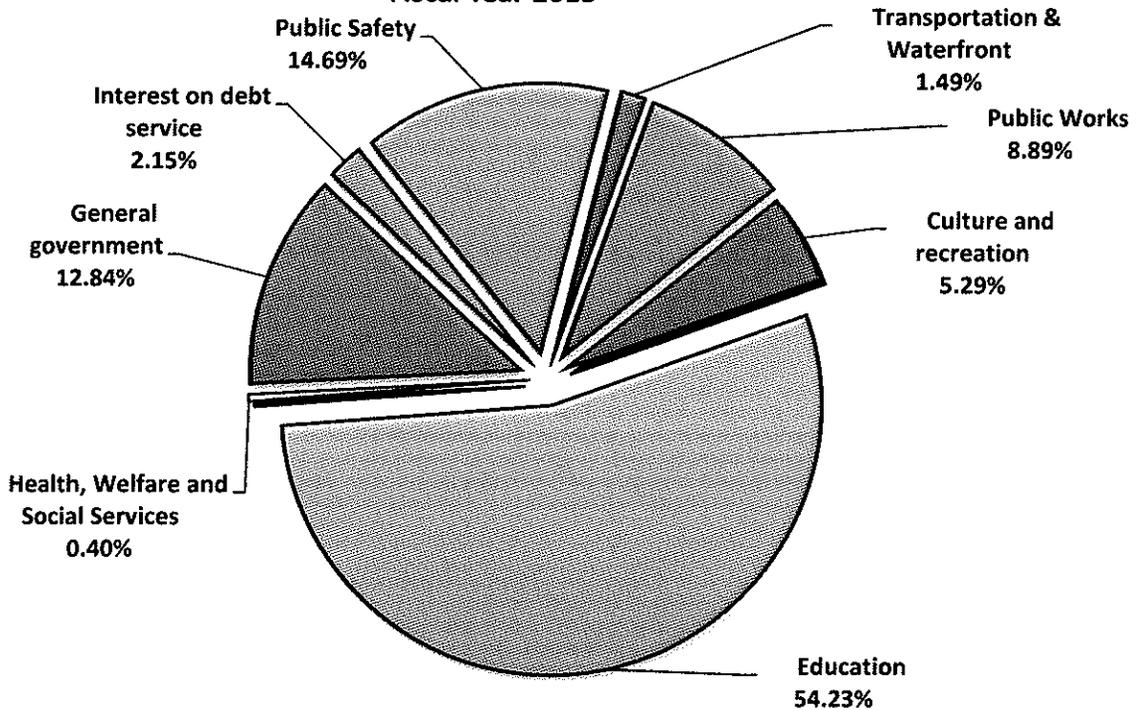
**Governmental activities.** During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net position of \$3.659 million. This amount represented an increase in the net position of 3.71%. Key elements of this increase are as follows:

- Property and other taxes increased by \$2.2 million (3.5%). 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.
- Operating grants decreased \$1.9 million. This was primary due to the school receiving considerably less Federal and state grants during the year. The prior several years included numerous ARRA grants which concluded last year.
- Total expenses increased by \$357,744 (.44%). For the year, the City had increases in public safety and interest on debt service as a result of bonding funds for the High School Project.

**Government -wide  
 Revenues by Source -Governmental Activities  
 Fiscal Year 2013**



**Government -wide  
 Expenses by Function -Governmental Activities  
 Fiscal Year 2013**

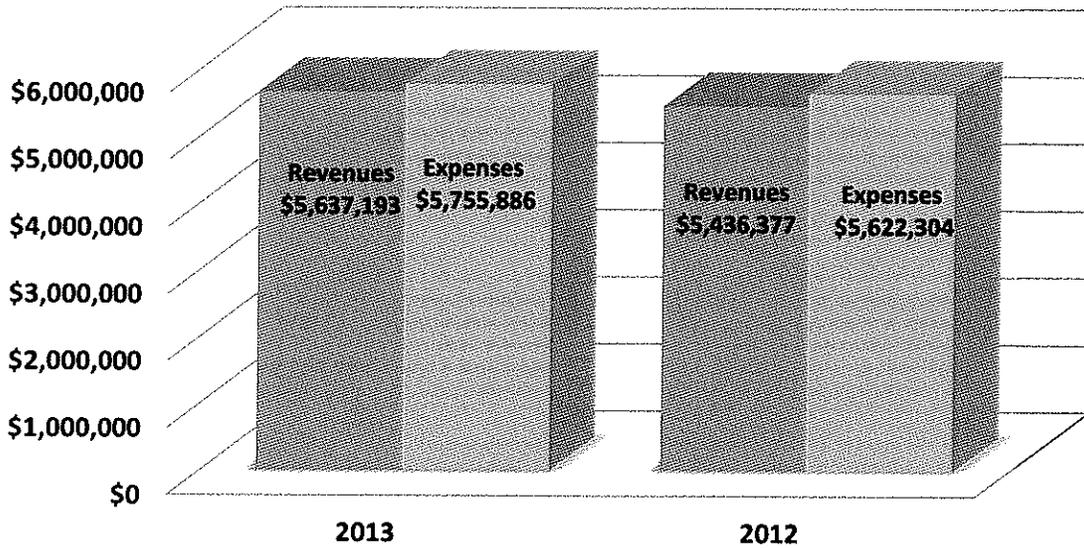


**CITY OF SOUTH PORTLAND, MAINE**  
**Management's Discussion and Analysis, Continued**

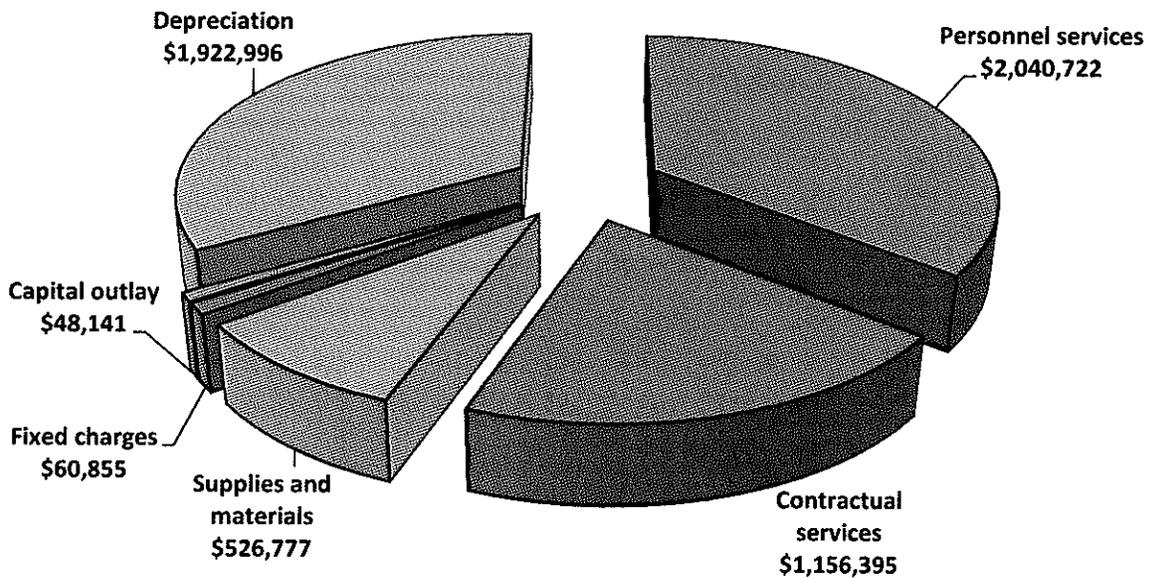
**Business-type activities.** The City's business-type activities which consist of sewer user operations increased the City of South Portland's net position by \$216 thousand. A large portion of this was the result of the City's TIF districts transferring \$300 thousand towards the sewer capital projects.

Revenues for business-type activities increased by \$200K due to an increase in user rates which were somewhat offset by lower residential consumption during the year. Total operating expenses for business-type activities increased in total \$133K or 2.38% due primarily to an increase in depreciation (\$119K). Additionally, the fund incurred a loss on disposal of capital assets of \$128K.

**Sewer User Operations  
 Comparative Revenues and Expenses  
 Fiscal Years 2013 and 2012**



**Sewer User Operations  
 Expenses by Function  
 Fiscal Year 2013**



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

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**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 \$47.18 million, a decrease of \$22.5 million in comparison with the prior year. This resulted from the expenditure of \$24 million relating to the High School renovation capital project.

**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 \$21,671,182. 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 29.65% of total general fund expenditures (\$73,089,771). Under the breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2013, general fund restricted balance for education totaled \$4,072,226, a decrease of \$1,211,798. Additionally, the City maintains various reserve balances for various future needs. These balances are now reported as either committed or assigned and in total increased by \$1,294,634 during the year primarily as a result of \$500,000 being set aside for the Municipal Services facility and an additional \$700,000 being set aside in the tax rate stabilization fund.

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% of the City's general fund budget. As of June 30, 2013, the unassigned fund balance was \$10,144,040 or 13.6% of the City's FY 2014, budget (\$74,599,789).

The total fund balance of the City of South Portland's general fund decreased by \$365,039 during the current fiscal year. Key factors in this change are as follows:

- Total actual revenues collected exceeded budgeted by approximately \$1,378,500. The largest budgetary surplus resulted from excise taxes collected in excess of budget totaling approximately \$1.23 million. 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 \$82K. Additionally, estimated budgets for various revenues were exceeded; State revenue sharing (101K), BETE revenue (\$221K), building permits (259K) and rescue billing (\$80K). These surplus revenues were offset by shortfalls in State Education subsidies (\$411K) and interest income (\$238K). 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 \$1.46 million. The major discrepancies included unexpended education appropriations (\$802K), various public safety departments totaling \$109K, and public works (\$121K) 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 2013-14 capital improvement budget, the City appropriated \$1.2 million from unassigned fund balance to fund certain City capital projects. Additionally, the City contributed \$1.1 million towards the City's tax stabilization reserve and \$500K towards the Municipal Services facility.

**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 ten tax increment financing districts. At the end of the current fiscal year, the total fund balance of the TIF fund was \$5,156,049, 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 \$530K towards sewer, storm water and public works capital improvement projects.

**Capital Projects** - The capital projects fund has a total fund balance of \$15,827,242. During the year, the fund balance decreased as a result of the expenditure of approximately \$24 million for the first phase 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 position of the sewer user fund at the end of the year amounted to \$2,417,716, an increase of \$486,497. 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 \$486K, of which revenues came in greater than anticipated by \$239K and expenditures came in approximately \$247K under budget.

**Budgetary Highlights**

**General Fund:**

Revenue for the general fund totaled \$70,254,947 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2013. Actual revenues exceeded estimates by \$1,378,525.

| <b>General Fund Revenues Budget to Actual Summary</b> |                      |                   |                  |
|---|----------------------|-------------------|------------------|
|   | <b>Budget</b>        | <b>Actual</b>     | <b>Variance</b>  |
| <b>Revenues:</b>                                      |                      |                   |                  |
| Taxes   | \$ 59,138,381        | 60,433,578        | 1,295,197        |
| Intergovernmental                                     | 6,781,780            | 6,625,453         | (156,327)        |
| Licenses, permits, fees and fines                     | 761,850              | 1,025,315         | 263,465          |
| Charges for services                                  | 1,569,861            | 1,748,114         | 178,253          |
| Unclassified  | 124,550              | 160,689           | 36,139           |
| Interest earned                                       | 500,000              | 261,798           | (238,202)        |
| <b>Total revenues</b>                                 | <b>\$ 68,876,422</b> | <b>70,254,947</b> | <b>1,378,525</b> |

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$1.295 million of which \$1.228 million 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 \$82K.
- A surplus in State revenue sharing of \$101K, State BETE revenue of \$221K were offset by a large shortfall in State Education subsidies of \$411K as a result of the governor's curtailment.
- Building permit licenses came in with a surplus of \$259K.
- A surplus in charges for services relating to ambulance billings and bus service ridership which exceed anticipated revenues by \$80K and \$47K respectively.
- An investment earnings deficit of \$238K as a result of significantly lower interest rates on investments during the year and a mark to market adjustment as a result of increasing rates at yearend.

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

Expenditures for the general fund totaled \$68,489,790 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2013.

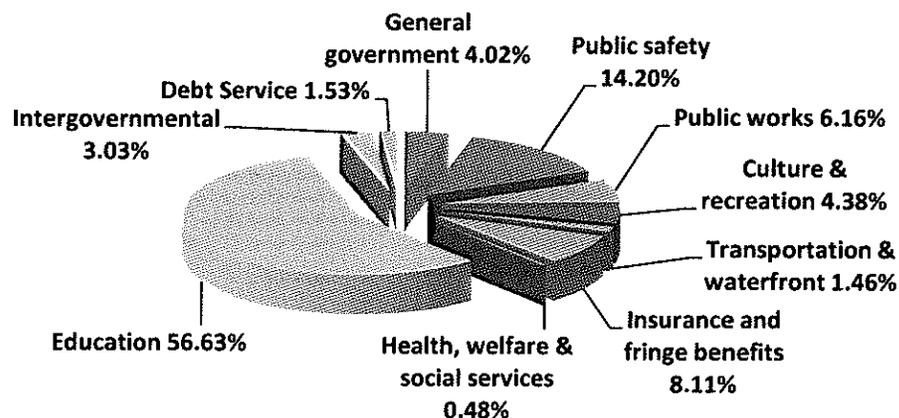
**General Fund Expenditures Budget to Actual Summary**

|                                     | Budget              | Actual            | Variance         |
|-------------------------------------|---------------------|-------------------|------------------|
| Expenditures:                       |                     |                   |                  |
| General government                  | \$2,732,993         | 2,674,010         | 58,983           |
| Public safety                       | 9,835,593           | 9,726,184         | 109,409          |
| Public works                        | 4,339,150           | 4,218,084         | 121,066          |
| Culture and recreation              | 3,122,003           | 3,000,007         | 121,996          |
| Transportation and waterfront       | 1,029,764           | 997,583           | 32,181           |
| Health, welfare and social services | 365,421             | 326,893           | 38,528           |
| Insurance and fringe benefits       | 5,697,050           | 5,552,005         | 145,045          |
| Education                           | 39,590,803          | 38,788,570        | 802,233          |
| Intergovernmental (county tax)      | 2,075,037           | 2,075,037         | -                |
| Other                               | 112,000             | 82,568            | 29,432           |
| Debt Service                        | 1,051,550           | 1,048,849         | 2,701            |
| <b>Total expenditures</b>           | <b>\$69,951,364</b> | <b>68,489,790</b> | <b>1,461,574</b> |

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 \$26K.
- Public safety expenditures were under budget with police (surplus of \$41K), fire (surplus of \$25K) and communications (surplus of \$32K) making up the larger components.
- Public works was under budget because of lower tonnage for rubbish disposal (surplus of \$88K), streets and sidewalks (surplus of \$44K) and the garage (surplus of \$40).
- Citywide insurance and benefits cost surplus of \$145.
- Education surplus of \$802K attributable to lower than anticipated, High School (surplus of \$186K) special education costs (surplus of \$214K), assistant superintendent (surplus of \$138K) and operations and maintenance (surplus of \$185K).

**General Fund  
Expenditure Components  
Fiscal Year 2013**



**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, 2013 amounts to \$161,738,886 (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% (a 4.03% increase for governmental activities and a 2.72% increase for business-type activities).

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

|                                   | Governmental         |                   | Business-type     |                   | Total              |                    |
|-----------------------------------|----------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|                                   | Activities           |                   | Activities        |                   |                    |                    |
|                                   | 2013                 | 2012              | 2013              | 2012              | 2013               | 2012               |
| Land                              | \$9,391,119          | 9,251,519         | 1,221,558         | 1,221,558         | 10,612,677         | 10,473,077         |
| Buildings                         | 50,670,634           | 51,862,295        | 16,660,283        | 17,440,155        | 67,330,917         | 69,302,450         |
| Improvements other than buildings | 1,836,458            | 1,368,715         | -                 | -                 | 1,836,458          | 1,368,715          |
| Machinery and equipment           | 3,809,592            | 3,766,465         | 6,377,580         | 4,418,660         | 10,187,172         | 8,185,125          |
| Infrastructure                    | 12,152,780           | 11,220,198        | 24,893,928        | 23,303,691        | 37,046,708         | 34,523,889         |
| Construction in progress          | 29,179,795           | 4,891,087         | 588,433           | 3,085,231         | 29,768,228         | 7,976,318          |
| Vehicles                          | 4,560,875            | 4,260,981         | 395,851           | 506,242           | 4,956,726          | 4,767,223          |
| <b>Total</b>                      | <b>\$111,601,253</b> | <b>86,621,260</b> | <b>50,137,633</b> | <b>49,975,537</b> | <b>161,738,886</b> | <b>136,596,797</b> |

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

- Millcreek park improvements totaling \$317,000 and playscape at Wainwright fields totaling \$86,000.
- Land addition on Highland Avenue at entrance to transfer station and future municipal services facility.
- City hall improvements to roof and exterior totaling \$195,000.
- Construction work in progress relating to phase 1 of the High School Renovation project totaling \$24.6 million.
- Various vehicles purchased included a new \$456,000 Pierce Fire truck pumper, a \$114,000 MT6 Trackless sidewalk tractor for public works, two new school buses totaling \$175,000, a new fire boat totaling \$74,000 and various other City vehicles totaling \$340,000.
- Telecommunications tower at West End Fire station totaling \$110,000.
- SCAN backup and virtual server upgrade totaling \$85,000.
- Pedestrian bridge at branch library totaling \$91,000.
- Various paving and sidewalk projects totaling \$625,000.
- Completion of construction of CSO clarifier equipment and domes totaling \$1,086,000.
- Upgrade and conversion to gas of boilers at Mahoney Middle School totaling \$127,000.
- Completion of Phase 2 sewer, storm water, street, sidewalk, and lighting projects for the Knightville area totaling \$3,136,000.
- Mussey Street sewer improvements totaling \$257,000.
- Completion of the pump station telemetry alarm system totaling \$1,421,000.

Additional information on the City of South Portland's capital assets can be found in the notes to the financial statements on pages 51-52 of this report.

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

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**Long-term debt.** The State allows municipalities to borrow up to 15% of their total valuation. With the City's State Valuation at \$3,516,250,000 for 2013, the debt limit would be over \$527,000,000. Our current debt is \$47,722,187 or less than 1.36% of State Valuation or approximately 9.05% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2013, the City of South Portland's debt per capita (including lease obligations) was \$2,034 as compared to the prior year of \$2,090.

The following is a summary of bond and note transactions of the City for the year ended June 30, 2013:

|  | Governmental<br><u>Activities</u> | Business-type<br><u>Activities</u> | <u>Total</u>      |
|--|-----------------------------------|------------------------------------|-------------------|
| General Obligation Bonds payable at June 30, 2012        | \$ 49,590,000                     | 474,289                            | 50,064,289        |
| Principal additions                                      | -                                 | -                                  | -                 |
| Principal payments                                       | (2,315,000)                       | (27,102)                           | (2,342,102)       |
| <b>General Obligation Bonds payable at June 30, 2013</b> | <b>\$ 47,275,000</b>              | <b>447,187</b>                     | <b>47,722,187</b> |

The City of South Portland's total bonded debt decreased by \$2,342,102 during the current fiscal year as a result of repayments and no additional borrowing.

The City of South Portland maintains an "Aaa" rating from Moody's and an "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 52-54 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 2013 unemployment rate for the Portland/South Portland area is currently at 4.8% which is .7% less from the rate a year ago of 5.5%. This rate compares favorably to the state's average unemployment rate of 6.7% and the national average rate of 7.2%.
- As of December 2012, the vacancy rate for Class A office space in the mall area was 15.56% up from 13.13% in December 2011 and the vacancy rate for Class B office space in the mall area was 8.95% up from 8.3% in December 2011. We believe that more recent activity would conclude that that the office space has improved since that time.

In adopting the budget for the ensuing fiscal year 2014, 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**

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During the upcoming fiscal year (2014) 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 state revenue sharing. For FY14, the City expects to experience a significant increase in school aide while seeing a drop in state revenue sharing of about 30%.
- 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 significantly and the City has been working with businesses to assist in business development.

**Health Insurance and Other Costs:**

- The cost of health insurance continues to rise. 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 and approximately 12% for the coming year.
- The costs of maintaining our facilities, vehicles and infrastructure including expanding paving streets.

The fiscal year 2014 budget was approved in June 2013, with a \$2,572,014 (3.57%) increase in the overall general fund expenditure budget. Included in the budget is the first full year of debt service payments in the amount of \$2,520,000 for the High School Renovation project. Due to increases in various revenues, the impact to property taxes raised only increased by \$873,042 (1.56%). Overall, the cost of living increases and increased estimated revenues resulted in a tax rate increase to 16.70 per thousand from the prior year 16.50.

**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**  
**Notes to Basic Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 position 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.

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**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Net Position**  
**June 30, 2013**

|  | Governmental<br>Activities | Business-type<br>Activities | Total       |
|--|----------------------------|-----------------------------|-------------|
| <b>ASSETS</b>  |                            |                             |             |
| Cash and cash equivalents                            | \$ 55,488,368              | -                           | 55,488,368  |
| Investments  | 8,157,099                  | -                           | 8,157,099   |
| Receivables, net of allow. of \$804,580 and \$87,225 | 1,931,327                  | 433,873                     | 2,365,200   |
| Taxes receivable                                     | 1,349,203                  | -                           | 1,349,203   |
| Tax liens and acquired property                      | 377,851                    | -                           | 377,851     |
| Prepaid expenses                                     | -                          | 8,661                       | 8,661       |
| Inventory  | 19,361                     | -                           | 19,361      |
| Internal balances                                    | (11,392,334)               | 11,392,334                  | -           |
| Restricted assets, cash                              | 50,000                     | -                           | 50,000      |
| Capital assets, not being depreciated                | 38,570,914                 | 1,809,991                   | 40,380,905  |
| Capital assets, net of accumulated depreciation      | 73,030,339                 | 48,327,642                  | 121,357,981 |
| Total assets   | 167,582,128                | 61,972,501                  | 229,554,629 |
| <b>LIABILITIES</b>                                   |                            |                             |             |
| Accounts payable                                     | 3,910,483                  | 129,787                     | 4,040,270   |
| Accrued liabilities                                  | 460,855                    | 1,661                       | 462,516     |
| Accrued interest                                     | 683,155                    | -                           | 683,155     |
| Accrued teachers' summer salaries                    | 3,074,868                  | -                           | 3,074,868   |
| Non-current liabilities:                             |                            |                             |             |
| Due within one year                                  | 5,405,096                  | 112,350                     | 5,517,446   |
| Due in more than one year                            | 51,846,215                 | 571,691                     | 52,417,906  |
| Total liabilities                                    | 65,380,672                 | 815,489                     | 66,196,161  |
| <b>NET POSITION</b>                                  |                            |                             |             |
| Net investment in capital assets                     | 72,207,636                 | 49,690,446                  | 121,898,082 |
| Restricted for:                                      |                            |                             |             |
| Permanent Funds - Nonexpendable principal            | 198,949                    | -                           | 198,949     |
| Permanent Funds - Expendable                         | 125,576                    | -                           | 125,576     |
| Education  | 4,072,226                  | -                           | 4,072,226   |
| Other grants   | 2,048,804                  | -                           | 2,048,804   |
| Tax Increment Financing                              | 5,156,049                  | -                           | 5,156,049   |
| Capital  | -                          | 4,543,966                   | 4,543,966   |
| Unrestricted   | 18,392,216                 | 6,922,600                   | 25,314,816  |
| Total net position                                   | \$ 102,201,456             | 61,157,012                  | 163,358,468 |

*See accompanying notes to basic financial statements.*

CITY OF SOUTH PORTLAND, MAINE  
Statement of Activities  
For the year ended June 30, 2013

| Functions/programs  | Expenses             | Program Revenues        |  |  | Net (expense) revenue and changes<br>in net position |                             |                     |
|---|----------------------|-------------------------|--|--|--|-----------------------------|---------------------|
|   |                      | Charges for<br>services | Operating<br>grants and<br>contributions | Capital<br>grants and<br>contributions | Primary Government                                   |                             | Total               |
|   |                      |                         |  |  | Governmental<br>activities                           | Business-type<br>activities |                     |
| Primary government:   |                      |                         |  |  |  |                             |                     |
| Governmental activities:                                      |                      |                         |  |  |  |                             |                     |
| General government  | \$ 10,512,718        | 514,857                 | 870,791                                  | -                                      | (9,127,070)  | -                           | (9,127,070)         |
| Public safety   | 12,030,128           | 1,506,952               | 733,060                                  | -                                      | (9,790,116)  | -                           | (9,790,116)         |
| Public works  | 7,282,274            | 331,600                 | -  | 497,318                                | (6,453,356)  | -                           | (6,453,356)         |
| Culture and recreation  | 4,333,705            | 922,237                 | -  | -                                      | (3,411,468)  | -                           | (3,411,468)         |
| Transportation and waterfront                                 | 1,218,546            | 418,198                 | 237,848                                  | 21,001                                 | (541,499)  | -                           | (541,499)           |
| Health, welfare and social services                           | 329,143              | -                       | 113,648                                  | -                                      | (215,495)  | -                           | (215,495)           |
| Education   | 44,402,127           | 616,566                 | 8,426,916                                | -                                      | (35,358,645)   | -                           | (35,358,645)        |
| Interest on debt service                                      | 1,761,281            | -                       | -  | -                                      | (1,761,281)  | -                           | (1,761,281)         |
| <b>Total governmental activities</b>                          | <b>81,869,922</b>    | <b>4,310,410</b>        | <b>10,382,263</b>                        | <b>518,319</b>                         | <b>(66,658,930)</b>                                  | <b>-</b>                    | <b>(66,658,930)</b> |
| Business-type activities:                                     |                      |                         |  |  |  |                             |                     |
| Sewer   | 5,885,557            | 5,637,193               | -  | 138,232                                | -  | (110,132)                   | (110,132)           |
| <b>Total business-type activities</b>                         | <b>5,885,557</b>     | <b>5,637,193</b>        | <b>-</b>                                 | <b>138,232</b>                         | <b>-</b>   | <b>(110,132)</b>            | <b>(110,132)</b>    |
| <b>Total primary government</b>                               | <b>\$ 87,755,479</b> | <b>9,947,603</b>        | <b>10,382,263</b>                        | <b>656,551</b>                         | <b>(66,658,930)</b>                                  | <b>(110,132)</b>            | <b>(66,769,062)</b> |
| General revenues:   |                      |                         |  |  |  |                             |                     |
| Property taxes, levied for general purposes                   |                      |                         |  |  | 58,939,831   | -                           | 58,939,831          |
| Motor vehicle excise taxes                                    |                      |                         |  |  | 5,453,056  | -                           | 5,453,056           |
| Cable television franchise                                    |                      |                         |  |  | 176,253  | -                           | 176,253             |
| Grants and contributions not restricted to specific programs: |                      |                         |  |  |  |                             |                     |
| State Revenue Sharing   |                      |                         |  |  | 1,901,233  | -                           | 1,901,233           |
| Homestead exemption   |                      |                         |  |  | 475,200  | -                           | 475,200             |
| Other State aid   |                      |                         |  |  | 2,014,966  | -                           | 2,014,966           |
| Unrestricted investment earnings                              |                      |                         |  |  | 431,930  | 27,079                      | 459,009             |
| Miscellaneous   |                      |                         |  |  | 1,224,458  | -                           | 1,224,458           |
| Transfers   |                      |                         |  |  | (298,992)  | 298,992                     | -                   |
| <b>Total general revenues and transfers</b>                   |                      |                         |  |  | <b>70,317,935</b>                                    | <b>326,071</b>              | <b>70,644,006</b>   |
| Change in net position  |                      |                         |  |  | 3,659,005  | 215,939                     | 3,874,944           |
| Net position - beginning                                      |                      |                         |  |  | 98,542,451   | 60,941,073                  | 159,483,524         |
| <b>Net position - ending</b>                                  |                      |                         |  |  | <b>\$ 102,201,456</b>                                | <b>61,157,012</b>           | <b>163,358,468</b>  |

*See accompanying notes to basic financial statements.*

CITY OF SOUTH PORTLAND, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2013

|  | General              | Tax<br>Increment<br>Financing | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------------|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                               |                     |                                |                                |
| Cash and cash equivalents  | \$ 31,973,811        | 5,494,703                     | 18,019,854          | -                              | 55,488,368                     |
| Investments  | 7,342,079            | -                             | -                   | 815,020                        | 8,157,099                      |
| Due from other governments   | 247,261              | -                             | -                   | 1,429,450                      | 1,676,711                      |
| Accounts receivable, net of allowance of \$804,580                             | 162,032              | 22,679                        | 1,261               | 68,644                         | 254,616                        |
| Taxes receivable   | 1,349,203            | -                             | -                   | -                              | 1,349,203                      |
| Tax liens and tax acquired property  | 377,851              | -                             | -                   | -                              | 377,851                        |
| Interfund loans receivable   | -                    | -                             | -                   | 2,750,224                      | 2,750,224                      |
| Inventory  | -                    | -                             | -                   | 19,361                         | 19,361                         |
| Restricted assets, cash  | 50,000               | -                             | -                   | -                              | 50,000                         |
| <b>Total assets</b>  | <b>\$ 41,502,237</b> | <b>5,517,382</b>              | <b>18,021,115</b>   | <b>5,082,699</b>               | <b>70,123,433</b>              |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>           |                      |                               |                     |                                |                                |
| Liabilities:   |                      |                               |                     |                                |                                |
| Accounts payable   | 1,189,887            | 361,333                       | 2,193,873           | 155,284                        | 3,900,377                      |
| Accrued liabilities  | 429,196              | -                             | -                   | 31,659                         | 460,855                        |
| Interfund loans payable  | 13,946,527           | -                             | -                   | 206,137                        | 14,152,664                     |
| Accrued teachers' summer salaries  | 2,907,445            | -                             | -                   | 167,423                        | 3,074,868                      |
| <b>Total liabilities</b>   | <b>18,473,055</b>    | <b>361,333</b>                | <b>2,193,873</b>    | <b>560,503</b>                 | <b>21,588,764</b>              |
| Deferred inflows of resources:   |                      |                               |                     |                                |                                |
| Unavailable revenue - property taxes   | 1,358,000            | -                             | -                   | -                              | 1,358,000                      |
| <b>Total deferred inflows of resources</b>                                     | <b>1,358,000</b>     | <b>-</b>                      | <b>-</b>            | <b>-</b>                       | <b>1,358,000</b>               |
| Fund balances:   |                      |                               |                     |                                |                                |
| Nonspendable   | -                    | -                             | -                   | 218,310                        | 218,310                        |
| Restricted   | 4,072,226            | 5,156,049                     | 11,070,586          | 2,174,380                      | 22,473,241                     |
| Committed  | 4,419,099            | -                             | 4,756,656           | 2,246,436                      | 11,422,191                     |
| Assigned   | 3,035,817            | -                             | -                   | -                              | 3,035,817                      |
| Unassigned   | 10,144,040           | -                             | -                   | (116,930)                      | 10,027,110                     |
| <b>Total fund balances</b>   | <b>21,671,182</b>    | <b>5,156,049</b>              | <b>15,827,242</b>   | <b>4,522,196</b>               | <b>47,176,669</b>              |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <b>\$ 41,502,237</b> | <b>5,517,382</b>              | <b>18,021,115</b>   | <b>5,082,699</b>               |                                |

Amounts reported for governmental activities in the statement of net position are different because:

|  |              |
|--|--------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 111,601,253  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 1,358,000    |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:      |              |
| Bond premiums  | (2,575,862)  |
| Accrued compensated absences   | (3,124,656)  |
| Other postemployment benefits liability  | (1,030,952)  |
| Accrued interest   | (683,155)    |
| Landfill closure   | (111,500)    |
| Capital leases   | (3,133,341)  |
| Bonds payable  | (47,275,000) |

**Net position of governmental activities**

**\$ 102,201,456**

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2013**

|  | General              | Tax<br>Increment<br>Financing | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------------|---------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                      |                               |                     |                                |                                |
| Taxes  | \$ 60,433,578        | 2,303,339                     | 1,353,970           | 20,000                         | 64,110,887                     |
| Intergovernmental  | 10,018,019           | 922,710                       | 21,001              | 4,330,251                      | 15,291,981                     |
| Licenses, permits, fees and fines                                    | 1,025,315            | -                             | -                   | -                              | 1,025,315                      |
| Charges for services   | 1,748,114            | -                             | -                   | 1,713,234                      | 3,461,348                      |
| Unclassified   | 590,789              | -                             | 500,000             | 267,885                        | 1,358,674                      |
| Interest earned  | 279,661              | 27,453                        | 98,808              | 26,008                         | 431,930                        |
| <b>Total revenues</b>  | <b>74,095,476</b>    | <b>3,253,502</b>              | <b>1,973,779</b>    | <b>6,357,378</b>               | <b>85,680,135</b>              |
| <b>Expenditures:</b>   |                      |                               |                     |                                |                                |
| <b>Current:</b>  |                      |                               |                     |                                |                                |
| General government   | 8,339,338            | 66,587                        | -                   | 1,146,968                      | 9,552,893                      |
| Public safety  | 10,150,395           | -                             | -                   | 666,206                        | 10,816,601                     |
| Public works   | 4,316,757            | 133,431                       | -                   | 223,229                        | 4,673,417                      |
| Culture and recreation   | 3,030,146            | -                             | -                   | 823,200                        | 3,853,346                      |
| Transportation and waterfront  | 997,583              | -                             | -                   | 86,928                         | 1,084,511                      |
| Health, welfare and social services                                  | 329,143              | -                             | -                   | -                              | 329,143                        |
| Education  | 42,556,262           | -                             | -                   | 1,942,792                      | 44,499,054                     |
| School lunch program   | -                    | -                             | -                   | 1,547,688                      | 1,547,688                      |
| Intergovernmental  | 2,075,037            | -                             | -                   | -                              | 2,075,037                      |
| Other  | 66,437               | 1,426,678                     | -                   | 15,695                         | 1,508,810                      |
| Debt service (excluding education)                                   | 1,048,849            | -                             | -                   | -                              | 1,048,849                      |
| Capital expenditures   | 179,824              | 50,000                        | 27,787,953          | -                              | 28,017,777                     |
| <b>Total expenditures</b>  | <b>73,089,771</b>    | <b>1,676,696</b>              | <b>27,787,953</b>   | <b>6,452,706</b>               | <b>109,007,126</b>             |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>1,005,705</b>     | <b>1,576,806</b>              | <b>(25,814,174)</b> | <b>(95,328)</b>                | <b>(23,326,991)</b>            |
| <b>Other financing sources (uses):</b>                               |                      |                               |                     |                                |                                |
| Transfers in   | 731,353              | -                             | 1,690,861           | 521,105                        | 2,943,319                      |
| Transfers out  | (2,259,105)          | (685,934)                     | (51,491)            | (245,781)                      | (3,242,311)                    |
| Issuance of debt   | 157,008              | -                             | 995,742             | -                              | 1,152,750                      |
| <b>Total other financing sources (uses)</b>                          | <b>(1,370,744)</b>   | <b>(685,934)</b>              | <b>2,635,112</b>    | <b>275,324</b>                 | <b>853,758</b>                 |
| <b>Net change in fund balances</b>                                   | <b>(365,039)</b>     | <b>890,872</b>                | <b>(23,179,062)</b> | <b>179,996</b>                 | <b>(22,473,233)</b>            |
| <b>Fund balances, beginning of year</b>                              | <b>22,036,221</b>    | <b>4,265,177</b>              | <b>39,006,304</b>   | <b>4,342,200</b>               | <b>69,649,902</b>              |
| <b>Fund balances, end of year</b>                                    | <b>\$ 21,671,182</b> | <b>5,156,049</b>              | <b>15,827,242</b>   | <b>4,522,196</b>               | <b>47,176,669</b>              |

*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, 2013**

|   |    |                  |
|---|----|------------------|
| Net change in fund balances - total governmental funds (from Statement 4)   | \$ | (22,473,233)     |
| <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 (\$29,499,214) exceed book value of disposed assets (\$203,181) and depreciation (\$4,316,041).   |    | 24,979,992       |
| 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 unavailable revenues.  |    | 282,000          |
| Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (\$1,152,750) exceed repayments (\$217,996).  |    | (934,754)        |
| Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - accrued compensated absences (\$3,349), accrued interest (\$359,591), and other postemployment benefits liability (\$305,976).   |    | (662,218)        |
| Changes in long-term liabilities on the statement of net position, are expenditures in the governmental funds. This is the change of the landfill closure liability.  |    | (9,500)          |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. During the year, the City did not issue any bonds. Governmental funds report the effects of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. During the year, the City amortized \$161,718 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 position. For the year, the amount of repayments was \$2,315,000. |    | 2,476,718        |
| <b>Change in net position of governmental activities (see Statement 2)</b>  | \$ | <b>3,659,005</b> |

*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, 2013**

|  | General Fund       |                    |                    |   | TIF Funds        |                  |                  |   |
|--|--------------------|--------------------|--------------------|---|------------------|------------------|------------------|---|
|  | Budget             |                    | Actual             | Variance with<br>final budget<br>positive<br>(negative) | Budget           |                  | Actual           | Variance with<br>final budget<br>positive<br>(negative) |
|  | Original           | Final              |                    |   | Original         | Final            |                  |   |
| <b>Revenues:</b>   |                    |                    |                    |   |                  |                  |                  |   |
| Taxes  | \$ 59,138,381      | 59,138,381         | 60,433,578         | 1,295,197   | 2,304,000        | 2,304,000        | 2,303,339        | (661)   |
| Intergovernmental  | 6,781,780          | 6,781,780          | 6,625,453          | (156,327)   | 834,000          | 834,000          | 922,710          | 88,710  |
| Licenses, permits, fees and fines                                      | 761,850            | 761,850            | 1,025,315          | 263,465   | -                | -                | -                | -   |
| Charges for services   | 1,569,861          | 1,569,861          | 1,748,114          | 178,253   | -                | -                | -                | -   |
| Unclassified   | 124,550            | 124,550            | 160,689            | 36,139  | -                | -                | -                | -   |
| Interest earned  | 500,000            | 500,000            | 261,798            | (238,202)   | -                | -                | 27,453           | 27,453  |
| <b>Total revenues</b>  | <b>68,876,422</b>  | <b>68,876,422</b>  | <b>70,254,947</b>  | <b>1,378,525</b>  | <b>3,138,000</b> | <b>3,138,000</b> | <b>3,253,502</b> | <b>115,502</b>  |
| <b>Expenditures:</b>   |                    |                    |                    |   |                  |                  |                  |   |
| <b>Current:</b>  |                    |                    |                    |   |                  |                  |                  |   |
| General government   | 8,448,743          | 8,430,043          | 8,226,015          | 204,028   | -                | -                | 66,587           | (66,587)  |
| Public safety  | 9,835,593          | 9,835,593          | 9,726,184          | 109,409   | -                | -                | -                | -   |
| Public works   | 4,339,150          | 4,339,150          | 4,218,084          | 121,066   | 230,558          | 230,558          | 133,431          | 97,127  |
| Culture and recreation   | 3,122,003          | 3,122,003          | 3,000,007          | 121,996   | -                | -                | -                | -   |
| Transportation and waterfront  | 1,011,064          | 1,029,764          | 997,583            | 32,181  | -                | -                | -                | -   |
| Health, welfare and social services                                    | 365,421            | 365,421            | 326,893            | 38,528  | -                | -                | -                | -   |
| Education  | 39,590,803         | 39,590,803         | 38,788,570         | 802,233   | -                | -                | -                | -   |
| Intergovernmental  | 2,075,037          | 2,075,037          | 2,075,037          | -   | -                | -                | -                | -   |
| Other  | 112,000            | 112,000            | 82,568             | 29,432  | 1,464,054        | 1,464,054        | 1,426,678        | 37,376  |
| Debt service (excluding education)                                     | 1,051,550          | 1,051,550          | 1,048,849          | 2,701   | -                | -                | -                | -   |
| Capital expenditures   | -                  | -                  | -                  | -   | 1,337,104        | 807,104          | 50,000           | 757,104   |
| <b>Total expenditures</b>  | <b>69,951,364</b>  | <b>69,951,364</b>  | <b>68,489,790</b>  | <b>1,461,574</b>  | <b>3,031,716</b> | <b>2,501,716</b> | <b>1,676,696</b> | <b>825,020</b>  |
| <b>Excess (deficiency) of revenues<br/>  over (under) expenditures</b> | <b>(1,074,942)</b> | <b>(1,074,942)</b> | <b>1,765,157</b>   | <b>2,840,099</b>  | <b>106,284</b>   | <b>636,284</b>   | <b>1,576,806</b> | <b>940,522</b>  |
| <b>Other financing sources (uses):</b>                                 |                    |                    |                    |   |                  |                  |                  |   |
| Budgeted use of surplus - City   | -                  | 2,897,707          | -                  | (2,897,707)   | 49,650           | 49,650           | -                | (49,650)  |
| Budgeted use of surplus - School                                       | 1,050,000          | 1,050,000          | -                  | (1,050,000)   | -                | -                | -                | -   |
| Transfer in  | 731,353            | 731,353            | 731,353            | -   | -                | -                | -                | -   |
| Transfers out  | (706,411)          | (3,604,118)        | (3,664,540)        | (60,422)  | (155,934)        | (685,934)        | (685,934)        | -   |
| <b>Total other financing sources (uses)</b>                            | <b>1,074,942</b>   | <b>1,074,942</b>   | <b>(2,933,187)</b> | <b>(4,008,129)</b>                                      | <b>(106,284)</b> | <b>(636,284)</b> | <b>(685,934)</b> | <b>(49,650)</b>   |
| <b>Net change in fund balance - budgetary basis</b>                    | <b>-</b>           | <b>-</b>           | <b>(1,168,030)</b> | <b>(1,168,030)</b>                                      | <b>-</b>         | <b>-</b>         | <b>890,872</b>   | <b>890,872</b>  |
| <b>Reconciliation to GAAP basis:</b>                                   |                    |                    |                    |   |                  |                  |                  |   |
| Change in encumbrances - City  |                    |                    | 73,943             |   |                  |                  |                  |   |
| Change in encumbrances - School  |                    |                    | (216,938)          |   |                  |                  |                  |   |
| Change in reserves   |                    |                    | 945,986            |   |                  |                  |                  |   |
| <b>Net change in fund balance - GAAP basis</b>                         |                    |                    | <b>(365,039)</b>   |   |                  |                  | <b>890,872</b>   |   |
| <b>Fund balance, beginning of year</b>                                 |                    |                    | <b>22,036,221</b>  |   |                  |                  | <b>4,265,177</b> |   |
| <b>Fund balance, end of year</b>                                       | <b>\$</b>          |                    | <b>21,671,182</b>  |   |                  |                  | <b>5,156,049</b> |   |

*See accompanying notes to basic financial statements.*

CITY OF SOUTH PORTLAND, MAINE  
Statement of Net Position  
Proprietary Funds  
June 30, 2013 and 2012

| Business-type Activities - Enterprise Funds                           |                      |                   |
|---|----------------------|-------------------|
|   | Sewer                |                   |
|   | 2013                 | 2012              |
| <b>ASSETS</b>   |                      |                   |
| Current assets:   |                      |                   |
| Receivables, net of allowance of \$87,225 and \$163,242, respectively | \$ 426,960           | 421,283           |
| Sewer liens   | 6,913                | 97,143            |
| Prepaid expenses  | 8,661                | 7,893             |
| Interfund loan receivables  | 11,392,334           | 11,965,929        |
| Total current assets  | 11,834,868           | 12,492,248        |
| Noncurrent assets:  |                      |                   |
| Capital assets, not being depreciated                                 | 1,809,991            | 4,306,790         |
| Capital assets  | 88,514,036           | 84,184,097        |
| Accumulated depreciation  | (40,186,394)         | (38,515,350)      |
| Total noncurrent assets   | 50,137,633           | 49,975,537        |
| <b>Total assets</b>   | <b>61,972,501</b>    | <b>62,467,785</b> |
| <b>LIABILITIES</b>  |                      |                   |
| Current liabilities:  |                      |                   |
| Accounts payable  | 129,787              | 817,490           |
| Accrued wages   | 1,661                | 1,864             |
| Current portion of noncurrent liabilities:                            |                      |                   |
| Compensated absences  | 85,248               | 78,605            |
| Bonds payable   | 27,102               | 27,102            |
| Total current liabilities   | 243,798              | 925,061           |
| Noncurrent liabilities:   |                      |                   |
| Compensated absences  | 151,606              | 154,464           |
| Bonds payable   | 420,085              | 447,187           |
| Total noncurrent liabilities  | 571,691              | 601,651           |
| <b>Total liabilities</b>  | <b>815,489</b>       | <b>1,526,712</b>  |
| <b>NET POSITION</b>   |                      |                   |
| Net investment in capital assets                                      | 49,690,446           | 49,501,248        |
| Restricted for capital projects                                       | 4,543,966            | 5,877,132         |
| Unrestricted - reserves   | 4,504,884            | 3,631,474         |
| Unrestricted  | 2,417,716            | 1,931,219         |
| <b>Total net position</b>   | <b>\$ 61,157,012</b> | <b>60,941,073</b> |

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the years ended June 30, 2013 and 2012**

| <b>Business-type Activities - Enterprise Funds</b>     |                      |                   |
|--|----------------------|-------------------|
|  | <b>Sewer</b>         |                   |
|  | <b>2013</b>          | <b>2012</b>       |
| <b>Operating revenues:</b>                             |                      |                   |
| Charges for services                                   | \$ 5,590,721         | 5,386,650         |
| Interest and penalties                                 | 442                  | 729               |
| Licenses   | 46,030               | 48,998            |
| <b>Total operating revenues</b>                        | <b>5,637,193</b>     | <b>5,436,377</b>  |
| <b>Operating expenses:</b>                             |                      |                   |
| Personnel services                                     | 2,040,722            | 2,013,247         |
| Contractual services                                   | 1,156,395            | 1,208,368         |
| Supplies and materials                                 | 526,777              | 507,512           |
| Fixed charges  | 60,855               | 56,472            |
| Capital outlay   | 48,141               | 32,346            |
| Depreciation   | 1,922,996            | 1,804,359         |
| <b>Total operating expenses</b>                        | <b>5,755,886</b>     | <b>5,622,304</b>  |
| <b>Operating loss</b>                                  | <b>(118,693)</b>     | <b>(185,927)</b>  |
| <b>Nonoperating revenues (expenses):</b>               |                      |                   |
| Interest revenue                                       | 27,079               | 30,143            |
| Gain (loss) on disposal of capital assets              | (128,316)            | -                 |
| Interest and other debt issuance expense               | (1,355)              | (9,950)           |
| <b>Total nonoperating revenues (expenses)</b>          | <b>(102,592)</b>     | <b>20,193</b>     |
| <b>Loss before transfers and capital contributions</b> | <b>(221,285)</b>     | <b>(165,734)</b>  |
| <b>Capital contributions</b>                           | <b>138,232</b>       | <b>110,000</b>    |
| Transfers in   | 300,000              | 1,817,954         |
| Transfer out   | (1,008)              | (1,296)           |
| <b>Total transfers and capital contributions</b>       | <b>437,224</b>       | <b>1,926,658</b>  |
| <b>Change in net position</b>                          | <b>215,939</b>       | <b>1,760,924</b>  |
| <b>Net position, beginning of year</b>                 | <b>60,941,073</b>    | <b>59,180,149</b> |
| <b>Net position, end of year</b>                       | <b>\$ 61,157,012</b> | <b>60,941,073</b> |

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the years ended June 30, 2013 and 2012**

|  | Sewer        |             |
|--|--------------|-------------|
|  | 2013         | 2012        |
| <b>Business-type Activities - Enterprise Funds</b>   |              |             |
| Cash flows from operating activities:  |              |             |
| Receipts from customers and users  | \$ 5,721,746 | 5,390,150   |
| Payments to suppliers  | (2,480,639)  | (1,447,930) |
| Payments to employees  | (2,037,140)  | (2,036,528) |
| Net cash provided by operating activities  | 1,203,967    | 1,905,692   |
| Cash flows from noncapital financing activities:   |              |             |
| Transfer in from other funds   | 300,000      | 1,817,954   |
| Interfund loan   | 573,595      | (654,372)   |
| Transfers to other funds   | (1,008)      | (1,296)     |
| Net cash provided by noncapital financing activities   | 872,587      | 1,162,286   |
| Cash flows from capital and related financing activities:                                    |              |             |
| Purchase of capital assets   | (2,075,176)  | (3,020,066) |
| Proceeds from bonded obligations   | -            | 269,751     |
| Interest and debt issuance costs paid on bonds   | (1,355)      | (15,703)    |
| Principal payments on bonds  | (27,102)     | (332,103)   |
| Net cash (used in) provided by capital and related financing activities                      | (2,103,633)  | (3,098,121) |
| Cash flows from investing activities:  |              |             |
| Interest revenue   | 27,079       | 30,143      |
| Net cash provided by investing activities  | 27,079       | 30,143      |
| Net increase (decrease) in cash  | -            | -           |
| Cash, beginning of year  | -            | -           |
| <b>Cash, end of year</b>   | <b>\$ -</b>  | <b>-</b>    |
| Reconciliation of operating loss to net cash provided by operating activities:               |              |             |
| Operating loss   | \$ (118,693) | (185,927)   |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: |              |             |
| Depreciation   | 1,922,996    | 1,804,359   |
| (Increase) decrease in receivables   | (5,677)      | 42,224      |
| (Increase) decrease in liens   | 90,230       | (88,451)    |
| (Increase) decrease in prepaid expenses  | (768)        | (458)       |
| Increase (decrease) in accounts payable  | (687,703)    | 357,226     |
| Increase (decrease) in accrued wages   | (203)        | (23,283)    |
| Increase (decrease) in compensated absences  | 3,785        | 2           |
| Net cash provided by operating activities  | \$ 1,203,967 | 1,905,692   |
| Noncash investing, capital, and financing activities:  |              |             |
| Capital contributions  | \$ 138,232   | 110,000     |

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

|                           |    | Private-<br>purpose<br>Trust<br>Funds | Agency<br>Funds |
|---------------------------|----|---------------------------------------|-----------------|
| <b>ASSETS</b>             |    |                                       |                 |
| Cash and cash equivalents | \$ | 186,334                               | 108,804         |
| Investments               |    | 2,087,089                             | -               |
| Due from others           |    | 10,106                                | -               |
| <b>Total assets</b>       |    | <b>2,283,529</b>                      | <b>108,804</b>  |
| <b>LIABILITIES</b>        |    |                                       |                 |
| Accounts payable          |    | 2,270                                 | -               |
| Due to others             |    | -                                     | 108,804         |
| <b>Total liabilities</b>  |    | <b>2,270</b>                          | <b>108,804</b>  |
| <b>NET POSITION</b>       |    |                                       |                 |
| Held in trust             | \$ | <b>2,281,259</b>                      | -               |

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2013**

|  | <b>Private-<br/>purpose<br/>Trust<br/>Funds</b> |
|--|---|
| <b>Additions:</b>                      |   |
| Donations                              | \$ 12,556                                       |
| <b>Investment earnings:</b>            |   |
| Interest                               | 75,853  |
| Unrealized gain (loss)                 | (83,530)  |
| <b>Total additions</b>                 | <b>4,879</b>                                    |
| <b>Deductions:</b>                     |   |
| Scholarships and other                 | 79,953  |
| <b>Total deductions</b>                | <b>79,953</b>                                   |
| Change in net position                 | (75,074)  |
| <b>Net position, beginning of year</b> | <b>2,356,333</b>                                |
| <b>Net position, end of year</b>       | <b>\$ 2,281,259</b>                             |

*See accompanying notes to basic financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 position 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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.

**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".

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 position.

**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. The City Council is the highest level of decision making authority, and has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments by passage of an order.
- *Assigned* – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's Finance Director based on prescribed policies previously established by the City Council.
- *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'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, 2012, 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.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**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.

**O. Deferred Inflows of Resources**

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**P. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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 investment in capital assets was calculated as follows at June 30, 2013:

|   | <u>Governmental<br/>activities</u> | <u>Business-type<br/>activities</u> |
|---|------------------------------------|-------------------------------------|
| Capital assets                                  | \$ 194,463,063                     | 90,324,027                          |
| Accumulated depreciation                        | (82,861,810)                       | (40,186,394)                        |
| Bonds payable and premiums                      | (49,850,862)                       | (447,187)                           |
| Add back bonds payable pertaining to Maine PERS | 2,520,000                          | -                                   |
| Add back bond proceeds unexpended               | 11,070,586                         | -                                   |
| Capital leases                                  | (3,133,341)                        | -                                   |
| <b>Net investment in capital assets</b>         | <b>\$ 72,207,636</b>               | <b>49,690,446</b>                   |

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

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STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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**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 \$344,311.

**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, 2013, all departments were within their charter level budget limits.

**C. Deficit Fund Balances**

At June 30, 2013, the following funds had deficit fund balances:

| <u>Special Revenue Funds:</u>  |          | <u>Private-purpose Trust Funds:</u> |    |
|--------------------------------|----------|-------------------------------------|----|
| Long Creek Watershed Plan      | \$ 1,249 | A Varanelli Scholarship             | 15 |
| LID Manual                     | 4,826    |                                     |    |
| Officer Friendly               | 39       |                                     |    |
| Bug Light Beautification       | 941      |                                     |    |
| Recreation                     | 102,802  |                                     |    |
| Title V                        | 2        |                                     |    |
| Learning Results               | 405      |                                     |    |
| Memorial Tech Grant - Koelker  | 1,237    |                                     |    |
| National Semiconductor - Brown | 3,683    |                                     |    |
| Dyer Friends                   | 1,104    |                                     |    |
| Staff Computer Training        | 476      |                                     |    |
| Small Friends                  | 50       |                                     |    |
| Adult Ed Enrichment            | 116      |                                     |    |

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

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

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**DEPOSITS AND INVESTMENTS**

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As of June 30, 2013, 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 | \$ 17,128,835     | 17,128,835              | -                  | -                   |
| U.S. Treasury Notes                              | 2,060,557         | 165,838                 | 1,364,510          | 530,209             |
| Federal Home Loan Bank                           | 1,985,520         | -                       | 269,370            | 1,716,150           |
| Federal National Mortgage                        | 6,146,222         | -                       | 3,755,875          | 2,390,347           |
| Certificates of Deposit                          | 39,976,895        | 15,425,118              | 24,551,777         | -                   |
| Stock Mutual Fund                                | 51,185            | Not applicable          |                    |                     |

*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, 2013, the City had bank balances of \$57,105,730. 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, 2013, the City had \$323,761 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, 2013, the City had fair value investment balances of \$10,243,484 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, 2013, 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.

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

**PROPERTY TAX**

Property taxes for the current period were committed on July 15, 2012 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 \$631,508 for the year ended June 30, 2013.

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 unavailable revenues.

The following summarizes the levy:

|   | <u>2013</u>                | <u>2012</u>             |
|---|----------------------------|-------------------------|
| Assessed value                                  | \$ 3,553,378,500           | 3,531,907,500           |
| <u>Tax rate (per \$1,000)</u>                   | <u>16.50</u>               | <u>16.10</u>            |
| Commitment                                      | 58,630,745                 | 56,863,711              |
| Add:  |                            |                         |
| Supplementals                                   | -                          | -                       |
| Total commitment                                | 58,630,745                 | 56,863,711              |
| Less:   |                            |                         |
| Abatements                                      | 22,225                     | 34,385                  |
| Collections                                     | 57,515,651                 | 55,608,726              |
| Current year taxes receivable at end of year    | 1,092,869                  | 1,220,600               |
| <u>Taxes and liens receivable - prior years</u> | <u>634,185</u>             | <u>524,199</u>          |
| <b><u>Total taxes and liens receivable</u></b>  | <b><u>\$ 1,727,054</u></b> | <b><u>1,744,799</u></b> |

|            |             |                   |                   |
|------------|-------------|-------------------|-------------------|
| Due dates: | 1st quarter | August 16, 2012   | August 18, 2011   |
|            | 2nd quarter | November 15, 2012 | November 17, 2011 |
|            | 3rd quarter | February 14, 2013 | February 16, 2012 |
|            | 4th quarter | May 9, 2013       | May 10, 2012      |

|                                   | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------|-------------|
| Interest rate on delinquent taxes | 7.00%       | 7.00%       |
| Collection rate                   | 98.14%      | 97.85%      |

**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, 2013 was as follows:

|   | Balance<br>June 30,<br><u>2012</u> | <u>Increases</u>         | <u>Decreases</u>      | Balance<br>June 30,<br><u>2013</u> |
|---|------------------------------------|--------------------------|-----------------------|------------------------------------|
| <b>Governmental activities:</b>                           |                                    |                          |                       |                                    |
| Capital assets, not being depreciated:                    |                                    |                          |                       |                                    |
| Land  | \$ 9,251,519                       | 141,900                  | 2,300                 | 9,391,119                          |
| <u>Construction in progress</u>                           | <u>4,891,087</u>                   | <u>24,732,920</u>        | <u>444,212</u>        | <u>29,179,795</u>                  |
| Total capital assets not being depreciated                | 14,142,606                         | 24,874,820               | 446,512               | 38,570,914                         |
| Capital assets, being depreciated:                        |                                    |                          |                       |                                    |
| Buildings   | 83,907,688                         | 652,888                  | 249,240               | 84,311,336                         |
| Improvements other than buildings                         | 3,969,390                          | 630,579                  | -                     | 4,599,969                          |
| Machinery and equipment                                   | 12,170,563                         | 638,878                  | 240,561               | 12,568,880                         |
| Vehicles  | 13,110,789                         | 1,159,103                | 713,675               | 13,556,217                         |
| <u>Infrastructure</u>                                     | <u>38,868,589</u>                  | <u>1,987,158</u>         | <u>-</u>              | <u>40,855,747</u>                  |
| Total capital assets being depreciated                    | 152,027,019                        | 5,068,606                | 1,203,476             | 155,892,149                        |
| Less accumulated depreciation for:                        |                                    |                          |                       |                                    |
| Buildings   | 32,045,393                         | 1,651,246                | 55,934                | 33,640,705                         |
| Improvements other than buildings                         | 2,600,675                          | 162,837                  | -                     | 2,763,512                          |
| Machinery and equipment                                   | 8,404,098                          | 588,174                  | 232,986               | 8,759,286                          |
| Vehicles  | 8,849,808                          | 859,210                  | 713,675               | 8,995,343                          |
| <u>Infrastructure</u>                                     | <u>27,648,390</u>                  | <u>1,054,574</u>         | <u>-</u>              | <u>28,702,964</u>                  |
| Total accumulated depreciation                            | 79,548,364                         | 4,316,041                | 1,002,595             | 82,861,810                         |
| <u>Total capital assets being depreciated, net</u>        | <u>72,478,655</u>                  | <u>752,565</u>           | <u>200,881</u>        | <u>73,030,339</u>                  |
| <b><u>Governmental activities capital assets, net</u></b> | <b><u>\$ 86,621,261</u></b>        | <b><u>25,627,385</u></b> | <b><u>647,393</u></b> | <b><u>111,601,253</u></b>          |

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

|  |                            |
|--|----------------------------|
| <b>Governmental activities:</b>                                    |                            |
| General government   | \$ 166,899                 |
| Public safety  | 664,868                    |
| Public works   | 1,301,998                  |
| Culture and recreation   | 570,698                    |
| Transportation and waterfront                                      | 194,352                    |
| Education  | 1,417,226                  |
| <b><u>Total depreciation expense – governmental activities</u></b> | <b><u>\$ 4,316,041</u></b> |

**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, 2013 was as follows:

|   | Balance<br>June 30,<br><u>2012</u> | <u>Increases</u> | <u>Decreases</u> | Balance<br>June 30,<br><u>2013</u> |
|---|------------------------------------|------------------|------------------|------------------------------------|
| <b>Business-type activities:</b>                    |                                    |                  |                  |                                    |
| Capital assets, not being depreciated:              |                                    |                  |                  |                                    |
| Land  | \$ 1,221,558                       | -                | -                | 1,221,558                          |
| Construction in progress                            | 3,085,232                          | 213,135          | 2,709,934        | 588,433                            |
| Total capital assets not being depreciated          | 4,306,790                          | 213,135          | 2,709,934        | 1,809,991                          |
| Capital assets, being depreciated:                  |                                    |                  |                  |                                    |
| Buildings   | 34,214,686                         | -                | 165,267          | 34,049,419                         |
| Improvements other than buildings                   | 80,331                             | -                | -                | 80,331                             |
| Machinery and equipment                             | 12,989,826                         | 2,568,495        | 215,000          | 15,343,321                         |
| Vehicles  | 1,229,177                          | -                | -                | 1,229,177                          |
| Infrastructure                                      | 35,670,077                         | 2,141,711        | -                | 37,811,788                         |
| Total capital assets being depreciated              | 84,184,097                         | 4,710,206        | 380,267          | 88,514,036                         |
| Less accumulated depreciation for:                  |                                    |                  |                  |                                    |
| Buildings   | 16,774,531                         | 694,931          | 80,326           | 17,389,136                         |
| Improvements other than buildings                   | 80,331                             | -                | -                | 80,331                             |
| Machinery and equipment                             | 8,571,166                          | 566,200          | 171,625          | 8,965,741                          |
| Vehicles  | 722,935                            | 110,390          | -                | 833,325                            |
| Infrastructure                                      | 12,366,387                         | 551,475          | -                | 12,917,862                         |
| Total accumulated depreciation                      | 38,515,350                         | 1,922,996        | 251,951          | 40,186,394                         |
| Total capital assets being depreciated, net         | 45,668,747                         | 2,787,210        | 128,316          | 48,327,642                         |
| <b>Business-type activities capital assets, net</b> | <b>\$ 49,975,537</b>               | <b>3,000,345</b> | <b>2,838,250</b> | <b>50,137,633</b>                  |

**LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2013 was as follows:

|                                 | Beginning<br><u>balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending<br><u>balance</u> | Due within<br><u>one year</u> |
|---------------------------------|-----------------------------|------------------|-------------------|--------------------------|-------------------------------|
| <b>Governmental activities:</b> |                             |                  |                   |                          |                               |
| General obligation bonds        | \$ 49,590,000               | -                | 2,315,000         | 47,275,000               | 3,810,000                     |
| Bond premiums                   | 2,737,580                   | -                | 161,718           | 2,575,862                | 250,234                       |
| Capital leases                  | 2,198,587                   | 1,152,750        | 217,996           | 3,133,341                | 346,112                       |
| Landfill closure                | 102,000                     | 9,500            | -                 | 111,500                  | 11,150                        |
| Other post employment benefits  | 724,976                     | 326,976          | 21,000            | 1,030,952                | -                             |
| Compensated absences            | 3,128,005                   | 1,473,725        | 1,477,074         | 3,124,656                | 987,600                       |
| <b>Governmental activity</b>    |                             |                  |                   |                          |                               |
| <b>long-term liabilities</b>    | <b>\$ 58,481,148</b>        | <b>2,962,951</b> | <b>4,192,788</b>  | <b>57,251,311</b>        | <b>5,405,096</b>              |

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

**LONG-TERM DEBT, CONTINUED**

|   | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance</u> | <u>Due within<br/>one year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| <b>Business-type activities:</b>                          |                              |                  |                   |                           |                                |
| General obligation bonds                                  | \$ 474,289                   | -                | 27,102            | 447,187                   | 27,102                         |
| Compensated absences                                      | 233,069                      | 154,210          | 150,425           | 236,854                   | 85,248                         |
| <b>Business-type activities<br/>long-term liabilities</b> |                              |                  |                   |                           |                                |
|   | <b>\$ 707,358</b>            | <b>154,210</b>   | <b>177,527</b>    | <b>684,041</b>            | <b>112,350</b>                 |

Long-term debt payable at June 30, 2013 is comprised of the following:

|                                       | <u>Date of<br/>issue</u> | <u>Original<br/>amount<br/>issued</u> | <u>Date of<br/>maturity</u> | <u>Interest<br/>rate</u> | <u>Balance<br/>June 30,<br/>2013</u> |
|---------------------------------------|--------------------------|---------------------------------------|-----------------------------|--------------------------|--------------------------------------|
| <b>Governmental activities:</b>       |                          |                                       |                             |                          |                                      |
| 1994 Series B - School                | 12/1/1994                | \$ 3,250,000                          | 9/1/2014                    | 5.70-6.50%               | 250,000                              |
| 2003 Brown Elementary – School        | 10/1/2003                | 6,000,000                             | 10/1/2023                   | 2.50-4.45%               | 300,000                              |
| 2004 MSRS (1) – City & School         | 1/15/2004                | 8,200,000                             | 3/1/2017                    | 3.00-5.10%               | 2,520,000                            |
| 2007 Paving and Refinancing (2)       | 5/15/2009                | 2,075,000                             | 9/1/2016                    | 4.00-5.00%               | 725,000                              |
| 2010 1999 Community Center – City     | 2/1/2010                 | 1,890,000                             | 11/1/2018                   | 2.00-3.00%               | 1,260,000                            |
| 2010 HS & MS Renovations - School     | 2/1/2010                 | 4,613,000                             | 11/1/2029                   | 2.00-4.00%               | 3,910,000                            |
| 2012 Refund 2002 & 2003 Elem-Sch.     | 11/9/2012                | 8,905,000                             | 7/1/2023                    | 2.00-4.375%              | 8,310,000                            |
| 2012 HS Construction – School         | 5/30/2012                | 30,000,000                            | 7/15/2032                   | 2.00-4.00%               | 30,000,000                           |
| <b>Total governmental activities</b>  |                          |                                       |                             |                          | <b>47,275,000</b>                    |
| <b>Business-type activities:</b>      |                          |                                       |                             |                          |                                      |
| 2009 SRF (Long creek)                 | 10/7/2009                | 749,716                               | 10/1/2029                   | N/A                      | 447,187                              |
| <b>Total business-type activities</b> |                          |                                       |                             |                          | <b>447,187</b>                       |
| <b>Total bonds payable</b>            |                          |                                       |                             |                          | <b>\$ 47,722,187</b>                 |

- (1) Of the outstanding bond principal, 81.55% is City (\$2,055,060) and 18.45% is School (\$464,940).  
(2) Of the outstanding bond principal, (\$200,000) is for City and (\$525,000) 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 year ended June 30, 2012, the City issued bonds totaling \$30,000,000. At June 30, 2013, \$11,500,000 was authorized but unissued for this project.

*Prior year defeasance of debt.* In prior years, the government defeased general obligations bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the government's financial statements. At June 30, 2013, \$3,300,000 of defeased bonds remains outstanding.

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 fund.

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

**LONG-TERM DEBT, CONTINUED**

The annual requirements to amortize long-term debt outstanding as of June 30, 2013 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>   |
| 2014            | \$ 3,810,000                   | 1,737,727         | 5,547,727         | 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            | 2,830,000                      | 1,068,275         | 3,898,275         | 27,102                          | -               | 27,102         |
| 2019-2023       | 12,720,000                     | 4,146,163         | 16,866,163        | 135,511                         | -               | 135,511        |
| 2024-2028       | 8,950,000                      | 2,163,563         | 11,113,563        | 135,511                         | -               | 135,511        |
| 2029-2033       | 7,960,000                      | 588,400           | 8,548,400         | 40,655                          | -               | 40,655         |
| <b>Total</b>    | <b>\$ 47,275,000</b>           | <b>13,741,495</b> | <b>61,016,495</b> | <b>447,187</b>                  | <b>-</b>        | <b>447,187</b> |

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, 2013, the statutory limit for the City was \$527,437,500. The City's outstanding long-term debt of \$47,722,187 at June 30, 2013 was \$479,715,313 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, 2013:

| <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        | \$ 36,925,000               | 9.09%                               | 3,355,768                                     |
| Portland Water District  | 31,085,441                  | 13.87%                              | 4,310,153                                     |

**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, 2013 includes total assets of \$60,282,199, and total liabilities of \$17,775,424 and unrestricted net position of \$11,323,226. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,951,872. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2013 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.

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

**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, 2013 was \$3,478,814.

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, 2013.

|   | <u>Governmental<br/>activities</u> |
|---|------------------------------------|
| 2014  | \$ 436,256                         |
| 2015  | 418,498                            |
| 2016  | 361,985                            |
| 2017  | 364,818                            |
| 2018  | 371,093                            |
| <u>2019-2023</u>  | <u>1,653,496</u>                   |
| Total minimum lease payments                              | 3,606,146                          |
| Less: amount representing interest                        | <u>472,805</u>                     |
| <b>Present value of future minimum lease<br/>payments</b> | <b><u>\$ 3,133,341</u></b>         |

**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, 2013, the City had recorded approximately \$111,500 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, 2013, interfund loans receivable and payable were as follows:

| <u>Fund</u>                     | <u>Interfund<br/>receivable</u> | <u>Interfund<br/>payable</u> |
|---------------------------------|---------------------------------|------------------------------|
| General Fund                    | \$ -                            | 13,946,527                   |
| Sewer Fund                      | 11,392,334                      | -                            |
| Nonmajor Special Revenue Funds: |                                 |                              |
| City Special Revenues           | 2,654,789                       | -                            |
| School Grant Funds              | -                               | 201,817                      |
| School Adult Education          | 7,470                           | -                            |
| School Lunch Fund               | 87,965                          | -                            |
| Nonmajor Permanent Funds:       |                                 |                              |
| City Permanent Funds            | -                               | 4,320                        |
| Private-purpose Trust Funds     | 10,106                          | -                            |
| <b>Total interfund balances</b> | <b><u>\$ 14,152,664</u></b>     | <b><u>14,152,664</u></b>     |

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

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**INTERFUND BALANCES AND TRANSFERS, CONTINUED**

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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, 2013, interfund transfers were as follows:

| <u>Fund</u>                      | <u>Transfers in</u> | <u>Transfers out</u> |
|----------------------------------|---------------------|----------------------|
| General Fund                     | \$ 731,353          | 2,259,105            |
| Sewer Fund                       | 300,000             | 1,008                |
| Tax Increment Financing          | -                   | 685,934              |
| Capital Projects                 | 1,690,861           | 51,491               |
| Nonmajor Special Revenue Funds:  |                     |                      |
| City Special Revenues            | 139,006             | 245,781              |
| School Grant Funds               | 12,099              | -                    |
| School Lunch Fund                | 370,000             | -                    |
| <b>Total interfund transfers</b> | <b>\$ 3,243,319</b> | <b>3,234,319</b>     |

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.

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**FUND BALANCES**

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**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, 2013, the City maintained an unassigned general fund balance of \$10,144,040 which is 13.60 percent of the fiscal year 2014 budget of \$74,599,789.

**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 \$1,706,229 tax rate stabilization reserve at June 30, 2013 with \$550,000 anticipated to be used in the funding of fiscal year ending June 30, 2014 budget.

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

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**FUND BALANCES, CONTINUED**

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As of June 30, 2013, fund balance components consisted of the following:

|  | General<br><u>Fund</u> | Other<br>Governmental<br><u>Funds</u> | <u>Total</u>      |
|--|------------------------|---------------------------------------|-------------------|
| <b>Nonspendable:</b>                     |                        |                                       |                   |
| Inventory and prepaid items              | \$ -                   | 19,361                                | 19,361            |
| Principal for permanent funds            | -                      | 198,949                               | 198,949           |
| <b>Total nonspendable</b>                | <b>-</b>               | <b>218,310</b>                        | <b>218,310</b>    |
| <b>Restricted:</b>                       |                        |                                       |                   |
| Education                                | 4,072,226              | 792,498                               | 4,864,724         |
| TIF funds                                | -                      | 5,156,049                             | 5,156,049         |
| Capital projects                         | -                      | 11,070,586                            | 11,070,586        |
| Grants - General government              | -                      | 344,350                               | 344,350           |
| Grants - Public safety                   | -                      | 128,314                               | 128,314           |
| Grants - Public works                    | -                      | 640,840                               | 640,840           |
| Grants - Culture and recreation          | -                      | 114,189                               | 114,189           |
| Grants - Transit and waterfront          | -                      | 28,613                                | 28,613            |
| Permanent funds                          | -                      | 125,576                               | 125,576           |
| <b>Total restricted</b>                  | <b>4,072,226</b>       | <b>18,401,015</b>                     | <b>22,473,241</b> |
| <b>Committed:</b>                        |                        |                                       |                   |
| <b>General government:</b>               |                        |                                       |                   |
| Tax stabilization reserve                | 1,706,229              | -                                     | 1,706,229         |
| Municipal services facility reserve      | 528,456                | -                                     | 528,456           |
| Equipment replacement reserve            | 103,122                | -                                     | 103,122           |
| Unemployment reserve                     | 38,261                 | -                                     | 38,261            |
| Self-Insurance reserve                   | 42,269                 | -                                     | 42,269            |
| Safety reserve                           | 151,205                | -                                     | 151,205           |
| Computerization reserve                  | 114,198                | -                                     | 114,198           |
| Litigation legal reserve                 | 145,388                | -                                     | 145,388           |
| Municipal buildings and land acquisition | 193,350                | -                                     | 193,350           |
| Other reserves                           | 23,700                 | -                                     | 23,700            |
| South Portland Community TV              | -                      | 583,589                               | 583,589           |
| Freshwater Wetland Fund                  | -                      | 97,702                                | 97,702            |
| Land Bank Trust                          | -                      | 485,596                               | 485,596           |
| <b>Public safety:</b>                    |                        |                                       |                   |
| Fire equipment and vehicle reserve       | 266,013                | -                                     | 266,013           |
| Police equipment reserves                | 64,704                 | -                                     | 64,704            |
| Call company retirement reserve          | 64,698                 | -                                     | 64,698            |
| Hazardous materials fund                 | -                      | 80,374                                | 80,374            |

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

**FUND BALANCES, CONTINUED**

|                                   | General<br>Fund      | Other<br>Governmental<br>Funds | Total             |
|-----------------------------------|----------------------|--------------------------------|-------------------|
| Committed, continued:             |                      |                                |                   |
| Public works:                     |                      |                                |                   |
| Snow removal reserve              | \$ 418,315           | -                              | 418,315           |
| Cummings road sewer reserve       | 207,030              | -                              | 207,030           |
| Solid waste reserve               | 36,181               | -                              | 36,181            |
| Other reserves                    | 44,703               | -                              | 44,703            |
| Street openings & recycling funds | -                    | 264,038                        | 264,038           |
| Sewer impact fund                 | -                    | 414,975                        | 414,975           |
| Transit and waterfront:           |                      |                                |                   |
| Bus reserve                       | 271,277              | -                              | 271,277           |
| Portland Street Pier              | -                    | 154,613                        | 154,613           |
| Culture and recreation:           |                      |                                |                   |
| Golf Course                       | -                    | 138,843                        | 138,843           |
| Other                             | -                    | 26,706                         | 26,706            |
| Capital projects                  | -                    | 4,756,656                      | 4,756,656         |
| <b>Total committed</b>            | <b>4,419,099</b>     | <b>7,003,092</b>               | <b>11,422,191</b> |
| Assigned:                         |                      |                                |                   |
| Compensated absences reserve      | 2,529,819            | -                              | 2,529,819         |
| Phone system reserve              | 124,607              | -                              | 124,607           |
| Public safety vehicle reserve     | 49,453               | -                              | 49,453            |
| Public works fuel distribution    | 35,274               | -                              | 35,274            |
| Encumbrances                      | 296,664              | -                              | 296,664           |
| <b>Total assigned</b>             | <b>3,035,817</b>     | <b>-</b>                       | <b>3,035,817</b>  |
| <b>Unassigned</b>                 | <b>10,144,040</b>    | <b>(116,930)</b>               | <b>10,027,110</b> |
| <b>Total fund balance</b>         | <b>\$ 21,671,182</b> | <b>25,505,487</b>              | <b>47,176,669</b> |

**NEW PRONOUNCEMENTS AND ACCOUNTING CHANGES**

For the fiscal year ended June 30, 2013, the City has elected to implement the following Statements of the Governmental Accounting Standards Board:

- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Statement No. 65 – *Items Previously Reported as Assets and Liabilities*

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

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**CONSTRUCTION COMMITMENTS**

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The School Department has entered into contracts in connection with the High School construction project. The following is a summary of the commitments at June 30, 2013:

|                       | <u>Contract<br/>Total</u> | <u>Percentage<br/>Complete</u> | <u>Billed<br/>to Date</u> | <u>Balance<br/>Remaining</u> |
|-----------------------|---------------------------|--------------------------------|---------------------------|------------------------------|
| High School Project:  |                           |                                |                           |                              |
| Construction contract | \$ 39,699,944             | 57.04%                         | 22,646,034                | 17,053,910                   |
| Engineering contract  | 2,361,761                 | 91.11%                         | 2,151,791                 | 209,970                      |

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.

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**TAX INCREMENT FINANCING DISTRICTS**

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

|                       | <u>Original<br/>value</u> | <u>Increase in<br/>value</u> | <u>TIF<br/>cap</u> | <u>Captured<br/>value</u> | <u>Captured<br/>tax</u> |
|-----------------------|---------------------------|------------------------------|--------------------|---------------------------|-------------------------|
| Fairchild TIF         | \$ 33,512,500             | 12,634,500                   | 100%               | 12,634,500                | 208,469                 |
| Texas Instruments TIF | 20,509,000                | 156,828,500                  | 50%                | 78,414,250                | 1,293,835               |
| Cummings TIF          | 1,697,200                 | 25,184,200                   | 30%                | -                         | -                       |
| One Wallace TIF       | 2,178,200                 | 3,711,200                    | 100%               | 3,711,200                 | 61,235                  |
| Long Creek TIF        | 1,066,300                 | 10,814,600                   | 100%               | 10,814,600                | 178,441                 |
| Brick Hill TIF        | -                         | 20,584,200                   | 100%               | 20,584,200                | 339,639                 |
| Jared TIF             | 957,500                   | 1,216,400                    | 100%               | 1,216,400                 | 20,071                  |
| Hannaford TIF         | 343,000                   | 8,800,300                    | 100%               | 8,800,300                 | 145,205                 |
| Downtown TIF          | 96,881,900                | 46,113,100                   | 100%               | 3,312,430                 | 54,655                  |
| Transit TIF           | 18,373,000                | 108,400                      | 100%               | 108,400                   | 1,789                   |

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)**

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**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 5.3% of covered payroll for the regular plan and 10% 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, 2013, 2012 and 2011 were \$796,790, \$639,328, and \$486,241, respectively, and were equal to the required contribution for each year.

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)**

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**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 \$3,392,566 (15.86%) for the fiscal year 2013. 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 16.33% of their compensation. This cost is charged to the applicable grant.

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**OTHER POST EMPLOYMENT BENEFITS**

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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 2013 based on an actuarial valuation date of January 1, 2013.

**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.

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

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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

|                              | <u>2013</u>   | <u>2012</u>   | <u>2011</u>   |
|------------------------------|---------------|---------------|---------------|
| Normal cost                  | \$ 104,974    | 90,618        | 90,618        |
| Amortization of unfunded     | 228,327       | 228,444       | 228,444       |
| Adjustment to ARC            | (41,925)      | (29,511)      | (20,629)      |
| <u>Interest</u>              | <u>35,600</u> | <u>26,731</u> | <u>20,588</u> |
| Annual required contribution | \$ 326,976    | 316,282       | 319,021       |

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

|                                   | <u>2013</u>     | <u>2012</u>      | <u>2010</u>      |
|-----------------------------------|-----------------|------------------|------------------|
| OPEB liability, July 1, 2012      | \$ 724,976      | 510,306          | 356,715          |
| Annual required contribution      | 326,976         | 316,282          | 319,021          |
| <u>Less: Actual contributions</u> | <u>(21,000)</u> | <u>(101,612)</u> | <u>(165,430)</u> |
| OPEB liability, June 30, 2013     | \$ 1,030,952    | 724,976          | 510,306          |

**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>2013</u>  | <u>2012</u> | <u>2011</u> |
|--|--------------|-------------|-------------|
| Annual required contribution   | \$ 326,976   | 316,282     | 319,021     |
| Actual contribution  | 21,000       | 101,612     | 165,431     |
| Percent contributed  | 6.42%        | 32.13%      | 51.86%      |
| Actuarial accrued liability  | \$ 4,106,163 | 4,108,269   | 4,108,269   |
| <u>Plan assets</u>   | <u>-</u>     | <u>-</u>    | <u>-</u>    |
| Unfunded actuarial accrued liability                                       | \$ 4,106,163 | 4,108,269   | 4,108,269   |
| Covered payroll  | 12,399,860   | 12,376,330  | 11,964,142  |
| Unfunded actuarial accrued liability<br>as a percentage of covered payroll | 33.11%       | 33.19%      | 34.34%      |

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.

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

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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**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      | 1/1/13                |
| Actuarial cost method         | Projected Unit Credit |
| Amortization method           | Level dollar, open    |
| Remaining amortization period | 30 years              |
| Actuarial assumptions:        |                       |
| Investment rate of return     | 4.0%                  |
| Projected salary increases    | 3.0%                  |
| Healthcare cost trend rate    | 4.25%                 |

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**DEFERRED COMPENSATION PLAN**

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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 MPERS 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 \$338,530 to the plans during the year ended June 30, 2013.

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**RISK MANAGEMENT**

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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 2013, 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, 2013. 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.

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

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**RISK MANAGEMENT, CONTINUED**

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The following summarizes the claims activity with respect to the City's self-insurance programs during 2013:

|  | <u>Workers'</u><br><u>Compensation</u> | <u>Unemployment</u> |
|--|--|---------------------|
| <u>Unpaid claims as of the beginning of year</u>   | <u>\$ 101,838</u>                      | <u>-</u>            |
| Provision for current year events                  | -                                      | 54,117              |
| <u>Increase in provision for prior year events</u> | <u>-</u>                               | <u>-</u>            |
| Total incurred claims                              | -                                      | 54,117              |
| Payments:  |  |                     |
| Claims attributable to current year                | -                                      | 54,117              |
| <u>Claims attributable to prior year</u>           | <u>4,308</u>                           | <u>-</u>            |
| Total payments                                     | 4,308                                  | 54,117              |
| <br><u>Unpaid claims, end of year</u>              | <br><u>\$ 97,530</u>                   | <br><u>-</u>        |

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

|  | <u>Workers'</u><br><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              |
| <br><u>Unpaid claims, end of year</u>              | <br><u>\$ 101,838</u>                  | <br><u>-</u>        |

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

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**CONTINGENT LIABILITIES**

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**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.

**CITY OF SOUTH PORTLAND, MAINE**  
**Required Supplementary Information**

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**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%   |
| 2013               | 1/1/13                          | \$ -                                 | \$4,106,163  | \$4,106,163                      | 0.00%                     | \$12,399,860               | 33.11%   |

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## **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, 2013 and 2012**

|   | 2013                 | 2012              |
|---|----------------------|-------------------|
| <b>ASSETS</b>   |                      |                   |
| Cash and cash equivalents   | \$ 31,973,811        | 32,370,604        |
| Investments   | 7,342,079            | 7,572,185         |
| Due from other governments  | 247,261              | 257,608           |
| Receivables, net of allowance of \$801,100 and \$655,609                  | 162,032              | 263,975           |
| Taxes receivable  | 1,349,203            | 1,437,957         |
| Tax liens and tax acquired property                                       | 377,851              | 306,842           |
| Restricted assets, cash   | 50,000               | 50,000            |
| <b>Total assets</b>   | <b>\$ 41,502,237</b> | <b>42,259,171</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>      |                      |                   |
| Liabilities:  |                      |                   |
| Accounts payable  | 1,189,887            | 1,277,097         |
| Accrued liabilities   | 429,196              | 412,065           |
| Interfund loans payable   | 13,946,527           | 14,532,689        |
| Accrued teachers' summer salaries   | 2,907,445            | 2,925,099         |
| <b>Total liabilities</b>  | <b>18,473,055</b>    | <b>19,146,950</b> |
| Deferred inflows of resources:  |                      |                   |
| Unavailable revenue - property taxes                                      | 1,358,000            | 1,076,000         |
| <b>Total deferred inflows of resources</b>                                | <b>1,358,000</b>     | <b>1,076,000</b>  |
| Fund balances:  |                      |                   |
| Restricted  | 4,072,226            | 5,284,024         |
| Committed   | 4,419,099            | 3,340,240         |
| Assigned  | 3,035,817            | 2,820,042         |
| Unassigned  | 10,144,040           | 10,591,915        |
| <b>Total fund balances</b>  | <b>21,671,182</b>    | <b>22,036,221</b> |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 41,502,237</b> | <b>42,259,171</b> |

**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, 2013**  
**(with comparative actual amounts for the year ended June 30, 2012)**

|   | 2013              |                   | Variance<br>positive<br>(negative) | 2012<br>Actual    |
|---|-------------------|-------------------|------------------------------------|-------------------|
|   | Budget            | Actual            |                                    |                   |
| <b>Revenues:</b>                                |                   |                   |                                    |                   |
| <b>Taxes:</b>                                   |                   |                   |                                    |                   |
| Property  | \$ 54,556,955     | 54,639,082        | 82,127                             | 53,505,182        |
| Excise  | 4,225,000         | 5,453,056         | 1,228,056                          | 5,037,900         |
| Interest and penalties                          | 120,000           | 105,898           | (14,102)                           | 123,249           |
| Payments in lieu of taxes                       | 236,426           | 235,542           | (884)                              | 241,620           |
| <b>Total taxes</b>                              | <b>59,138,381</b> | <b>60,433,578</b> | <b>1,295,197</b>                   | <b>58,907,951</b> |
| <b>Intergovernmental:</b>                       |                   |                   |                                    |                   |
| State Revenue Sharing                           | 1,800,000         | 1,901,233         | 101,233                            | 1,888,773         |
| State BETE Revenue                              | 850,000           | 1,071,126         | 221,126                            | 921,472           |
| Homestead reimbursement                         | 465,000           | 475,200           | 10,200                             | 466,578           |
| State education subsidy                         | 3,103,278         | 2,691,993         | (411,285)                          | 2,108,358         |
| State agency client                             | 75,000            | 49,925            | (25,075)                           | 161,197           |
| Medicaid  | 120,000           | 60,573            | (59,427)                           | 80,664            |
| Section 9                                       | 159,000           | 178,127           | 19,127                             | 157,584           |
| General assistance                              | 119,500           | 113,648           | (5,852)                            | 99,697            |
| Other State revenue                             | 90,002            | 83,628            | (6,374)                            | 86,739            |
| <b>Total intergovernmental</b>                  | <b>6,781,780</b>  | <b>6,625,453</b>  | <b>(156,327)</b>                   | <b>5,971,062</b>  |
| <b>Licenses, permits, fees, and fines:</b>      |                   |                   |                                    |                   |
| Cable franchise fee                             | 188,000           | 176,253           | (11,747)                           | 185,000           |
| City clerk                                      | 149,700           | 152,476           | 2,776                              | 158,602           |
| Planning  | 5,250             | 11,274            | 6,024                              | 8,614             |
| Police  | 99,900            | 91,808            | (8,092)                            | 97,711            |
| Code enforcement                                | 300,000           | 572,472           | 272,472                            | 314,425           |
| Public library                                  | 19,000            | 21,032            | 2,032                              | 20,668            |
| <b>Total licenses, permits, fees, and fines</b> | <b>761,850</b>    | <b>1,025,315</b>  | <b>263,465</b>                     | <b>785,020</b>    |
| <b>Charges for services:</b>                    |                   |                   |                                    |                   |
| Rent and leases                                 | 64,800            | 77,083            | 12,283                             | 70,246            |
| Finance and Information Technology              | 146,031           | 144,543           | (1,488)                            | 124,567           |
| Fire  | 765,100           | 842,672           | 77,572                             | 776,271           |
| Public works - Transfer facility                | 84,000            | 98,693            | 14,693                             | 90,579            |
| Parks and recreation                            | 159,000           | 184,339           | 25,339                             | 166,304           |
| Bus service                                     | 268,880           | 320,059           | 51,179                             | 309,666           |
| Other   | 4,700             | 3,375             | (1,325)                            | 4,864             |
| Education                                       | 77,350            | 77,350            | -                                  | 77,350            |
| <b>Total charges for services</b>               | <b>1,569,861</b>  | <b>1,748,114</b>  | <b>178,253</b>                     | <b>1,619,847</b>  |
| <b>Unclassified:</b>                            |                   |                   |                                    |                   |
| City clerk                                      | 16,000            | 21,467            | 5,467                              | 18,770            |
| Finance   | 16,000            | 15,816            | (184)                              | 21,581            |
| Police  | 8,000             | 10,591            | 2,591                              | 8,013             |
| Fire  | 3,000             | 3,430             | 430                                | 4,445             |
| Planning and code enforcement                   | 2,750             | 4,435             | 1,685                              | 3,941             |
| Public works                                    | 31,000            | 38,223            | 7,223                              | 45,251            |
| Other   | 9,800             | 10,953            | 1,153                              | 15,052            |
| Education                                       | 38,000            | 55,774            | 17,774                             | 54,571            |
| <b>Total unclassified</b>                       | <b>124,550</b>    | <b>160,689</b>    | <b>36,139</b>                      | <b>171,624</b>    |
| Interest earned                                 | 500,000           | 261,798           | (238,202)                          | 574,713           |
| <b>Total revenues</b>                           | <b>68,876,422</b> | <b>70,254,947</b> | <b>1,378,525</b>                   | <b>68,030,217</b> |

**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, 2013**  
**(with comparative actual amounts for the year ended June 30, 2012)**

|                                      | Budget     | Actual    | Variance<br>positive<br>(negative) | 2012<br>Actual |
|--------------------------------------|------------|-----------|------------------------------------|----------------|
| Expenditures:                        |            |           |                                    |                |
| Current:                             |            |           |                                    |                |
| General government:                  |            |           |                                    |                |
| City Council                         | \$ 149,012 | 147,155   | 1,857                              | 107,862        |
| Executive                            | 191,713    | 187,214   | 4,499                              | 186,066        |
| City clerk                           | 222,348    | 215,474   | 6,874                              | 212,704        |
| Corporation council                  | 181,779    | 153,161   | 28,618                             | 155,297        |
| Finance                              | 945,771    | 931,483   | 14,288                             | 932,180        |
| Information technology               | 332,121    | 332,092   | 29                                 | 329,491        |
| Planning                             | 215,023    | 213,122   | 1,901                              | 212,396        |
| Human resources                      | 305,728    | 305,350   | 378                                | 264,565        |
| City building                        | 189,498    | 188,959   | 539                                | 163,522        |
| Citywide insurance and benefit costs | 5,697,050  | 5,552,005 | 145,045                            | 5,464,308      |
| Total general government             | 8,430,043  | 8,226,015 | 204,028                            | 8,028,391      |
| Public safety:                       |            |           |                                    |                |
| Police department                    | 3,905,716  | 3,864,695 | 41,021                             | 3,671,533      |
| Fire department                      | 4,553,431  | 4,527,965 | 25,466                             | 4,334,466      |
| Communications                       | 741,244    | 708,837   | 32,407                             | 684,487        |
| Code enforcement                     | 626,692    | 616,326   | 10,366                             | 628,816        |
| Civil service                        | 8,510      | 8,361     | 149                                | 11,947         |
| Total public safety                  | 9,835,593  | 9,726,184 | 109,409                            | 9,331,249      |
| Public works:                        |            |           |                                    |                |
| Administration                       | 132,236    | 162,365   | (30,129)                           | 159,848        |
| Streets and sidewalks                | 1,793,181  | 1,749,190 | 43,991                             | 1,535,523      |
| Rubbish disposal                     | 1,904,969  | 1,817,289 | 87,680                             | 2,009,692      |
| Public works garage                  | 273,692    | 233,626   | 40,066                             | 220,734        |
| Transfer facility                    | 235,072    | 255,614   | (20,542)                           | 211,864        |
| Total public works                   | 4,339,150  | 4,218,084 | 121,066                            | 4,137,661      |
| Culture:                             |            |           |                                    |                |
| Main library                         | 576,100    | 540,652   | 35,448                             | 541,559        |
| Branch library                       | 137,746    | 135,657   | 2,089                              | 97,841         |
| Total culture                        | 713,846    | 676,309   | 37,537                             | 639,400        |
| Parks and recreation:                |            |           |                                    |                |
| Administration                       | 216,607    | 145,016   | 71,591                             | 116,628        |
| Parks                                | 1,093,948  | 1,058,555 | 35,393                             | 1,096,488      |
| Pool                                 | 354,001    | 336,368   | 17,633                             | 345,131        |
| Recreation                           | 743,601    | 783,759   | (40,158)                           | 736,312        |
| Total parks and recreation           | 2,408,157  | 2,323,698 | 84,459                             | 2,294,559      |
| Total culture, parks, and recreation | 3,122,003  | 3,000,007 | 121,996                            | 2,933,959      |
| Transportation and waterfront:       |            |           |                                    |                |
| Bus service                          | 991,714    | 960,157   | 31,557                             | 957,360        |
| Waterfront                           | 38,050     | 37,426    | 624                                | 37,357         |
| Total transportation and waterfront  | 1,029,764  | 997,583   | 32,181                             | 994,717        |

**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, 2013**  
**(with comparative actual amounts for the year ended June 30, 2012)**

|   | Budget      | Actual            | Variance<br>positive<br>(negative) | 2012<br>Actual    |
|---|-------------|-------------------|------------------------------------|-------------------|
| Expenditures, continued:                                  |             |                   |                                    |                   |
| Current, continued:                                       |             |                   |                                    |                   |
| Health, welfare and social services:                      |             |                   |                                    |                   |
| Welfare:  |             |                   |                                    |                   |
| Administration  | \$ 79,463   | 77,521            | 1,942                              | 76,837            |
| General assistance  | 242,930     | 206,794           | 36,136                             | 193,578           |
| Total welfare   | 322,393     | 284,315           | 38,078                             | 270,415           |
| Health  | 43,028      | 42,578            | 450                                | 42,578            |
| Total health, welfare and social services                 | 365,421     | 326,893           | 38,528                             | 312,993           |
| Intergovernmental - County tax                            | 2,075,037   | 2,075,037         | -                                  | 2,072,476         |
| Other:  |             |                   |                                    |                   |
| Contingency and abatement reserve                         | 112,000     | 82,568            | 29,432                             | 60,392            |
| Total other   | 112,000     | 82,568            | 29,432                             | 60,392            |
| Education   | 39,590,803  | 38,788,570        | 802,233                            | 37,001,532        |
| Debt service (excluding education):                       |             |                   |                                    |                   |
| Administration  | 4,000       | 1,300             | 2,700                              | 1,600             |
| Principal   | 850,644     | 850,644           | -                                  | 925,161           |
| Interest  | 196,906     | 196,905           | 1                                  | 214,482           |
| Total debt service  | 1,051,550   | 1,048,849         | 2,701                              | 1,141,243         |
| Total expenditures  | 69,951,364  | 68,489,790        | 1,461,574                          | 66,014,613        |
| Excess (deficiency) of revenues over (under) expenditures | (1,074,942) | 1,765,157         | 2,840,099                          | 2,015,604         |
| Other financing sources (uses):                           |             |                   |                                    |                   |
| Budgeted use of surplus - City                            | 2,897,707   | -                 | (2,897,707)                        | -                 |
| Budgeted use of surplus - School                          | 1,050,000   | -                 | (1,050,000)                        | -                 |
| Refunding bonds issued and premium                        | -           | -                 | -                                  | 9,584,150         |
| Payment to refunded bonds escrow agent and fees           | -           | -                 | -                                  | (9,516,956)       |
| Transfers - in  | 731,353     | 731,353           | -                                  | 560,038           |
| Transfers - out   | (3,604,118) | (3,664,540)       | (60,422)                           | (2,682,734)       |
| Total other financing sources (uses)                      | 1,074,942   | (2,933,187)       | (4,008,129)                        | (2,055,502)       |
| Net change in fund balance - budgetary basis              | -           | (1,168,030)       | (1,168,030)                        | (39,898)          |
| Reconciliation to GAAP basis:                             |             |                   |                                    |                   |
| Change in encumbrances - City                             |             | 73,943            |                                    | 140,912           |
| Change in encumbrances - School                           |             | (216,938)         |                                    | 83,242            |
| Change in reserves  |             | 945,986           |                                    | (119,794)         |
| Net change in fund balance - GAAP basis                   |             | (365,039)         |                                    | 64,462            |
| Fund balance, beginning of year                           |             | 22,036,221        |                                    | 21,971,759        |
| <b>Fund balance, end of year</b>                          | <b>\$</b>   | <b>21,671,182</b> |                                    | <b>22,036,221</b> |

**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, 2013**  
**(with comparative actual amounts for the year ended June 30, 2012)**

|  | 2013              |                    | Variance<br>positive<br>(negative) | 2012<br>Actual    |
|--|-------------------|--------------------|------------------------------------|-------------------|
|  | Budget            | Actual             |                                    |                   |
| <b>Revenues:</b>   |                   |                    |                                    |                   |
| Local assessment   | \$ 35,212,648     | 35,212,648         | -                                  | 34,063,256        |
| State education subsidy  | 3,103,278         | 2,691,993          | (411,285)                          | 2,108,358         |
| State agency client  | 75,000            | 49,925             | (25,075)                           | 161,197           |
| Medicaid   | 120,000           | 60,573             | (59,427)                           | 80,664            |
| Charges for services   | 77,350            | 77,350             | -                                  | 77,350            |
| Other  | 38,000            | 55,774             | 17,774                             | 54,571            |
| <b>Total revenues</b>  | <b>38,626,276</b> | <b>38,148,263</b>  | <b>(478,013)</b>                   | <b>36,545,396</b> |
| <b>Expenditures:</b>   |                   |                    |                                    |                   |
| <b>Current:</b>  |                   |                    |                                    |                   |
| Brown Elementary   | 1,655,505         | 1,676,440          | (20,935)                           | 1,567,838         |
| Dyer Elementary  | 1,588,088         | 1,569,656          | 18,432                             | 1,625,175         |
| Kaler Elementary   | 1,004,898         | 1,067,569          | (62,671)                           | 1,175,078         |
| Skillin Elementary   | 2,278,418         | 2,239,433          | 38,985                             | 2,224,652         |
| Small Elementary   | 1,879,188         | 1,838,693          | 40,495                             | 1,716,622         |
| Mahoney Middle School  | 2,242,320         | 2,201,843          | 40,477                             | 2,179,093         |
| Memorial Middle School   | 2,465,716         | 2,407,302          | 58,414                             | 2,212,157         |
| South Portland High School                                       | 6,022,301         | 5,835,810          | 186,491                            | 5,789,693         |
| K-12 instrumental music  | 107,609           | 105,305            | 2,304                              | 111,019           |
| 6-12 athletics   | 652,787           | 640,715            | 12,072                             | 603,954           |
| Special education  | 7,461,163         | 7,247,230          | 213,933                            | 7,178,346         |
| Health   | 339,981           | 333,830            | 6,151                              | 327,347           |
| Board of education   | 136,758           | 97,293             | 39,465                             | 133,918           |
| Superintendent of schools  | 371,817           | 369,943            | 1,874                              | 350,203           |
| Assistant superintendent   | 1,907,508         | 1,769,355          | 138,153                            | 1,589,978         |
| Technology   | 492,156           | 554,464            | (62,308)                           | 685,480           |
| Business office  | 788,055           | 813,362            | (25,307)                           | 959,400           |
| Operations/maintenance   | 3,912,831         | 3,727,524          | 185,307                            | 3,025,919         |
| Transportation   | 1,576,020         | 1,585,119          | (9,099)                            | 1,232,596         |
| <b>Debt service:</b>   |                   |                    |                                    |                   |
| Principal  | 1,628,188         | 1,628,188          | -                                  | 1,761,235         |
| Interest   | 1,079,496         | 1,079,496          | -                                  | 551,829           |
| <b>Total expenditures</b>  | <b>39,590,803</b> | <b>38,788,570</b>  | <b>802,233</b>                     | <b>37,001,532</b> |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(964,527)</b>  | <b>(640,307)</b>   | <b>324,220</b>                     | <b>(456,136)</b>  |
| <b>Other financing sources (uses):</b>                           |                   |                    |                                    |                   |
| Transfers - in   | 320,465           | 320,465            | -                                  | 150,517           |
| Transfers - out  | (405,938)         | (405,938)          | -                                  | (678,356)         |
| Refunding bonds issued and premium                               | -                 | -                  | -                                  | 9,584,150         |
| Payments to refunded bonds escrow agent and fees                 | -                 | -                  | -                                  | (9,516,956)       |
| Budgeted use of surplus  | 1,050,000         | -                  | (1,050,000)                        | -                 |
| <b>Total other financing sources (uses)</b>                      | <b>964,527</b>    | <b>(85,473)</b>    | <b>(1,050,000)</b>                 | <b>(460,645)</b>  |
| <b>Net change in fund balances - budgetary basis</b>             | <b>-</b>          | <b>(725,780)</b>   | <b>(725,780)</b>                   | <b>(916,781)</b>  |
| <b>Reconciliation to GAAP basis:</b>                             |                   |                    |                                    |                   |
| Change in encumbrances   |                   | (216,938)          |                                    | 83,242            |
| Change in reserves   |                   | (269,080)          |                                    | 199,371           |
| <b>Net change in fund balance - GAAP basis</b>                   |                   | <b>(1,211,798)</b> |                                    | <b>(634,168)</b>  |
| <b>Fund balance, beginning of year</b>                           |                   | <b>5,284,024</b>   |                                    | <b>5,918,192</b>  |
| <b>Fund balance, end of year</b>                                 | <b>\$</b>         | <b>4,072,226</b>   |                                    | <b>5,284,024</b>  |

**CITY OF SOUTH PORTLAND, MAINE**  
**Reserves - General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2013**

|  | Fund<br>balance<br>beginning of<br>year | Revenues       |                        |                  | Other financing<br>sources (uses) |                  | Fund<br>balance<br>end of<br>year |
|--|---|----------------|------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
|  |   | Other          | Investment<br>earnings | Expenditures     | Issuance<br>of debt               | Transfers        |                                   |
| <b>City committed reserves:</b>              |   |                |                        |                  |                                   |                  |                                   |
| 1801 Equipment replacement                   | \$ 115,366                              | -              | 609                    | 16,433           | -                                 | 3,580            | 103,122                           |
| 1803 Unemployment - City                     | 62,091                                  | -              | 287                    | 54,117           | -                                 | 30,000           | 38,261                            |
| 1804 Self-Insurance - City                   | 45,279                                  | 41,573         | 285                    | 57,368           | -                                 | 12,500           | 42,269                            |
| 1805 Municipal facilities                    | 16,700                                  | -              | 25                     | 20,673           | -                                 | 10,000           | 6,052                             |
| 1806 Safety reserve                          | 130,665                                 | 23,577         | 691                    | 3,728            | -                                 | -                | 151,205                           |
| 1807 Computerization project                 | 199,663                                 | 420            | 496                    | 171,381          | -                                 | 85,000           | 114,198                           |
| 1809 Litigation - legal                      | 122,835                                 | -              | 678                    | 6,125            | -                                 | 28,000           | 145,388                           |
| 1822 Communication equipment - police        | 59,618                                  | -              | 341                    | -                | -                                 | 2,600            | 62,559                            |
| 1824 Body armor - police                     | -                                       | -              | -                      | -                | -                                 | 2,145            | 2,145                             |
| 1830 Fire                                    | 395,515                                 | 1,229          | 1,970                  | 90,701           | -                                 | (42,000)         | 266,013                           |
| 1834 Traffic improvements                    | 22,791                                  | -              | 130                    | -                | -                                 | -                | 22,921                            |
| 1836 Public works equipment                  | 21,358                                  | 300            | 124                    | -                | -                                 | -                | 21,782                            |
| 1840 Snow removal                            | 415,938                                 | -              | 2,377                  | -                | -                                 | -                | 418,315                           |
| 1845 Cummings Road sewer                     | 205,853                                 | -              | 1,177                  | -                | -                                 | -                | 207,030                           |
| 1847 Bus                                     | 258,915                                 | -              | 1,525                  | 8,443            | -                                 | 19,280           | 271,277                           |
| 1850 Senior Property Tax Program             | 17,887                                  | -              | -                      | 15,152           | -                                 | -                | 2,735                             |
| 1861 Tax stabilization                       | 1,000,511                               | -              | 5,718                  | -                | -                                 | 700,000          | 1,706,229                         |
| 1864 Call company retirement                 | 64,698                                  | -              | -                      | -                | -                                 | -                | 64,698                            |
| 1869 Energy efficient                        | 19,348                                  | 525            | -                      | 4,960            | -                                 | -                | 14,913                            |
| 1871 Solid waste                             | 4,181                                   | -              | -                      | -                | -                                 | 32,000           | 36,181                            |
| 1872 Municipal buildings & land acq.         | 161,028                                 | 16,401         | 951                    | 5,030            | -                                 | 20,000           | 193,350                           |
| 1873 Municipal services facility             | -                                       | 134,216        | -                      | 105,760          | -                                 | 500,000          | 528,456                           |
| Subtotal City committed reserves             | 3,340,240                               | 218,241        | 17,384                 | 559,871          | -                                 | 1,403,105        | 4,419,099                         |
| <b>City assigned reserves:</b>               |   |                |                        |                  |                                   |                  |                                   |
| 1828 Vehicle replacement - police            | 92,024                                  | 27,147         | -                      | 214,027          | 157,008                           | (12,891)         | 49,261                            |
| 1867 Phone system                            | 110,100                                 | -              | -                      | 2,293            | -                                 | 16,800           | 124,607                           |
| 1868 Compensated absences                    | 2,379,819                               | -              | -                      | -                | -                                 | 150,000          | 2,529,819                         |
| 2172 Outside OT - Police                     | 3,837                                   | 125,004        | -                      | 128,730          | -                                 | -                | 111                               |
| 2173 Outside OT - Fire                       | 312                                     | 1,080          | -                      | 1,311            | -                                 | -                | 81                                |
| 2176 Fuel Distribution                       | 16,854                                  | 18,420         | -                      | -                | -                                 | -                | 35,274                            |
| Subtotal City assigned reserves              | 2,602,946                               | 171,651        | -                      | 346,361          | 157,008                           | 153,909          | 2,739,153                         |
| Total City reserves                          | 5,943,186                               | 389,892        | 17,384                 | 906,232          | 157,008                           | 1,557,014        | 7,158,252                         |
| <b>School reserves:</b>                      |   |                |                        |                  |                                   |                  |                                   |
| <b>0202 Restricted school reserve funds:</b> |   |                |                        |                  |                                   |                  |                                   |
| School consolidation                         | 323,618                                 | -              | -                      | -                | -                                 | -                | 323,618                           |
| School tech upgrade                          | 812,841                                 | -              | -                      | 17,749           | -                                 | -                | 795,092                           |
| Unemployment - School                        | 57,134                                  | -              | -                      | 14,876           | -                                 | 23,840           | 66,098                            |
| School bus                                   | 506,923                                 | -              | -                      | -                | -                                 | (167,000)        | 339,923                           |
| School resource officer                      | 48,171                                  | -              | -                      | -                | -                                 | (8,419)          | 39,752                            |
| School elementary                            | 19,511                                  | -              | -                      | -                | -                                 | -                | 19,511                            |
| Self-insurance - School                      | 10,008                                  | -              | -                      | -                | -                                 | -                | 10,008                            |
| Musical program                              | 139,128                                 | -              | -                      | -                | -                                 | -                | 139,128                           |
| Maintenance                                  | 626,070                                 | 1,000          | -                      | 93,323           | -                                 | -                | 533,747                           |
| Adult education                              | 20,000                                  | -              | -                      | -                | -                                 | -                | 20,000                            |
| Student educational support                  | (1,790)                                 | 19,656         | -                      | 32,240           | -                                 | -                | (14,374)                          |
| Laptop repair                                | 29,159                                  | 19,552         | -                      | -                | -                                 | -                | 48,711                            |
| Special Education                            | 200,000                                 | -              | -                      | -                | -                                 | -                | 200,000                           |
| 0456 School facility                         | 83,800                                  | -              | 479                    | -                | -                                 | -                | 84,279                            |
| Total School reserves                        | 2,874,573                               | 40,208         | 479                    | 158,188          | -                                 | (151,579)        | 2,605,493                         |
| <b>Total reserves</b>                        | <b>\$ 8,817,759</b>                     | <b>430,100</b> | <b>17,863</b>          | <b>1,064,420</b> | <b>157,008</b>                    | <b>1,405,435</b> | <b>9,763,745</b>                  |

**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%        |
| 2015        | \$30,247,620      | \$1,165,471   | 4.01%          | \$2,327,942    | \$112,858     | 5.09%          | \$0             | (\$300,000)   | -100.00%       |

| 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%          |
| 2015        | \$44,804,796               | \$1,802,240   | 4.19%          | \$44,804,796      | \$1,502,240   | 3.47%          | \$77,380,358        | \$2,780,569   | 3.73%          |

**City of South Portland  
Budget History**

| <b>Fiscal Year</b> | <b>Total Need From Taxes</b> | <b>Dollar Change</b> | <b>Percent Change</b> | <b>Tax Rate</b> | <b>Percent Increase</b> |
|--------------------|------------------------------|----------------------|-----------------------|-----------------|-------------------------|
| 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%                   |
| 2015               | \$58,730,418                 | \$1,930,421          | 3.40%                 | \$17.10         | 2.40%                   |

**City of South Portland**  
**FY2015 LD 1 Worksheet (with Comparison FY14)**  
**PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A**

|   | <u>FY15</u> | <u>FY14</u> |
|---|-------------|-------------|
| 1. Prior Year Property Tax Levy/Limit for Municipal Services  | 20,757,992  | 20,006,498  |
| 2. Income Growth Factor (State Planning Office calculation)   | 0.0109      | 0.0105      |
| 3. Property Growth Factor (see property growth sheet)   | 0.0206      | 0.0295      |
| 4. LD 1 Growth Limit Factor (Line 2 + Line 3)   | 0.0315      | 0.0400      |
| 5. Add 1 to the Growth Limitation Factor calculated in Line 4.<br>(For example, if Line 4 is 0.0360, the enter 1.0360 on Line 5.) | 1.0315      | 1.0400      |
| 6. Net New State Funding (see instruction sheet)  |             |             |
| 6A. Net New Revenue Sharing   |             | 48,766      |
| 6B. Loss of Revenue Sharing   | 192,571     |             |
| 7. Multiply Line 1 by Line 5  | 21,411,869  | 20,806,758  |
| 8. FY2015 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)   | 21,604,440  | 20,757,992  |
| 9. FY2015 Adopted Municipal Appropriations<br>(Do not include any school appropriations.)   | 30,247,620  | 29,082,149  |
| 10. FY2015 Total Deductions<br>(Do not include any school revenues.)  | 12,240,161  | 11,609,130  |
| 11. 2015 Municipal Property Tax Levy (Line 9 less Line 10)  | 18,007,459  | 17,473,019  |
| 12. Over/(Under) Limit (Line 11 less Line 8 )*  | (3,596,981) | (3,284,973) |

\* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2015.

CITY OF SOUTH PORTLAND  
 2015 MUNICIPAL PROPERTY TAX GROWTH FACTOR  
 PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A.1.C.

|                          |   |    |               |
|--------------------------|---|----|---------------|
| 2013/14 Total Valuation  | + | \$ | 3,562,702,100 |
| Abatements               | - | \$ | -             |
| Supplements              | + | \$ | -             |
| BETE increases           |   | \$ | 34,605,200    |
| Adjust 2012 Valuation    | = | \$ | 3,597,307,300 |
| Real Estate Growth       |   | \$ | 17,823,800    |
| Personal Property Growth |   | \$ | 22,376,600    |
| BETE increases           |   | \$ | 34,605,200    |
| Total                    |   | \$ | 74,805,600    |
| Property Tax Growth      |   |    | 2.06%         |

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.

Maine Office of Policy and Management  
 State House Station #181  
 Augusta, Maine 04333



**Director**  
 Richard Rosen

TO: Municipal and County Officials  
 FROM: Amanda Rector, State Economist  
 DATE: September 30, 2013  
 RE: **Next Year's LD 1 Average Personal Income Growth is 1.09%**

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 1/1/2014 - 12/31/2014 budget year for municipalities on a calendar-year budget or the 7/1/2014 - 6/30/2015 budget year for municipalities on a fiscal-year budget), OPM has determined average personal income growth to be 1.09%. The table below shows how this figure was calculated.

**Calculation of Maine's "Average Personal Income Growth"**

| Calendar Year  | Nominal Personal Income |          | CPI-U | % Change | Real Personal Income |
|----------------|-------------------------|----------|-------|----------|----------------------|
|                | (thousands)             | % Change |       |          |                      |
| 2002           | \$37,593,869            |          | 179.9 |          |                      |
| 2003           | \$39,525,626            | 5.14%    | 184.0 | 2.28%    | 2.86%                |
| 2004           | \$41,666,105            | 5.42%    | 188.9 | 2.66%    | 2.75%                |
| 2005           | \$42,537,469            | 2.09%    | 195.3 | 3.39%    | -1.30%               |
| 2006           | \$45,139,882            | 6.12%    | 201.6 | 3.23%    | 2.89%                |
| 2007           | \$47,122,341            | 4.39%    | 207.3 | 2.85%    | 1.54%                |
| 2008           | \$48,771,438            | 3.50%    | 215.3 | 3.84%    | -0.34%               |
| 2009           | \$48,938,905            | 0.34%    | 214.5 | -0.36%   | 0.70%                |
| 2010           | \$49,360,227            | 0.86%    | 218.1 | 1.64%    | -0.78%               |
| 2011           | \$51,653,256            | 4.65%    | 224.9 | 3.16%    | 1.49%                |
| 2012           | \$53,283,432            | 3.16%    | 229.6 | 2.07%    | 1.09%                |
| <b>AVERAGE</b> |                         |          |       |          | <b>1.09%</b>         |

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." 2012 is currently the most recent year for which data is available.

**SOUTH PORTLAND SCHOOL DEPARTMENT  
BOARD OF EDUCATION**

**FY 2015**

**BUDGET SUMMARY**

**PART I - BUDGET - LOCALLY SUPPORTED PROGRAMS**

|                                    | <b>2013-14<br/>Budget</b>  | <b>2014-15<br/>Budget</b>  | <b>%<br/>Change</b> |
|------------------------------------|----------------------------|----------------------------|---------------------|
| <b>REGULAR INSTRUCTION</b>         | <b>16,959,835</b>          | <b>17,357,477</b>          | <b>2.3%</b>         |
| <b>SPECIAL EDUCATION</b>           | <b>7,857,166</b>           | <b>8,245,979</b>           | <b>4.9%</b>         |
| <b>CAREER &amp; TECHNICAL ED</b>   | <b>257,693</b>             | <b>313,399</b>             | <b>21.6%</b>        |
| <b>OTHER INSTRUCTION</b>           | <b>786,475</b>             | <b>801,581</b>             | <b>1.9%</b>         |
| <b>STUDENT &amp; STAFF SUPPORT</b> | <b>3,541,612</b>           | <b>3,577,460</b>           | <b>1.0%</b>         |
| <b>SYSTEM ADMINISTRATION</b>       | <b>1,217,832</b>           | <b>1,285,643</b>           | <b>5.6%</b>         |
| <b>SCHOOL ADMINISTRATION</b>       | <b>2,190,758</b>           | <b>2,258,109</b>           | <b>3.1%</b>         |
| <b>TRANSPORTATION &amp; BUSES</b>  | <b>1,525,779</b>           | <b>1,689,044</b>           | <b>10.7%</b>        |
| <b>FACILITIES MAINTENANCE</b>      | <b>3,775,471</b>           | <b>3,942,077</b>           | <b>4.4%</b>         |
| <b>DEBT SERVICE</b>                | <b>4,482,440</b>           | <b>4,906,153</b>           | <b>9.5%</b>         |
| <b>ALL OTHER EXPENDITURES</b>      | <b>387,495</b>             | <b>407,874</b>             | <b>5.3%</b>         |
| <b>SUBTOTAL</b>                    | <b><u>42,982,556</u></b>   | <b><u>44,784,796</u></b>   |                     |
| <b>ADULT EDUCATION</b>             | <b>20,000</b>              | <b>20,000</b>              | <b>0.0%</b>         |
| <b>TOTAL</b>                       | <b><u>\$43,002,556</u></b> | <b><u>\$44,804,796</u></b> | <b>4.2%</b>         |

| <b>SOUTH PORTLAND SCHOOL DEPARTMENT</b>    |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>REVENUE COMPARISONS - PART I BUDGET</b> |                     |                     |                     |                     |                     |
| DESCRIPTION                                | 2010-11             | 2011-12             | 2012-13             | 2013-14             | 2014-15             |
|  | BUDGETED            | BUDGETED            | BUDGETED            | BUDGETED            | ESTIMATED           |
|  | REVENUES            | REVENUES            | REVENUES            | REVENUES            | REVENUES            |
| USE OF FUND BALANCE                        | \$1,200,000         | \$1,200,000         | \$1,050,000         | \$875,000           | \$677,117           |
| TUITION FOR STATE                          |                     |                     |                     |                     |                     |
| AGENCY CLIENTS                             | 336,989             | 175,000             | 75,000              | 25,000              | 25,000              |
| STUDENT ADM.                               | 20,000              | 20,000              | 20,000              | 25,000              | 25,000              |
| OTHER REVENUE                              | 18,000              | 18,000              | 18,000              | 15,840              | 19,800              |
| STATE SUBSIDY                              | 1,809,638           | 2,123,289           | 3,103,278           | 4,613,723           | 5,275,585           |
| FEDERAL STATE STABILIZATION FUNDS*         | 1,960,287           | 371,414             | -                   | -                   | -                   |
| FEDERAL EDUCATION JOBS FUNDS*              | 0                   | 1,226,140           | -                   | -                   | -                   |
| MAINE CARE                                 | 0                   | 220,000             | 120,000             | 50,000              | 50,000              |
| PORTLAND TRANSPORTATION AGRMT              | 96,599              | 77,350              | 77,350              | 78,666              | 78,666              |
| TRANSFER IN FROM POB RESERVE               | 813                 | 0                   | 0                   | 0                   | 0                   |
| TRANSFER IN FROM BRICKHILL TIF             | 142,426             | 150,517             | 145,046             | 153,683             | 162,748             |
| TRANSFER IN SRO/BUS RESERVES               | -                   | -                   | 175,419             | 53,750              | 95,863              |
| SUB TOTAL REVENUE                          | 3,624,465           | 3,984,156           | 4,784,093           | 5,890,662           | 6,409,779           |
| LOCAL EFFORT - OPERATING                   | 33,749,699          | 34,083,256          | 35,232,648          | 37,111,895          | 38,395,017          |
| <b>TOTAL REVENUE</b>                       | <b>\$37,374,164</b> | <b>\$38,067,412</b> | <b>\$40,016,741</b> | <b>\$43,002,556</b> | <b>\$44,804,796</b> |
| * Not part of local operating budget.      |                     |                     |                     |                     |                     |
|  |                     |                     |                     |                     |                     |
|  |                     |                     |                     |                     |                     |

**SOUTH PORTLAND SCHOOL DEPARTMENT**

**TAX CALCULATION**

|  | 2010-11         | 2011-12         | 2012-13         | 2013-14         | 2014-15         |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| PART I LOCAL OPERATING BUDGET  | \$37,354,164    | \$38,047,412    | \$39,471,741    | \$40,745,456    | \$42,063,118    |
| ADULT EDUCATION BUDGET   | \$20,000        | \$20,000        | \$20,000        | \$20,000        | \$20,000        |
| SPHS BOND/INTEREST PAYMENT   | \$0             | \$0             | \$525,000       | \$2,237,100     | \$2,721,678     |
| TOTAL SCHOOL OPERATING BUDGET  | \$37,374,164    | \$38,067,412    | \$40,016,741    | \$43,002,556    | \$44,804,796    |
| <b>REVENUE &amp; ADJUSTMENTS:</b>  |                 |                 |                 |                 |                 |
| PART I REVENUE   | \$2,424,465     | \$2,784,156     | \$3,734,093     | \$5,015,662     | \$5,732,662     |
| USE OF FUND BALANCE  | 1,200,000       | 1,200,000       | 1,050,000       | 875,000         | 677,117         |
| TOTAL SCHOOL FUNDS AVAILABLE   | \$3,624,465     | \$3,984,156     | \$4,784,093     | \$5,890,662     | \$6,409,779     |
| TOTAL AMOUNT TO BE RAISED BY TAXES                                       | \$33,749,699    | \$34,083,256    | \$35,232,648    | \$37,111,895    | \$38,395,017    |
| ASSESSED VALUATION   | \$3,357,000,000 | \$3,357,000,000 | \$3,383,000,000 | \$3,410,000,000 | \$3,410,000,000 |
|  |                 |                 |                 | est.            | est.            |
| <b>SPHS ADDITION/RENOVATION DEBT</b>                                     |                 |                 |                 |                 |                 |
| BOND PAYMENT AMOUNTS   | \$0             | \$0             | \$525,000       | \$2,237,100     | \$2,721,678     |
| LESS: EXPIRING DEBT  | \$0             | \$0             | \$0             | (52,305)        | (65,469)        |
| NET BOND PAYMENT   | \$0             | \$0             | 525,000         | 2,184,796       | 2,656,210       |
| MIL RATE   | \$0.00          | \$0.00          | \$0.16          | \$0.64          | \$0.78          |
| CHANGE IN MIL RATE FROM PRIOR YEAR                                       | \$0.00          | \$0.00          | \$0.16          | \$0.49          | \$0.14          |
| <b>SECONDARY SCHOOL RESERVE</b>  |                 |                 |                 |                 |                 |
| TOTAL RESERVE COLLECTED  | \$375,938       | \$1,050,000     | \$1,350,000     | \$0             | \$0             |
| MIL RATE   | \$0.11          | \$0.31          | \$0.40          | \$0.00          | \$0.00          |
| CHANGE IN MIL RATE FROM PRIOR YEAR                                       | \$0.11          | \$0.20          | \$0.09          | (\$0.40)        | \$0.00          |
| <b>NET ADDITION TO MIL RATE FOR SPHS ADDITION/RENOVATION BOND</b>        |                 |                 |                 | <b>\$0.09</b>   | <b>\$0.14</b>   |
| <b>INCREASE IN TOTAL TAXES RELATED TO INCREASE IN SPHS BOND EXPENSES</b> |                 |                 |                 | <b>0.85%</b>    | <b>1.27%</b>    |
| <b>SCHOOL OPERATING</b>  |                 |                 |                 |                 |                 |
| OPERATING AMOUNT FROM TAXES  | \$33,749,699    | \$34,083,256    | \$34,707,648    | \$34,927,099    | \$35,738,807    |
| MIL RATE   | \$10.05         | \$10.15         | \$10.26         | \$10.24         | \$10.48         |
| TAX INCREASE (\$)  | (\$25,192)      | \$333,557       | \$624,392       | \$219,451       | \$811,708       |
| TAX INCREASE (%)   | -0.07%          | 0.99%           | 1.83%           | 0.63%           | 2.32%           |
| CHANGE IN MIL RATE FROM PRIOR YEAR                                       | \$0.53          | \$0.10          | \$0.11          | (\$0.017)       | \$0.238         |
| <b>COMBINED SCHOOL OPERATING AND DEBT</b>                                |                 |                 |                 |                 |                 |
| TOTAL TAX COLLECTED  | \$34,125,637    | \$35,133,256    | \$36,582,648    | \$37,111,895    | \$38,395,017    |
| TAX RATE   | \$10.17         | \$10.47         | \$10.81         | \$10.88         | \$11.26         |
| TAX INCREASE (%)   | 1.04%           | 2.95%           | 4.13%           | 1.45%           | 3.46%           |
| MIL RATE INCREASE  | \$0.64          | \$0.30          | \$0.35          | \$0.070         | \$0.376         |

## 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 30<sup>th</sup>.

**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.