



# **CITY OF SOUTH PORTLAND, MAINE**

## **Comprehensive Annual Financial Report**



**For Fiscal Year Ended June 30, 2012**

**CITY OF SOUTH PORTLAND, MAINE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For Fiscal Year Ended June 30, 2012**



Prepared By:  
City of South Portland  
Department of Finance

**CITY OF SOUTH PORTLAND, MAINE**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

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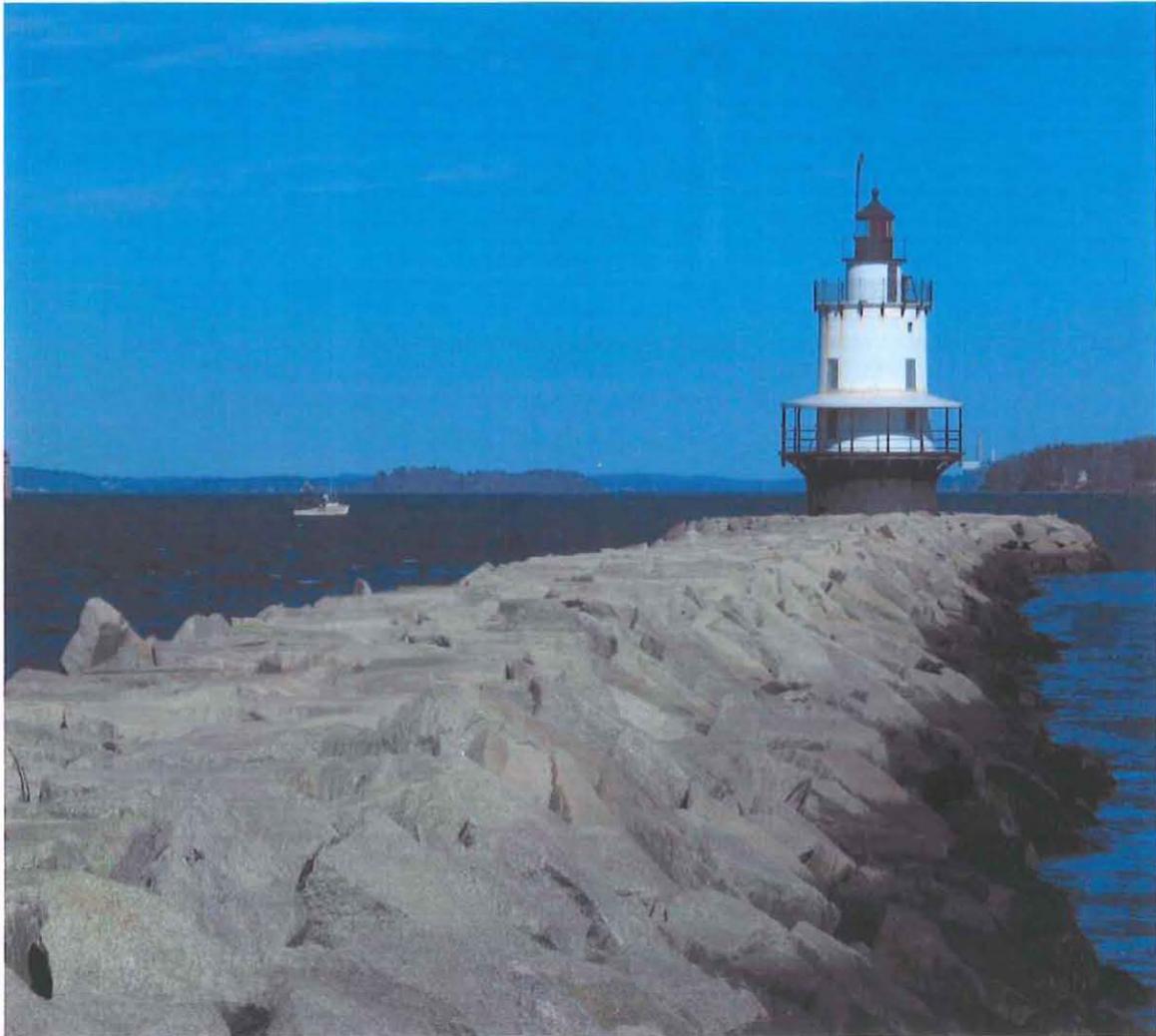
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# INTRODUCTORY SECTION





*FINANCE DEPARTMENT*

GREGORY N. L'HEUREUX  
Director of Finance

December 21, 2012

Honorable Thomas Blake, Mayor,  
Distinguished Members of the City Council,  
and Citizens of the City of South Portland, Maine

Maine state statutes and the South Portland City Charter require that the City issue annually a financial report audited in accordance with generally accepted auditing standards. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the City of South Portland, Maine, for the fiscal year ended June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of South Portland, Maine's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is not audited, includes this transmittal letter, an organization chart, and a list of the City's principal elected and appointed officials. The financial section includes management's discussion and analysis of the City's financial activities, the basic financial statements and the combining and individual fund statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The statistical section, which is not audited, includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The "Single Audit" is designed to meet the special

needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of expenditures of federal awards, findings, recommendations and the independent auditor's reports on the internal control and compliance with applicable laws and regulations are included in a separately issued single audit report.

### ***Profile of the City of South Portland***

The City of South Portland is located on the southern coast of the State of Maine in the southeastern section of the County of Cumberland, the State's most populous county. South Portland is the fourth largest city in Maine and the second largest in its region. The City currently occupies 12.93 square miles and serves a population of 25,002. Under Maine statutes, the City is empowered to levy a property tax on both real and personal property located within its boundaries.

The area of which the City is comprised was originally the northern part of the Town of Cape Elizabeth. Old Falmouth, incorporated in 1718, was formed of the area now encompassing the cities of Portland, South Portland and Westbrook and the towns of Cape Elizabeth and Falmouth. Due to the inconvenience of crossing the Fore River, Cape Elizabeth (then including the City) became established as the Second Parish of Falmouth in 1733, and on November 1, 1765 separated from Falmouth, being incorporated as the Town of Cape Elizabeth. On March 15, 1895, South Portland divided and set off the northern portion of Cape Elizabeth to become a town. A city charter was granted on March 22, 1898 and adopted on December 5, 1898 as the City of South Portland.

The City operates under the charter adopted on December 5, 1898, as amended, most recently in November of 1997, (the "Charter") providing for a Council-Manager form of government. Policy making and legislative authority is vested in a seven-member City Council, all elected on a non-partisan basis. The Council is composed of seven members, one elected from each of the City's five voting districts, and two members who are elected at-large. The Council members are elected for three-year staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and giving effect to any vote of the City and to authorize the issuance of debt subject to referendum approval by the voters of the City. Through its Charter, the Council adopts an annual budget, provides for an annual audit, appoints committees, and hires the City Manager and City Clerk.

The City Manager is the chief executive officer and the head of the administrative branch of the City government. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. Under the City Charter, the City of South Portland's Education Department is a department of the City with an elected School Board and an appointed Superintendent of Schools.

The City of South Portland provides a full range of services, including police, ambulance and fire protection; construction and maintenance of highways, streets, sidewalks, parks and other infrastructure; sewer service and wastewater treatment; solid waste collection; public education; health and social welfare; public transportation; recreational and cultural activities; general administration and economic development.

The annual budget serves as the foundation for the City of South Portland's financial planning and control. All departments of the City of South Portland with the exception of the Education Department are required to submit requests for appropriation to the City Manager in January of each year. The City Manager uses these requests as the starting point for developing a proposed municipal budget. The City Manager then combines the proposed municipal budget with the Board of Education appropriation request for the Education Department and presents the total proposed budget to the City Council for review in March of each year. The City Council holds a public hearing on the proposed budget in April, and holds budget review workshops with the individual departments and the Board of Education in the months of April and May. The budget must be finally adopted by no later than 90 days after July 1, the beginning of the fiscal year, but is typically adopted in June.

The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The City Manager may transfer appropriations within a department. Transfers between departments, however, need approval from the City Council. Budget to actual comparisons are provided in this report for the general fund. This comparison is presented on page 34 as part of the basic financial statements for the governmental funds.

### ***Relevant Financial Policies***

The City of South Portland implemented GASB Statement No. 54 last year and as a result amended its fund balance policy. Under the new policy, the City has established a minimum unassigned fund balance in the general fund of 9%. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan implemented through the annual budget process to bring the balance back to the target level over a period of no more than three fiscal years. According to the policy, funds in excess of 12% may, with the approval of the City Council, be used for capital improvements or other one-time expenditures. For the year ended June 30, 2012, the amount of unassigned fund balance totaled \$10,591,915 or 14.7% of the fiscal year 2013 general fund budget.

### ***Local Economy***

Once principally a residential community, South Portland now enjoys a diversified commercial and industrial aspect to its economy. The City has been referred to as two cities, with the eastern half of the City sporting residential neighborhoods, a traditional downtown district, a waterfront, and the second busiest oil port on the entire East Coast, and the western half of the City hosting commercial, industrial, and advanced technology property.

The eastern half of the City is home to many of the City's residential neighborhoods, a traditional downtown district with a diverse mix of retail stores, restaurants, residential housing and professional offices, an oil pipeline and storage tank farms, a municipal beach, a municipal boat ramp, numerous scenic parks, several marinas, two lighthouses, a maritime museum, and the State's largest community college.

The western half of the City is home to a regional mall that forms the hub of the largest shopping district in the State. Additionally, there are two world-class semiconductor factories and a number of major hotel chains. Major companies with headquarters or divisions located within the western half of the City include a semiconductor manufacturer, an international financial services company, and two insurance companies. The mall and surrounding businesses increase the population of the City from 25,002 to between 46,000 and 102,000 per day. According to the latest 2000 census figures, a total of 21,838 workers are employed in South Portland, and the City serves as a regional employment center.

The City exhibits above average wealth and housing levels relative to the State of Maine as a whole. The City experienced rapid tax base growth in the last ten years with its taxable base growing by \$692,698,000 or 24.4%. However, from 2009 to 2012, the City's taxable base decreased by \$413,649,000 or 10.5%. Since the last revaluation in April 2006, market conditions due to the economy required the City to re-evaluate its property value tables in both 2009 and again in 2010. More recently, valuations have stabilized. There has also been a continued shift to exempt personal property with the implementation of the State of Maine Business Equipment Tax Exemption (BETE) reimbursement program. Under this program, the State reimburses the municipality for a portion of the taxes that would have been collected from this exempt property. For fiscal year 2012, the exempt value under BETE was \$140,425,200 and the City received BETE reimbursement at a rate 70% (and certain TIF property at 100%), totaling \$1,866,275. The City's current-year property tax collection rate remained at a very healthy 97.85%.

The City has a balanced and fairly diverse tax base with an approximately 50/50 split between residential (real) and commercial (real and personal) property value, its largest tax payer comprising 6.24% of its total tax base, and its top ten tax payers combined representing 21.03% of the total tax base.

### ***Long-term Financial Planning***

In preparing for the future, the City has identified several major programs necessary to meet citizens' needs for services, while continuing to meet the sharply rising fixed costs imposed on the City. Among these programs are road repair and reconstruction, storm water separation, upgrades to Knightville, recreational activities, vehicle and equipment purchases, and building construction and renovations. These initiatives were done in accordance with the City's basic financial planning document, its seven-year Capital Improvement Program (CIP), which is reviewed and updated annually by the City Council.

This year's capital plan calls for continuing work on the City's street paving program and sidewalk replacement program, Knightville sewer and storm water separation, upgrades to

Knightville streets, sidewalks and utility infrastructure, and improvements to pedestrian/bicycle projects.

This year's multi-year equipment and vehicle replacement plan calls for the purchase of a new custom 2,000 G.P.M. Class A Triple Combination Fire truck for the Fire Department and a new sidewalk plow and blower for the Public Works Department. Additionally, this year's CIP includes continued funding of the numerous other projects including improvements to the City's Information Technology system, City Hall renovations, transit bus replacement reserves, improvements to combined sewer overflow and telemetry projects for water resources, and numerous parks projects.

### ***Major Initiatives***

The Secondary Schools Facilities Committee has been working on the High School Renovation project since 2004. After numerous workshops and public review, the City Council sent the High School Project to the voters in early November of 2010. With a favorable vote of 60.8%, the voters of the City approved bonding of \$41.5 million for the project at South Portland High School. This project is anticipated to be done in two phases with phase one starting in the spring of 2012 and phase two in 2014. As part of the 2011-2012 operating budget, the City contributed \$1,350,000 towards funding of the High School Project. The City bonded the first phase for \$30,000,000 in May of 2012 and the project is currently underway.

As part of the 2013 capital improvement plan, the City funded phase II of the Knightville Project which included; eliminating 33 catch basins from the sewer collection system and providing storm water hookups to businesses on Ocean Street, reconstruction of Cottage Road as well as utility replacements, landscaping, lighting, sidewalks, ADA accessible ramps, parking and pedestrian crossings. Total City cost of phase II Knightville Projects is anticipated to be in excess of \$3.1 million. Additionally, the Portland Water District and a local gas company will be coordinating their own projects with the City to maximize the effectiveness of overall project.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Portland, Maine for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the fifth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Appreciation is also

extended to the accounting firm of Runyon Kersteen Ouellette for its assistance in the preparation and review of this report. Finally, credit must be given to the South Portland City Council and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory N. L'Heureux". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gregory N. L'Heureux  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Portland  
Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morrell*

President

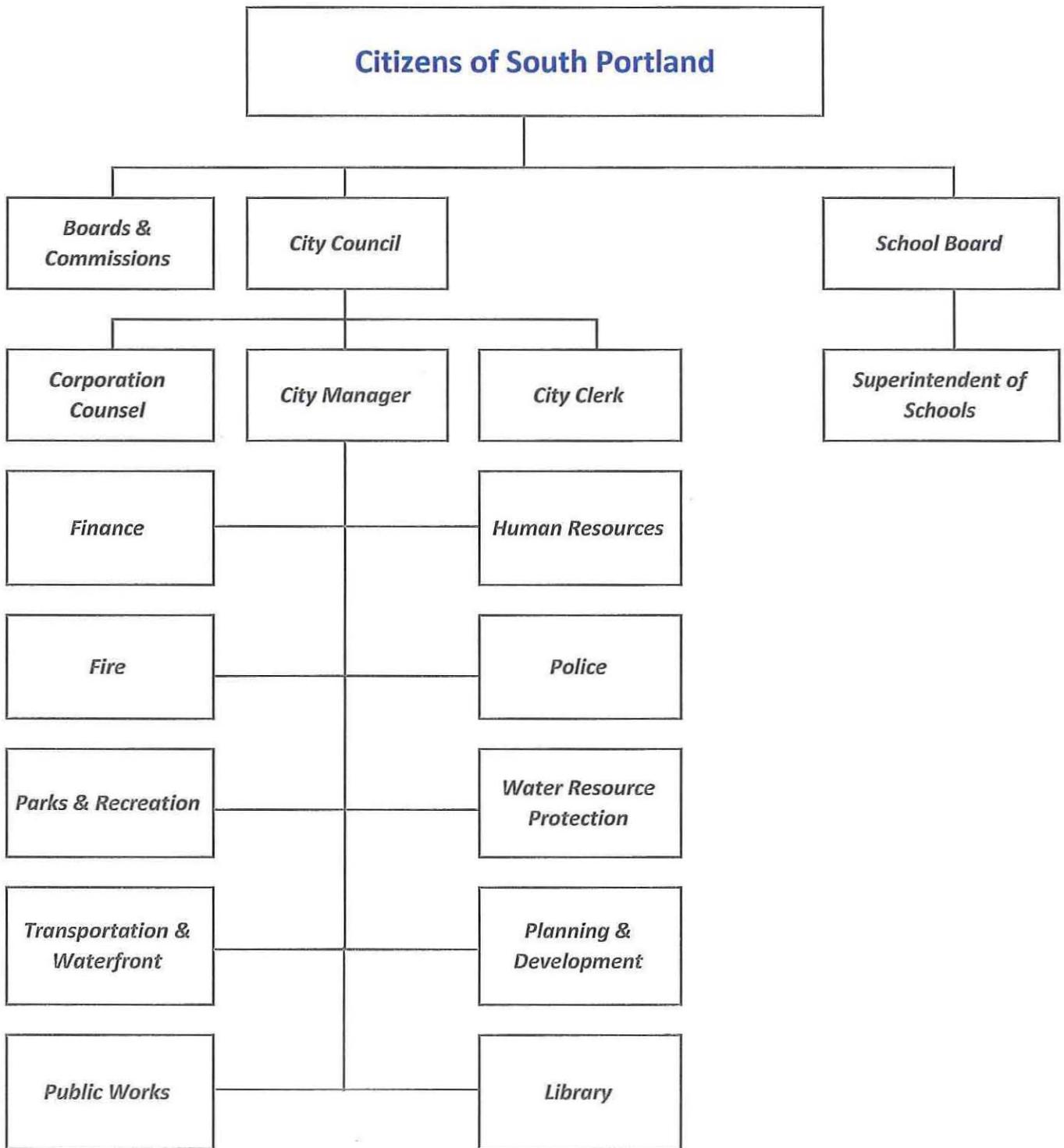
*Jeffrey R. Emer*

Executive Director



CITY OF SOUTH PORTLAND, MAINE

Organizational Chart



# FINANCIAL SECTION



CITY OF SOUTH PORTLAND, MAINE

LIST OF PRINCIPAL OFFICIALS (ELECTED AND APPOINTED)

June 30, 2012

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Elected Officials

|                                    |                      |
|------------------------------------|----------------------|
| Council Member – District 2- Mayor | Patricia Smith       |
| Council Member – District 3        | Rosemarie De Angelis |
| Council Member – At Large          | Alan Livingston      |
| Council Member – At Large          | Thomas Blake         |
| Council Member – District 1        | Thomas Coward        |
| Council Member – District 4        | Maxine R. Beecher    |
| Council Member – District 5        | Gerard Jalbert       |

|  |                    |
|--|--------------------|
| Board of Education – District 5 - Chairman | Tappan Fitzgerald  |
| Board of Education – At Large              | Jeffrey Selser     |
| Board of Education – At Large              | Karen U. Callaghan |
| Board of Education – District 1            | Richard L. Carter  |
| Board of Education – District 2            | Sara B. Goldberg   |
| Board of Education – District 3            | Richard Matthews   |
| Board of Education – District 4            | James H. Gilboy    |

Appointed Officials

|                                      |                      |
|--------------------------------------|----------------------|
| City Manager                         | James H. Gailey      |
| City Clerk                           | Susan M. Mooney      |
| Finance Director                     | Gregory N. L'Heureux |
| Fire Chief                           | Kevin W. Guimond     |
| Human Resource Director              | Donald I. Brewer     |
| Parks and Recreation Director        | Richard G. Towle     |
| Public Works Director                | Douglas R. Howard    |
| Planning & Development Director      | Charles A. Haeuser   |
| Police Chief                         | Edward J. Googins    |
| Superintendent of Schools            | Suzanne T. Godin     |
| Transportation & Waterfront Director | Thomas Meyers        |
| Water Resource Protection Director   | Patrick M. Cloutier  |

## Independent Auditor's Report

City Council  
City of South Portland, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of South Portland, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and TIF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2012, on our consideration of the City of South Portland, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City Council  
City of South Portland, Maine

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

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



December 21, 2012  
South Portland, Maine

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

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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, 2012.

**Financial Highlights**

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

**Overview of the Financial Statements**

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

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

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

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

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

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

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

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Portland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Portland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

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

**Government-wide Financial Analysis**

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

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

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

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

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

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

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

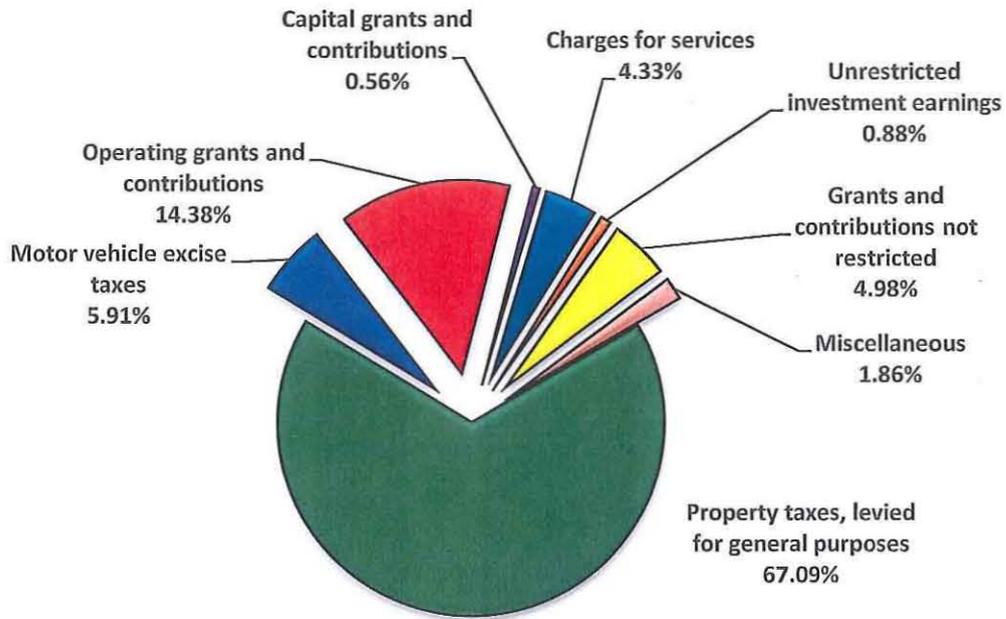
**City of South Portland's Changes in Net Assets**

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

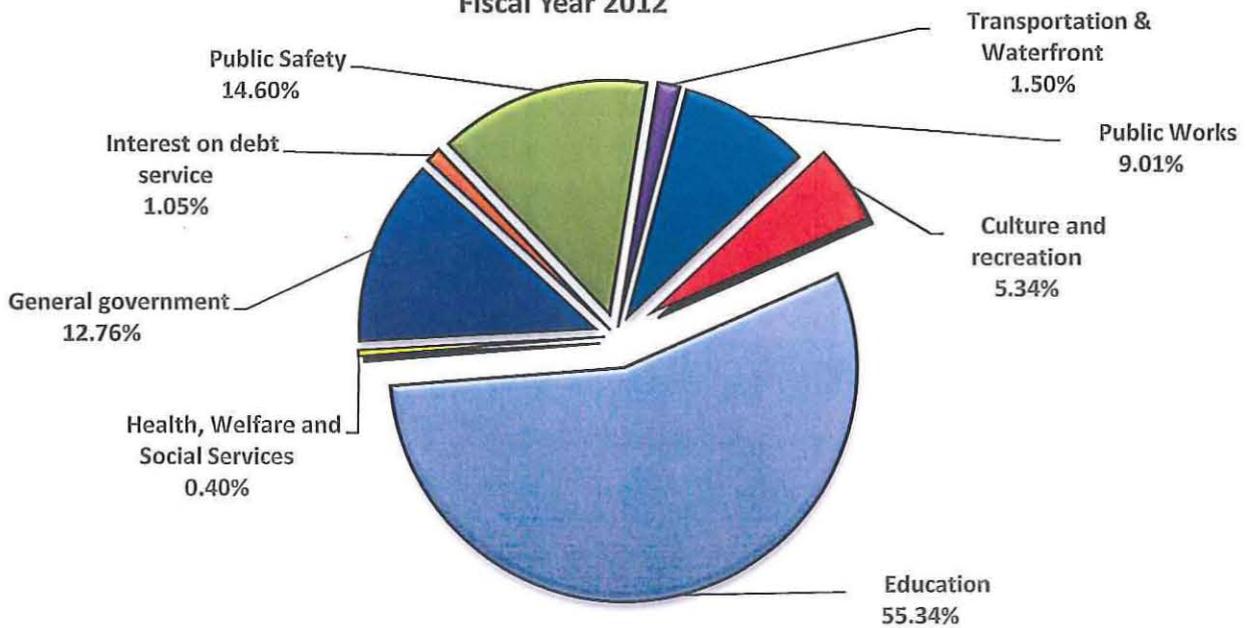
**Governmental activities.** During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net assets of \$3.651 million. This amount represented an increase in the net assets of 2.34%. Key elements of this increase are as follows:

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

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



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

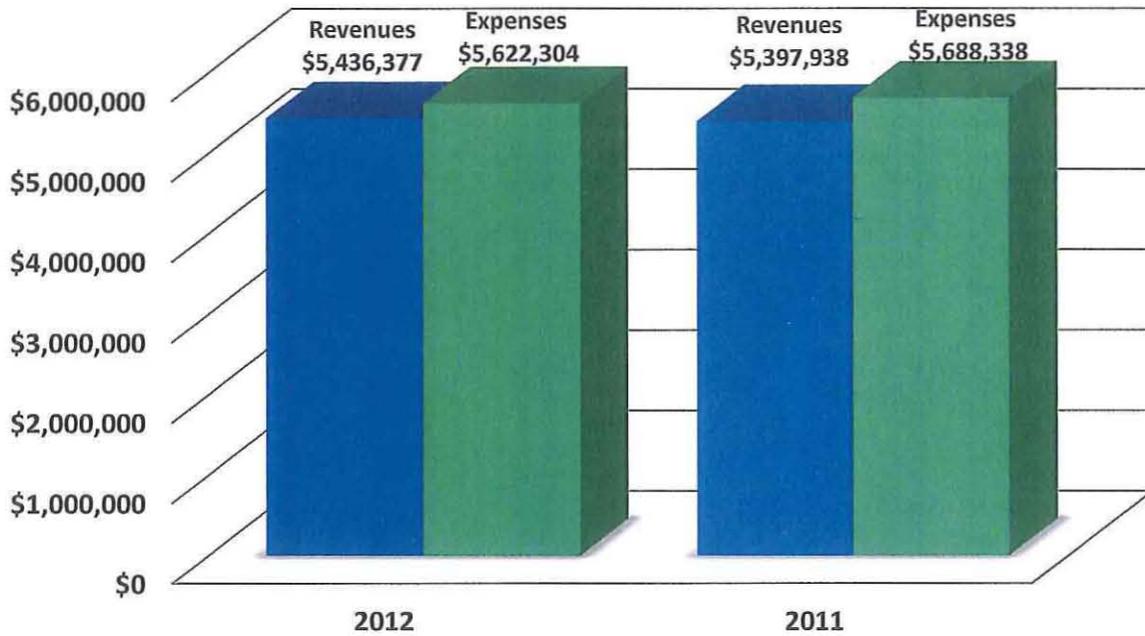


**CITY OF SOUTH PORTLAND, MAINE**  
**Management's Discussion and Analysis, Continued**

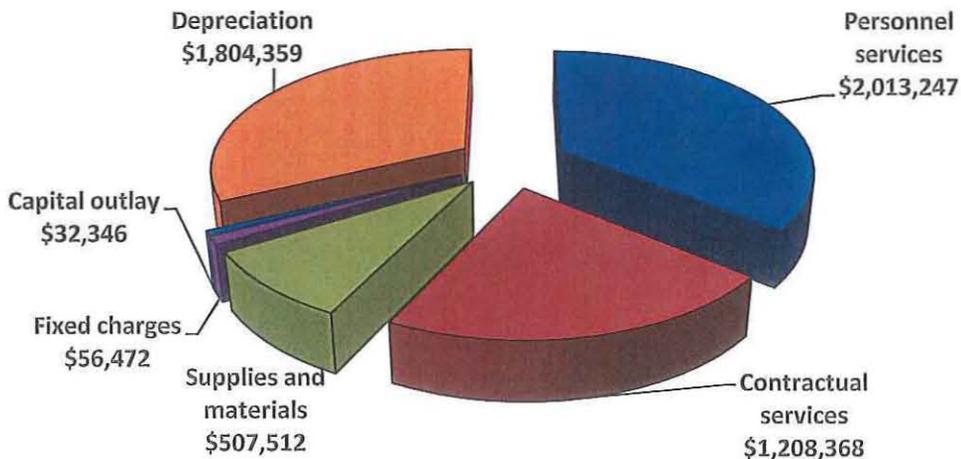
**Business-type activities.** The City's business-type activities which consist of sewer user operations increased the City of South Portland's net assets by \$1.76 million. A large portion of this was the result of the City's TIF districts transferring \$1.8 million towards the Knightville sewer and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

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

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



**Sewer User Operations  
 Expenses by Function  
 Fiscal Year 2012**



### **Financial Analysis of the Government's Funds**

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

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

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

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

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

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

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

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

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

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

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

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

**Budgetary Highlights**

**General Fund:**

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

**General Fund Revenues Budget to Actual Summary**

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

The revenue sources responsible for this surplus include the following:

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

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

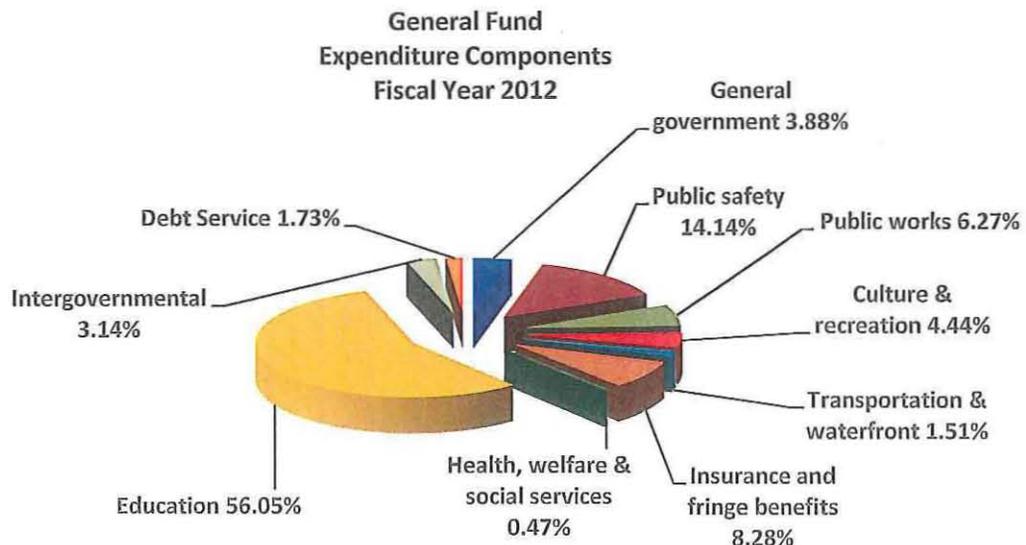
Expenditures for the general fund totaled \$66,014,613 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2012.

**General Fund Expenditures Budget to Actual Summary**

|                                     | Budget              | Actual            | Variance         |
|-------------------------------------|---------------------|-------------------|------------------|
| Expenditures:                       |                     |                   |                  |
| General government                  | \$2,641,674         | 2,564,083         | 77,591           |
| Public safety                       | 9,438,881           | 9,331,249         | 107,632          |
| Public works                        | 4,408,595           | 4,137,661         | 270,934          |
| Culture and recreation              | 2,998,296           | 2,933,959         | 64,337           |
| Transportation and waterfront       | 997,516             | 994,717           | 2,799            |
| Health, welfare and social services | 416,986             | 312,993           | 103,543          |
| Insurance and fringe benefits       | 5,506,807           | 5,464,308         | 42,499           |
| Education                           | 37,693,072          | 37,001,532        | 691,540          |
| Intergovernmental (county tax)      | 2,072,476           | 2,072,476         | -                |
| Other                               | 162,453             | 60,392            | 102,061          |
| Debt Service                        | 1,144,404           | 1,141,243         | 3,161            |
| <b>Total expenditures</b>           | <b>\$67,481,160</b> | <b>66,014,613</b> | <b>1,466,547</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 \$33,451. Additional, the senior property tax reimbursement program which was introduced for the first time this past year, came in under budget with a surplus of \$17,887.
- Public safety expenditures were under budget with Police (surplus of \$52,619), Fire (surplus of \$14,659) and communications (surplus of \$20,647) making up the larger components.
- Public works was significantly under budget because of the very mild winter with Streets and Sidewalks (surplus of \$174,648) and the Garage (surplus of \$59,777).
- General assistance after several years of higher payments saw a decline this past year with a surplus \$102,672.
- Education surplus of \$691,540 attributable to lower than anticipated, High School (surplus of \$179,251) special education costs (surplus of \$241,876), board of education expenses (surplus of \$161,926) offset by higher costs expended for Technology (deficit of \$137,193).



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

**Capital Asset and Debt Administration**

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

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

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

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

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

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

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

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

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

|   | Governmental<br><u>Activities</u> | Business-type<br><u>Activities</u> | <u>Total</u>             |
|---|-----------------------------------|------------------------------------|--------------------------|
| General Obligation Bonds payable at June 30, 2011               | \$ 22,280,000                     | 806,392                            | 23,086,392               |
| Principal additions   | 30,000,000                        | -                                  | 30,000,000               |
| Advance refunding –net reduction                                | (95,000)                          | -                                  | (95,000)                 |
| Principal payments  | (2,595,000)                       | (332,102)                          | (2,927,102)              |
| <b><u>General Obligation Bonds payable at June 30, 2012</u></b> | <b><u>\$ 49,590,000</u></b>       | <b><u>474,289</u></b>              | <b><u>50,064,289</u></b> |

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

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

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

**Economic Factors and Next Year's Budgets and Rates**

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

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

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

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

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

**Revenue Projections:**

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

**Property Values and Business Development:**

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

**Health Insurance and Other Costs:**

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

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

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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

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

*See accompanying notes to basic financial statements.*

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

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

*See accompanying notes to basic financial statements.*

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

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

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, 2012

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

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2012**

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

*See accompanying notes to basic financial statements.*

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

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

See accompanying notes to basic financial statements.

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

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

*See accompanying notes to basic financial statements.*

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

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

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

*See accompanying notes to basic financial statements.*

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

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

*See accompanying notes to basic financial statements.*

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

|                                | <b>Private-<br/>purpose<br/>Trust<br/>Funds</b> |
|--------------------------------|---|
| <b>Additions:</b>              |   |
| Donations                      | \$ 57,018                                       |
| Investment earnings:           |   |
| Interest                       | 78,112  |
| Unrealized gain (loss)         | 30,841  |
| <b>Total additions</b>         | <b>165,971</b>                                  |
| <b>Deductions:</b>             |   |
| Scholarships and other         | 72,137  |
| <b>Total deductions</b>        | <b>72,137</b>                                   |
| Change in net assets           | 93,834  |
| Net assets, beginning of year  | 2,262,499                                       |
| <b>Net assets, end of year</b> | <b>\$ 2,356,333</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 assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The City reports the following major proprietary fund:

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

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

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

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Cash, Cash Equivalents and Investments**

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

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

**E. Interfund Loans**

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

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

**F. Inventories**

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

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**H. Capital Assets, continued**

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

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

**I. Compensated Absences**

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

**J. Long-term Obligations**

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

**K. Fund Equity**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

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

**L. Interfund Transactions**

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

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

**M. Comparative Data**

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

**N. Use of Estimates**

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2012:

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

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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 \$217,096.

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

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED**

**B. Excess of Expenditures Over Appropriations**

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

**C. Deficit Fund Balances**

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

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

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

**DEPOSITS AND INVESTMENTS**

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

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

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

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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

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

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

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

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

**PROPERTY TAX**

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

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$504,295 for the year ended June 30, 2012.

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

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

The following summarizes the levy:

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

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

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

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

**CAPITAL ASSETS**

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

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

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

|   |                     |
|---|---------------------|
| <b>Governmental activities:</b>                             |                     |
| General government  | \$ 178,385          |
| Public safety   | 664,188             |
| Public works  | 1,242,131           |
| Culture and recreation                                      | 532,762             |
| Transportation and waterfront                               | 207,292             |
| Education   | 1,484,052           |
| <b>Total depreciation expense – governmental activities</b> | <b>\$ 4,308,810</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, 2012 was as follows:

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

**LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2012, 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        | \$ 22,280,000               | 30,000,000        | 2,690,000         | 49,590,000               | 2,315,000                     |
| Bond Premiums                   | -                           | 2,737,580         | -                 | 2,737,580                | 160,765                       |
| Capital leases                  | 2,458,226                   | -                 | 259,639           | 2,198,587                | 201,721                       |
| Landfill closure                | 102,000                     | 11,778            | 11,778            | 102,000                  | 8,500                         |
| Other post employment benefits  | 510,306                     | 316,282           | 101,612           | 724,976                  | -                             |
| Compensated absences            | 3,204,758                   | 1,387,664         | 1,464,417         | 3,128,005                | 897,234                       |
| <b>Governmental activity</b>    |                             |                   |                   |                          |                               |
| <b>long-term liabilities</b>    | <b>\$ 28,555,290</b>        | <b>34,453,304</b> | <b>4,527,446</b>  | <b>58,481,148</b>        | <b>3,583,220</b>              |

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

**LONG-TERM DEBT, CONTINUED**

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

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

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

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

(2) Of the outstanding bond principal, \$250,000 is for City and \$700,000 is for School.

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

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

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

**LONG-TERM DEBT, CONTINUED**

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

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

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

| June 30,     | Governmental activities |                   |                   | Business-type activities |          |                |
|--------------|-------------------------|-------------------|-------------------|--------------------------|----------|----------------|
|              | Principal               | Interest          | Total             | Principal                | Interest | Total          |
| 2013         | \$ 2,315,000            | 1,321,228         | 3,636,228         | 27,102                   | -        | 27,102         |
| 2014         | 3,810,000               | 1,617,728         | 5,427,728         | 27,102                   | -        | 27,102         |
| 2015         | 3,810,000               | 1,489,502         | 5,299,502         | 27,102                   | -        | 27,102         |
| 2016         | 3,685,000               | 1,344,085         | 5,029,085         | 27,102                   | -        | 27,102         |
| 2017         | 3,510,000               | 1,203,780         | 4,713,780         | 27,102                   | -        | 27,102         |
| 2018-2022    | 13,520,000              | 4,555,750         | 18,075,750        | 135,511                  | -        | 135,511        |
| 2023-2027    | 9,250,000               | 2,529,250         | 11,779,250        | 135,511                  | -        | 135,511        |
| 2028-2032    | 8,190,000               | 858,900           | 9,048,900         | 67,757                   | -        | 67,757         |
| 2033-2037    | 1,500,000               | 22,500            | 1,522,500         | -                        | -        | -              |
| <b>Total</b> | <b>\$ 49,590,000</b>    | <b>14,942,723</b> | <b>64,532,723</b> | <b>474,289</b>           | <b>-</b> | <b>474,289</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, 2012, the statutory limit for the City was \$533,475,000. The City's outstanding long-term debt of \$50,064,289 at June 30, 2012 was \$483,410,711 less than the statutory limit.

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

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

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

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**JOINTLY GOVERNED ORGANIZATION**

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

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

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**CAPITAL LEASES**

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

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

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

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

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**LANDFILL**

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

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**INTERFUND BALANCES AND TRANSFERS**

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

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

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

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

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

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

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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, 2012, the City maintained an unassigned fund balance of \$10,591,915 which is 14.70 percent of the fiscal year 2013 budget of \$72,027,775.

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

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

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

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

**FUND BALANCES, CONTINUED**

|                           |                      |                   |                   |
|---------------------------|----------------------|-------------------|-------------------|
| <b>Committed:</b>         |                      |                   |                   |
| General government        | \$ 1,891,373         | 1,177,459         | 3,068,832         |
| Public safety             | 519,831              | 100,683           | 620,514           |
| Public works              | 670,121              | 584,161           | 1,254,282         |
| Transit and waterfront    | 258,915              | 168,070           | 426,985           |
| Culture and recreation    | -                    | 169,270           | 169,270           |
| Capital projects          | -                    | 5,488,392         | 5,488,392         |
| Total committed           | 3,340,240            | 7,688,035         | 11,028,275        |
| <br><b>Assigned:</b>      |                      |                   |                   |
| General government        | 2,489,919            | -                 | 2,489,919         |
| Public safety             | 96,173               | -                 | 96,173            |
| Public works              | 16,854               | -                 | 16,854            |
| Encumbrances              | 217,096              | -                 | 217,096           |
| Total assigned            | 2,820,042            | -                 | 2,820,042         |
| Unassigned                | 10,591,915           | (263,166)         | 10,328,749        |
| <b>Total fund balance</b> | <b>\$ 22,036,221</b> | <b>47,613,681</b> | <b>69,649,902</b> |

**CONSTRUCTION COMMITMENTS**

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

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

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

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

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

**Maine Public Employees Retirement System – Teachers Group**

**Description of Plan** – All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the Maine Public Employees Retirement System Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

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

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

**OTHER POST EMPLOYMENT BENEFITS**

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

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

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

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

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

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

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

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

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

**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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

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

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

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

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

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

**DEFERRED COMPENSATION PLAN**

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

**RISK MANAGEMENT**

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

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

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

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

**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 2011:

|  | <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                  | -                                      | 60,840              |
| <u>Increase in provision for prior year events</u> | <u>1,352</u>                           | <u>-</u>            |
| Total incurred claims                              | 1,352                                  | 60,840              |
| Payments:  |  |                     |
| Claims attributable to current year                | -                                      | 60,840              |
| <u>    Claims attributable to prior year</u>       | <u>1,352</u>                           | <u>-</u>            |
| Total payments                                     | 1,352                                  | 60,840              |
| <br><u>Unpaid claims, end of year</u>              | <br><u>\$ 125,000</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.

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

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

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**Schedule of Funding Progress**  
**Retiree Healthcare Plan**

| Fiscal<br>Year | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL) –<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a) / c] |
|----------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 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%  |

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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.

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

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

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

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

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

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

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

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

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

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

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

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

## TIF FUNDS

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**CITY OF SOUTH PORTLAND, MAINE**  
**TIF Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|  | 2501          | 2502          | 2503        | 2504     | 2505       | 2507       | 2508     | 2509      | 2510     |             |
|--|---------------|---------------|-------------|----------|------------|------------|----------|-----------|----------|-------------|
|  | Fairchild     | National      | One Wallace | Cummings | Long Creek | Brick Hill | Jared    | Hannaford | Downtown | Total       |
|  | Semiconductor | Semiconductor | Avenue      | Road     |            |            |          |           |          |             |
| Revenues:  |               |               |             |          |            |            |          |           |          |             |
| Taxes  | \$ 288,071    | 1,317,645     | 59,750      | 81,093   | 174,609    | 317,801    | 19,779   | 141,685   | -        | 2,400,433   |
| State BETE revenue   | 944,803       | -             | -           | -        | -          | -          | -        | -         | -        | 944,803     |
| Investment earnings  | 19,904        | 1,708         | 2,977       | 6,296    | 5,052      | 1,816      | 401      | 2,987     | 444      | 41,585      |
| Total revenues   | 1,252,778     | 1,319,353     | 62,727      | 87,389   | 179,661    | 319,617    | 20,180   | 144,672   | 444      | 3,386,821   |
| Expenditures:  |               |               |             |          |            |            |          |           |          |             |
| Current:   |               |               |             |          |            |            |          |           |          |             |
| Public Works   | 111,004       | 43,082        | -           | 19,681   | 11,976     | -          | 4,637    | -         | -        | 190,380     |
| Other  | 144,035       | 1,054,116     | 6,067       | -        | 94,777     | 171,755    | -        | -         | -        | 1,470,750   |
| Capital expenditures   | -             | -             | -           | -        | -          | -          | -        | -         | -        | -           |
| Total expenditures   | 255,039       | 1,097,198     | 6,067       | 19,681   | 106,753    | 171,755    | 4,637    | -         | -        | 1,661,130   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 997,739       | 222,155       | 56,660      | 67,708   | 72,908     | 147,862    | 15,543   | 144,672   | 444      | 1,725,691   |
| Other financing sources (uses):                              |               |               |             |          |            |            |          |           |          |             |
| Transfers - out  | (1,619,498)   | (62,578)      | -           | (70,000) | (70,000)   | (150,517)  | (25,000) | (458,000) | (70,000) | (2,525,593) |
| Total other financing sources (uses)                         | (1,619,498)   | (62,578)      | -           | (70,000) | (70,000)   | (150,517)  | (25,000) | (458,000) | (70,000) | (2,525,593) |
| Net change in fund balances                                  | (621,759)     | 159,577       | 56,660      | (2,292)  | 2,908      | (2,655)    | (9,457)  | (313,328) | (69,556) | (799,902)   |
| Fund balances, beginning of year                             | 2,384,672     | 102,529       | 356,249     | 821,549  | 626,876    | 234,702    | 50,640   | 417,846   | 70,016   | 5,065,079   |
| Fund balances, end of year                                   | \$ 1,762,913  | 262,106       | 412,909     | 819,257  | 629,784    | 232,047    | 41,183   | 104,518   | 460      | 4,265,177   |

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## **CAPITAL PROJECT FUND**

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**CITY OF SOUTH PORTLAND, MAINE**  
**Capital Projects**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|                                      | Fund<br>balance<br>beginning of<br>year | Revenues         |                        |                  | Expenditures      | Other financing<br>sources (uses) |           | Fund<br>balance<br>end of<br>year |
|--------------------------------------|---|------------------|------------------------|------------------|-------------------|-----------------------------------|-----------|-----------------------------------|
|                                      |   | Other            | Investment<br>earnings |                  |                   | Issuance<br>of debt               | Transfers |                                   |
| City capital projects:               |   |                  |                        |                  |                   |                                   |           |                                   |
| 4008 Landfill closeout               | \$ 17,657                               | -                | 116                    | 11,778           | -                 | -                                 | -         | 5,995                             |
| 4009 Transfer facility               | 112,486                                 | -                | 890                    | -                | -                 | -                                 | -         | 113,376                           |
| 4011 Paving                          | 1,249,827                               | -                | 7,397                  | 696,827          | -                 | 500,000                           | -         | 1,060,397                         |
| 4012 Bug Light Park                  | 1,446                                   | -                | -                      | -                | -                 | -                                 | -         | 1,446                             |
| 4018 Chlorination/Dechlorinate       | 17,227                                  | -                | -                      | -                | -                 | -                                 | -         | 17,227                            |
| 4038 City FY 01 projects             | 36,357                                  | -                | 285                    | -                | -                 | (1,667)                           | -         | 34,975                            |
| 4040 East Broadway improvement       | 12,269                                  | -                | 74                     | 1,338            | -                 | (10,931)                          | -         | 74                                |
| 4044 Undesignated CIP projects       | 12,101                                  | -                | -                      | 440              | -                 | (3,325)                           | -         | 8,336                             |
| 4045 City FY 03 projects             | 131,509                                 | -                | 853                    | -                | -                 | (119,425)                         | -         | 12,937                            |
| 4047 City FY 04 projects             | 72,609                                  | -                | 451                    | 62,842           | -                 | -                                 | -         | 10,218                            |
| 4049 City FY 05 projects             | 2,495                                   | -                | -                      | 2,495            | -                 | -                                 | -         | -                                 |
| 4051 City FY 06 projects             | 37,623                                  | -                | -                      | -                | -                 | -                                 | -         | 37,623                            |
| 4053 City FY 07 projects             | 189,575                                 | -                | -                      | -                | -                 | (178,690)                         | -         | 10,885                            |
| 4055 City FY 08 projects             | 67,211                                  | -                | -                      | -                | -                 | (25,000)                          | -         | 42,211                            |
| 4056 City FY 09 projects             | 33,357                                  | -                | -                      | -                | -                 | (11,357)                          | -         | 22,000                            |
| 4061 Library CIP                     | 76,700                                  | -                | -                      | 3,627            | -                 | 30,000                            | -         | 103,073                           |
| 4063 Police CIP                      | 52,452                                  | -                | -                      | 17,451           | -                 | 15,000                            | -         | 50,001                            |
| 4064 Fire CIP                        | 105,750                                 | -                | -                      | 61,920           | -                 | 488,000                           | -         | 531,830                           |
| 4072 Public works CIP                | 965,511                                 | -                | -                      | 887,296          | -                 | 1,289,010                         | -         | 1,367,225                         |
| 4077 Parks and recreation CIP        | 446,971                                 | -                | -                      | 321,489          | -                 | 268,614                           | -         | 394,096                           |
| 4080 Bus CIP                         | 213,301                                 | 128,018          | -                      | 160,357          | -                 | -                                 | -         | 180,962                           |
| 4081 Waterfront CIP                  | 66,936                                  | -                | -                      | 8,531            | -                 | -                                 | -         | 58,405                            |
| 4151 Municipal buildings CIP         | 966,015                                 | -                | 47                     | 883,580          | -                 | 80,000                            | -         | 162,482                           |
| 4155 Information technology CIP      | 135,763                                 | -                | -                      | 17,117           | -                 | -                                 | -         | 118,646                           |
| 4156 Planning CIP                    | 37,688                                  | -                | -                      | 37,943           | -                 | 27,500                            | -         | 27,245                            |
| <b>Total City capital projects</b>   | <b>5,060,836</b>                        | <b>128,018</b>   | <b>10,113</b>          | <b>3,175,031</b> | <b>-</b>          | <b>2,347,729</b>                  | <b>-</b>  | <b>4,371,665</b>                  |
| School capital projects:             |   |                  |                        |                  |                   |                                   |           |                                   |
| 0301 Major capital projects:         |   |                  |                        |                  |                   |                                   |           |                                   |
| ADA Buildings - School               | 31,468                                  | -                | -                      | -                | -                 | -                                 | -         | 31,468                            |
| High School Auditorium/Cafeteria     | 11,927                                  | -                | -                      | -                | -                 | -                                 | -         | 11,927                            |
| School FY 02 projects                | 326,276                                 | -                | 2,265                  | -                | -                 | -                                 | -         | 328,541                           |
| 0303 SPHS construction/renovation    | 252,493                                 | 1,050,000        | 6,007                  | 3,290,111        | 32,642,580        | 1,900,000                         | -         | 32,560,969                        |
| 0400 School FY 03 projects           | 191,082                                 | -                | 1,512                  | -                | -                 | -                                 | -         | 192,594                           |
| 0401 School FY 04 projects           | 198,761                                 | -                | 1,573                  | -                | -                 | -                                 | -         | 200,334                           |
| 0402 School FY 01 projects           | 218,586                                 | -                | 1,730                  | -                | -                 | -                                 | -         | 220,316                           |
| 0403 School FY 05 projects           | 60,636                                  | -                | 480                    | -                | -                 | -                                 | -         | 61,116                            |
| 0404 School FY 07 projects           | 44,022                                  | -                | -                      | -                | -                 | -                                 | -         | 44,022                            |
| 0455 School FY 08 projects           | 26,409                                  | -                | -                      | -                | -                 | -                                 | -         | 26,409                            |
| 0405 School FY 10 projects           | 2,971,738                               | -                | 36,862                 | -                | -                 | (1,900,000)                       | -         | 1,108,600                         |
| 0406 Energy savings projects         | -                                       | -                | -                      | 151,657          | -                 | -                                 | -         | (151,657)                         |
| <b>Total School capital projects</b> | <b>4,333,398</b>                        | <b>1,050,000</b> | <b>50,429</b>          | <b>3,441,768</b> | <b>32,642,580</b> | <b>-</b>                          | <b>-</b>  | <b>34,634,639</b>                 |
| <b>Total capital projects</b>        | <b>\$ 9,394,234</b>                     | <b>1,178,018</b> | <b>60,542</b>          | <b>6,616,799</b> | <b>32,642,580</b> | <b>2,347,729</b>                  | <b>-</b>  | <b>39,006,304</b>                 |

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**ALL OTHER GOVERNMENTAL FUNDS**

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**CITY OF SOUTH PORTLAND, MAINE**  
**All Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2012**

|  | Nonmajor<br>Special Revenue<br>Funds | Nonmajor<br>Permanent<br>Funds | Total<br>Other<br>Governmental<br>Funds |
|--|--------------------------------------|--------------------------------|---|
| <b>ASSETS</b>                                    |                                      |                                |   |
| Investments                                      | \$ 439,577                           | 331,181                        | 770,758                                 |
| Due from other governments                       | 1,412,767                            | -                              | 1,412,767                               |
| Accounts receivable, net of allowance of \$3,445 | 28,975                               | -                              | 28,975                                  |
| Interfund loan receivable                        | 2,565,143                            | -                              | 2,565,143                               |
| Inventory  | 19,361                               | -                              | 19,361                                  |
| <b>Total assets</b>                              | <b>\$ 4,465,823</b>                  | <b>331,181</b>                 | <b>4,797,004</b>                        |
| <b>LIABILITIES AND FUND BALANCES</b>             |                                      |                                |   |
| Liabilities:                                     |                                      |                                |   |
| Accounts payable                                 | 181,059                              | -                              | 181,059                                 |
| Accrued liabilities                              | 31,406                               | -                              | 31,406                                  |
| Accrued teachers' summer salaries                | 242,339                              | -                              | 242,339                                 |
| <b>Total liabilities</b>                         | <b>454,804</b>                       | <b>-</b>                       | <b>454,804</b>                          |
| Fund balances:                                   |                                      |                                |   |
| Nonspendable                                     | 19,361                               | 198,949                        | 218,310                                 |
| Restricted                                       | 1,903,524                            | 132,232                        | 2,035,756                               |
| Committed  | 2,199,643                            | -                              | 2,199,643                               |
| Unassigned                                       | (111,509)                            | -                              | (111,509)                               |
| <b>Total fund balances</b>                       | <b>4,011,019</b>                     | <b>331,181</b>                 | <b>4,342,200</b>                        |
| <b>Total liabilities and fund balances</b>       | <b>\$ 4,465,823</b>                  | <b>331,181</b>                 | <b>4,797,004</b>                        |

**CITY OF SOUTH PORTLAND, MAINE**  
**All Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|  | Nonmajor<br>Special Revenue<br>Funds | Nonmajor<br>Permanent<br>Funds | Total<br>Other<br>Governmental<br>Funds |
|--|--------------------------------------|--------------------------------|---|
| <b>Revenues:</b>   |                                      |                                |   |
| Taxes  | \$ 20,000                            |                                | 20,000                                  |
| Charges for services   | 1,470,418                            | -                              | 1,470,418                               |
| Intergovernmental  | 6,480,148                            | -                              | 6,480,148                               |
| Investment income  | 31,670                               | 15,644                         | 47,314                                  |
| Other  | 700,827                              | -                              | 700,827                                 |
| <b>Total revenues</b>  | <b>8,703,063</b>                     | <b>15,644</b>                  | <b>8,718,707</b>                        |
| <b>Expenditures:</b>   |                                      |                                |   |
| General government   | 1,080,038                            | -                              | 1,080,038                               |
| Public safety  | 737,318                              | -                              | 737,318                                 |
| Public works   | 420,812                              | -                              | 420,812                                 |
| Culture and recreation   | 912,791                              | -                              | 912,791                                 |
| Transportation and waterfront                                    | 18,028                               | -                              | 18,028                                  |
| Education  | 4,239,996                            | -                              | 4,239,996                               |
| School lunch program   | 1,591,951                            | -                              | 1,591,951                               |
| Other  | -                                    | 1,679                          | 1,679                                   |
| <b>Total expenditures</b>  | <b>9,000,934</b>                     | <b>1,679</b>                   | <b>9,002,613</b>                        |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(297,871)</b>                     | <b>13,965</b>                  | <b>(283,906)</b>                        |
| <b>Other financing sources (uses):</b>                           |                                      |                                |   |
| Transfers-in (out)   | 120,142                              | -                              | 120,142                                 |
| <b>Total other financing sources (uses)</b>                      | <b>120,142</b>                       | <b>-</b>                       | <b>120,142</b>                          |
| <b>Net change in fund balances</b>                               | <b>(177,729)</b>                     | <b>13,965</b>                  | <b>(163,764)</b>                        |
| <b>Fund balances, beginning of year</b>                          | <b>4,188,748</b>                     | <b>317,216</b>                 | <b>4,505,964</b>                        |
| <b>Fund balances, end of year</b>                                | <b>\$ 4,011,019</b>                  | <b>331,181</b>                 | <b>4,342,200</b>                        |

## **NONMAJOR SPECIAL REVENUE FUNDS**

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

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**CITY OF SOUTH PORTLAND, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2012**

|  | Special Revenues                 |                          |                              |                         | Total<br>Nonmajor<br>Special Revenue<br>Funds |
|--|----------------------------------|--------------------------|------------------------------|-------------------------|---|
|  | City<br>Special Revenues<br>Fund | School<br>Grant<br>Funds | School<br>Adult<br>Education | School<br>Lunch<br>Fund |   |
| <b>ASSETS</b>                                    |                                  |                          |                              |                         |   |
| Investments                                      | \$ 439,577                       | -                        | -                            | -                       | 439,577                                       |
| Due from other governments                       | 438,717                          | 876,406                  | -                            | 97,644                  | 1,412,767                                     |
| Accounts receivable, net of allowance of \$3,445 | 28,975                           | -                        | -                            | -                       | 28,975  |
| Interfund loans receivable                       | 2,315,169                        | 182,700                  | 5,239                        | 62,035                  | 2,565,143                                     |
| Inventory  | -                                | -                        | -                            | 19,361                  | 19,361  |
| <b>Total assets</b>                              | <b>\$ 3,222,438</b>              | <b>1,059,106</b>         | <b>5,239</b>                 | <b>179,040</b>          | <b>4,465,823</b>                              |
| <b>LIABILITIES AND FUND BALANCES</b>             |                                  |                          |                              |                         |   |
| Liabilities:                                     |                                  |                          |                              |                         |   |
| Accounts payable                                 | 102,448                          | 25,133                   | 72                           | 53,406                  | 181,059                                       |
| Accrued liabilities                              | 31,406                           | -                        | -                            | -                       | 31,406  |
| Accrued teachers' summer salaries                | -                                | 227,335                  | 2,458                        | 12,546                  | 242,339                                       |
| <b>Total liabilities</b>                         | <b>133,854</b>                   | <b>252,468</b>           | <b>2,530</b>                 | <b>65,952</b>           | <b>454,804</b>                                |
| Fund balances:                                   |                                  |                          |                              |                         |   |
| Nonspendable                                     | -                                | -                        | -                            | 19,361                  | 19,361  |
| Restricted                                       | 990,679                          | 816,409                  | 2,709                        | 93,727                  | 1,903,524                                     |
| Committed  | 2,199,643                        | -                        | -                            | -                       | 2,199,643                                     |
| Unassigned                                       | (101,738)                        | (9,771)                  | -                            | -                       | (111,509)                                     |
| <b>Total fund balances</b>                       | <b>3,088,584</b>                 | <b>806,638</b>           | <b>2,709</b>                 | <b>113,088</b>          | <b>4,011,019</b>                              |
| <b>Total liabilities and fund balances</b>       | <b>\$ 3,222,438</b>              | <b>1,059,106</b>         | <b>5,239</b>                 | <b>179,040</b>          | <b>4,465,823</b>                              |

**CITY OF SOUTH PORTLAND, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|   | Special Revenues                  |                          |                              |                         | Total<br>Nonmajor<br>Special Revenue<br>Funds |
|---|-----------------------------------|--------------------------|------------------------------|-------------------------|---|
|   | City<br>Special Revenues<br>Funds | School<br>Grant<br>Funds | School<br>Adult<br>Education | School<br>Lunch<br>Fund |   |
| Revenues:   |                                   |                          |                              |                         |   |
| Taxes   | \$ -                              | -                        | 20,000                       | -                       | 20,000  |
| Charges for services                                      | 869,197                           | -                        | -                            | 601,221                 | 1,470,418                                     |
| Intergovernmental   | 1,988,805                         | 3,866,521                | 7,115                        | 617,707                 | 6,480,148                                     |
| Investment income   | 31,670                            | -                        | -                            | -                       | 31,670  |
| Other   | 277,329                           | 422,323                  | 1,175                        | -                       | 700,827                                       |
| Total revenues  | 3,167,001                         | 4,288,844                | 28,290                       | 1,218,928               | 8,703,063                                     |
| Expenditures:   |                                   |                          |                              |                         |   |
| Current:  |                                   |                          |                              |                         |   |
| General government  | 1,080,038                         | -                        | -                            | -                       | 1,080,038                                     |
| Public safety   | 737,318                           | -                        | -                            | -                       | 737,318                                       |
| Public works  | 420,812                           | -                        | -                            | -                       | 420,812                                       |
| Culture and recreation                                    | 912,791                           | -                        | -                            | -                       | 912,791                                       |
| Transportation and waterfront                             | 18,028                            | -                        | -                            | -                       | 18,028  |
| Education   | -                                 | 4,212,612                | 27,384                       | -                       | 4,239,996                                     |
| School lunch program                                      | -                                 | -                        | -                            | 1,591,951               | 1,591,951                                     |
| Total expenditures  | 3,168,987                         | 4,212,612                | 27,384                       | 1,591,951               | 9,000,934                                     |
| Excess (deficiency) of revenues over (under) expenditures | (1,986)                           | 76,232                   | 906                          | (373,023)               | (297,871)                                     |
| Other financing sources (uses):                           |                                   |                          |                              |                         |   |
| Transfers-in (out)  | (231,412)                         | 21,054                   | -                            | 330,500                 | 120,142                                       |
| Total other financing sources and (uses)                  | (231,412)                         | 21,054                   | -                            | 330,500                 | 120,142                                       |
| Net change in fund balances                               | (233,398)                         | 97,286                   | 906                          | (42,523)                | (177,729)                                     |
| Fund balances, beginning of year                          | 3,321,982                         | 709,352                  | 1,803                        | 155,611                 | 4,188,748                                     |
| Fund balances, end of year                                | \$ 3,088,584                      | 806,638                  | 2,709                        | 113,088                 | 4,011,019                                     |

## **NONMAJOR PERMANENT FUNDS**

Nonmajor permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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CITY OF SOUTH PORTLAND, MAINE  
 Nonmajor Permanent Funds  
 Combining Balance Sheet  
 June 30, 2012

|  | 7001                           | 7002                          | 7003                     | 7004                        | 7006                         | 7007              | 7008                         | 7009  |                |
|--|--------------------------------|-------------------------------|--------------------------|-----------------------------|------------------------------|-------------------|------------------------------|---|----------------|
|  | Lillian<br>Anderson<br>Bequest | Lois V.<br>Whitten<br>Bequest | Reta<br>Nappi<br>Bequest | Virginia<br>Boyd<br>Bequest | Sandra<br>Coolbroth<br>Trust | Callahan<br>Trust | Virginia<br>Lewis<br>Bequest | W.P. Adams<br>Maintenance<br>Liberty Ship<br>Memorial | Total          |
| <b>ASSETS</b>                              |                                |                               |                          |                             |                              |                   |                              |   |                |
| Investments                                | \$ 26,751                      | 9,415                         | 2,683                    | 3,660                       | 90,641                       | 122,331           | 42,785                       | 32,915  | 331,181        |
| Interfund loans receivable                 | -                              | -                             | -                        | -                           | -                            | -                 | -                            | -   | -              |
| <b>Total assets</b>                        | <b>\$ 26,751</b>               | <b>9,415</b>                  | <b>2,683</b>             | <b>3,660</b>                | <b>90,641</b>                | <b>122,331</b>    | <b>42,785</b>                | <b>32,915</b>   | <b>331,181</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                |                               |                          |                             |                              |                   |                              |   |                |
| Liabilities:                               |                                |                               |                          |                             |                              |                   |                              |   |                |
| Interfund loans payable                    | -                              | -                             | -                        | -                           | -                            | -                 | -                            | -   | -              |
| <b>Total liabilities</b>                   | <b>-</b>                       | <b>-</b>                      | <b>-</b>                 | <b>-</b>                    | <b>-</b>                     | <b>-</b>          | <b>-</b>                     | <b>-</b>  | <b>-</b>       |
| Fund balances:                             |                                |                               |                          |                             |                              |                   |                              |   |                |
| Nonspendable principal                     | 16,406                         | 5,430                         | 1,566                    | 3,150                       | 52,238                       | 70,502            | 24,657                       | 25,000  | 198,949        |
| Restricted                                 | 10,345                         | 3,985                         | 1,117                    | 510                         | 38,403                       | 51,829            | 18,128                       | 7,915   | 132,232        |
| <b>Total fund balances</b>                 | <b>26,751</b>                  | <b>9,415</b>                  | <b>2,683</b>             | <b>3,660</b>                | <b>90,641</b>                | <b>122,331</b>    | <b>42,785</b>                | <b>32,915</b>   | <b>331,181</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 26,751</b>               | <b>9,415</b>                  | <b>2,683</b>             | <b>3,660</b>                | <b>90,641</b>                | <b>122,331</b>    | <b>42,785</b>                | <b>32,915</b>   | <b>331,181</b> |

**CITY OF SOUTH PORTLAND, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|                                  | 7001                           | 7002                          | 7003                     | 7004                        | 7006                         | 7007              | 7008                         | 7009  |         |
|----------------------------------|--------------------------------|-------------------------------|--------------------------|-----------------------------|------------------------------|-------------------|------------------------------|---|---------|
|                                  | Lillian<br>Anderson<br>Bequest | Lois V.<br>Whitten<br>Bequest | Reta<br>Nappi<br>Bequest | Virginia<br>Boyd<br>Bequest | Sandra<br>Coolbroth<br>Trust | Callahan<br>Trust | Virginia<br>Lewis<br>Bequest | W.P. Adams<br>Maintenance<br>Liberty Ship<br>Memorial | Total   |
| Revenues:                        |                                |                               |                          |                             |                              |                   |                              |   |         |
| Investment income:               |                                |                               |                          |                             |                              |                   |                              |   |         |
| Interest income                  | \$ 872                         | 307                           | 87                       | 119                         | 2,953                        | 3,987             | 1,394                        | 1,073   | 10,792  |
| Unrealized gain/(loss)           | 394                            | 138                           | 39                       | 53                          | 1,332                        | 1,798             | 629                          | 469   | 4,852   |
| Donations                        | -                              | -                             | -                        | -                           | -                            | -                 | -                            | -   | -       |
| Total revenues                   | 1,266                          | 445                           | 126                      | 172                         | 4,285                        | 5,785             | 2,023                        | 1,542   | 15,644  |
| Expenditures:                    |                                |                               |                          |                             |                              |                   |                              |   |         |
| Other                            | 135                            | 47                            | 13                       | 19                          | 458                          | 619               | 216                          | 172   | 1,679   |
| Total expenditures               | 135                            | 47                            | 13                       | 19                          | 458                          | 619               | 216                          | 172   | 1,679   |
| Net change in fund balances      | 1,131                          | 398                           | 113                      | 153                         | 3,827                        | 5,166             | 1,807                        | 1,370   | 13,965  |
| Fund balances, beginning of year | 25,620                         | 9,017                         | 2,570                    | 3,507                       | 86,814                       | 117,165           | 40,978                       | 31,545  | 317,216 |
| Fund balances, end of year       | \$ 26,751                      | 9,415                         | 2,683                    | 3,660                       | 90,641                       | 122,331           | 42,785                       | 32,915  | 331,181 |

**PROPRIETARY FUNDS**

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**CITY OF SOUTH PORTLAND, MAINE**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Budget and Actual - Proprietary Fund**  
**For the year ended June 30, 2012**

|   | Budget             |                    | Actual             | Variance with<br>final budget<br>positive<br>(negative) |
|---|--------------------|--------------------|--------------------|---|
|   | Original           | Final              |                    |   |
| <b>Operating revenues:</b>  |                    |                    |                    |   |
| Charges for services  | \$ 5,251,049       | 5,251,049          | 5,386,650          | 135,601   |
| Interest and penalties  | 2,000              | 2,000              | 729                | (1,271)   |
| Licenses  | 56,582             | 56,582             | 48,998             | (7,584)   |
| <b>Total operating revenues</b>   | <b>5,309,631</b>   | <b>5,309,631</b>   | <b>5,436,377</b>   | <b>126,746</b>  |
| <b>Operating expenses:</b>  |                    |                    |                    |   |
| Administration  | 141,655            | 141,655            | 144,123            | (2,468)   |
| Treatment plant   | 965,388            | 965,388            | 916,998            | 48,390  |
| Pump stations   | 517,750            | 517,750            | 482,107            | 35,643  |
| Billing   | 195,270            | 195,270            | 192,748            | 2,522   |
| Sewer maintenance   | 710,092            | 710,092            | 704,496            | 5,596   |
| Engineering   | 167,428            | 167,428            | 164,259            | 3,169   |
| Debt service  | 347,805            | 347,805            | 347,805            | -   |
| Compliance  | 88,786             | 88,786             | 82,242             | 6,544   |
| Sludge disposal   | 349,492            | 349,492            | 321,045            | 28,447  |
| Insurance   | 695,731            | 695,731            | 621,643            | 74,088  |
| <b>Total operating expenses</b>   | <b>4,179,397</b>   | <b>4,179,397</b>   | <b>3,977,466</b>   | <b>201,931</b>  |
| <b>Operating income</b>   | <b>1,130,234</b>   | <b>1,130,234</b>   | <b>1,458,911</b>   | <b>328,677</b>  |
| <b>Nonoperating revenues (expenses):</b>  |                    |                    |                    |   |
| Equipment reserve   | (1,128,614)        | (1,128,614)        | (1,128,614)        | -   |
| <b>Total nonoperating revenues (expenses)</b>   | <b>(1,128,614)</b> | <b>(1,128,614)</b> | <b>(1,128,614)</b> | <b>-</b>  |
| <b>Income before transfers</b>  | <b>1,620</b>       | <b>1,620</b>       | <b>330,297</b>     | <b>328,677</b>  |
| <b>Transfers out</b>  | <b>(1,620)</b>     | <b>(1,620)</b>     | <b>(1,296)</b>     | <b>324</b>  |
| <b>Total transfers</b>  | <b>(1,620)</b>     | <b>(1,620)</b>     | <b>(1,296)</b>     | <b>324</b>  |
| <b>Change in net assets - budgetary basis</b>   | <b>-</b>           | <b>-</b>           | <b>329,001</b>     | <b>329,001</b>  |
| <b>Reconciliation to GAAP basis:</b>  |                    |                    |                    |   |
| Revenues and expenditures in the reserve funds are included on the GAAP basis, but not the budgetary basis:                                     |                    |                    |                    |   |
| Reserve revenues  |                    |                    | 30,143             |   |
| Reserve expenditures  |                    |                    | (642,105)          |   |
| Transfers into reserves   |                    |                    | 1,128,614          |   |
| Transfers in from other funds   |                    |                    | 145,376            |   |
| Capital outlays are recorded as expenditures on the budgetary basis, but are capitalized and expensed over their useful life on the GAAP basis: |                    |                    |                    |   |
| Transfers in of capital assets  |                    |                    | 563,821            |   |
| Depreciation expense  |                    |                    | (1,804,359)        |   |
| Transfers in from TIF Funds   |                    |                    | 1,672,578          |   |
| Repayment of bond principal is an expenditure on the budgetary basis, but reduces the long-term liability on the GAAP basis:                    |                    |                    |                    |   |
| Bond principal  |                    |                    | 332,102            |   |
| Change in accruals are recorded on the GAAP basis, but not on the budgetary basis:  |                    |                    |                    |   |
| Interest expense  |                    |                    | 5,753              |   |
| <b>Change in net assets - GAAP basis</b>  |                    |                    | <b>1,760,924</b>   |   |
| <b>Net assets, beginning of year</b>  |                    |                    | <b>59,180,149</b>  |   |
| <b>Net assets, end of year</b>  | <b>\$</b>          |                    | <b>60,941,073</b>  |   |

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## **AGENCY FUNDS**

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**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds**  
**Agency Funds**  
**For the Year Ended June 30, 2012**

|                           | Balance           |                |                | Balance        |
|---------------------------|-------------------|----------------|----------------|----------------|
|                           | July 1, 2011      | Additions      | Deductions     | June 30, 2012  |
| <b>ASSETS</b>             |                   |                |                |                |
| Cash and cash equivalents | \$ 107,843        | 223,195        | 226,753        | 104,285        |
| <b>Total assets</b>       | <b>107,843</b>    | <b>223,195</b> | <b>226,753</b> | <b>104,285</b> |
| <b>LIABILITIES</b>        |                   |                |                |                |
| Due to others             | 107,843           | 223,195        | 226,753        | 104,285        |
| <b>Total liabilities</b>  | <b>\$ 107,843</b> | <b>223,195</b> | <b>226,753</b> | <b>104,285</b> |

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## SCHEDULES



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

|                          |                                     | Fund<br>balance<br>beginning of<br>year | Revenues               |         | Expenditures | Transfers | Fund<br>balance<br>end of<br>year |
|--------------------------|-------------------------------------|---|------------------------|---------|--------------|-----------|-----------------------------------|
|                          |                                     |   | Inter-<br>governmental | Other   |              |           |                                   |
| General Government:      |                                     |   |                        |         |              |           |                                   |
| Federal grants:          |                                     |   |                        |         |              |           |                                   |
| 2115                     | CDBG - Entitlement Community        | \$ 21,901                               | 629,674                | -       | 619,769      | -         | 31,806                            |
| 2155                     | Housing Revolving Loan              | 64,226                                  | -                      | 53      | -            | -         | 64,279                            |
| 2193                     | Energy Efficiency and Conservation  | (503)                                   | 60,792                 | -       | 60,289       | -         | -                                 |
| State grants:            |                                     |   |                        |         |              |           |                                   |
| 2031                     | Watershed Plan                      | (1,249)                                 | 15,971                 | -       | 15,971       | -         | (1,249)                           |
| 2055                     | Comprehensive Planning Grant        | (39)                                    | -                      | -       | -            | 39        | -                                 |
| 2138                     | Greater Portland Public Development | 51,841                                  | -                      | 132     | -            | -         | 51,973                            |
| 2154                     | Land Use Regulation Grant           | 233                                     | -                      | -       | -            | -         | 233                               |
| Other:                   |                                     |   |                        |         |              |           |                                   |
| 2008                     | Restoration of Records              | 1,251                                   | -                      | -       | -            | -         | 1,251                             |
| 2042                     | Business Development Revolving Loan | 57,846                                  | -                      | -       | -            | -         | 57,846                            |
| 2044                     | City Hall Water & Soda              | 440                                     | -                      | 4       | 184          | -         | 260                               |
| 2053                     | Wallace Avenue Directional          | 2,143                                   | -                      | 16      | -            | -         | 2,159                             |
| 2057                     | Downeast Energy Traffic Improvement | 4,599                                   | -                      | 37      | -            | -         | 4,636                             |
| 2058                     | NE Audio/Tweeter Sidewalks          | 9,761                                   | -                      | 77      | -            | -         | 9,838                             |
| 2067                     | Toys "R" Us Sidewalks               | 10,215                                  | -                      | 80      | -            | -         | 10,295                            |
| 2088                     | SPCTV                               | 612,806                                 | -                      | 195,808 | 177,343      | (6,191)   | 625,080                           |
| 2094                     | Gannett Traffic Signal Escrow       | 25,120                                  | -                      | 199     | -            | -         | 25,319                            |
| 2097                     | Wellness Committee                  | 725                                     | 6,600                  | 360     | 7,013        | -         | 672                               |
| 2099                     | Gannett Drive Wagner Escrow         | 6,080                                   | -                      | -       | 6,057        | (23)      | -                                 |
| 2108                     | Longhorn Steakhouse Escrow          | 18,120                                  | -                      | 143     | -            | -         | 18,263                            |
| 2114                     | Sawyer/Broadway Intersection        | 5,532                                   | -                      | 44      | -            | -         | 5,576                             |
| 2120                     | Evan/Highland Toddle Inn Escrow     | 22,189                                  | -                      | 177     | -            | -         | 22,366                            |
| 2129                     | Westbrook/Western Escrow            | 1,170                                   | -                      | 1,215   | -            | -         | 2,385                             |
| 2136                     | Knightville/Mill Creek Plan         | 7,981                                   | -                      | -       | -            | -         | 7,981                             |
| 2139                     | Brickhill Traffic Escrow            | 1,159                                   | -                      | 9       | -            | -         | 1,168                             |
| 2146                     | Heating Assistance                  | 13,581                                  | -                      | 4,408   | 348          | -         | 17,641                            |
| 2149                     | Westbrook/South Portland Assessing  | 2                                       | 185,004                | -       | 182,945      | (216)     | 1,845                             |
| 2161                     | War Memorial                        | 350                                     | -                      | 275     | -            | -         | 625                               |
| 2165                     | Freshwater Wetland Fund             | 83,833                                  | -                      | 1,832   | 2,799        | -         | 82,866                            |
| 2169                     | John Roberts Road Escrow            | 1,500                                   | -                      | 600     | -            | -         | 2,100                             |
| 2179                     | Land Bank Trust                     | 421,193                                 | -                      | 20,640  | 7,320        | 35,000    | 469,513                           |
| 2188                     | Longcreek Tragedy Memorial          | 237                                     | -                      | -       | -            | -         | 237                               |
| 2190                     | LID Manual                          | (4,826)                                 | -                      | -       | -            | -         | (4,826)                           |
| Total General Government |                                     | 1,439,417                               | 898,041                | 226,109 | 1,080,038    | 28,609    | 1,512,138                         |

**CITY OF SOUTH PORTLAND, MAINE**  
**City Special Revenues**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|                     |                                      | Fund<br>balance<br>beginning of<br>year | Revenues               |       | Expenditures | Transfers | Fund<br>balance<br>end of<br>year |
|---------------------|--------------------------------------|---|------------------------|-------|--------------|-----------|-----------------------------------|
|                     |                                      |   | Inter-<br>governmental | Other |              |           |                                   |
| Public Safety:      |                                      |   |                        |       |              |           |                                   |
| Federal grants:     |                                      |   |                        |       |              |           |                                   |
| 2023                | OUI Grant                            | 918                                     | -                      | -     | -            | -         | 918                               |
| 2050                | Asset Forfeiture - Federal           | 1,846                                   | 498                    | 15    | 1,224        | -         | 1,135                             |
| 2064                | Seat Belt Enforcement Grant          | 2,237                                   | -                      | -     | -            | -         | 2,237                             |
| 2089                | Cops Hiring                          | -                                       | 24,684                 | -     | 24,684       | -         | -                                 |
| 2102                | Body Armor                           | (2,846)                                 | 7,679                  | -     | 18,133       | 13,300    | -                                 |
| 2121                | Supplemental Homeland Security       | (20,361)                                | 456,013                | -     | 442,839      | 7,187     | -                                 |
| 2125                | County Hazmat Grant                  | (1,225)                                 | 16,647                 | -     | 8,521        | -         | 6,901                             |
| 2126                | State Hazmat Grant                   | 3,172                                   | -                      | -     | -            | -         | 3,172                             |
| 2151                | Justice Assistance Grant             | (264)                                   | 107,084                | -     | 98,888       | -         | 7,932                             |
| 2160                | Speed Enforcement                    | (1,754)                                 | 15,148                 | -     | 10,924       | -         | 2,470                             |
| 2167                | Underage Drinking Enforcement        | (1,968)                                 | 7,881                  | -     | 4,986        | -         | 927                               |
| 2181                | Language Access New America          | 1,711                                   | -                      | -     | -            | -         | 1,711                             |
| State grants:       |                                      |   |                        |       |              |           |                                   |
| 2049                | Asset Forfeiture - State             | 45,216                                  | 8,514                  | 313   | 30,099       | -         | 23,944                            |
| 2192                | Maine Investigative Agent            | (919)                                   | 79,034                 | -     | 79,093       | -         | (978)                             |
| Other:              |                                      |   |                        |       |              |           |                                   |
| 2009                | Officer Friendly                     | 600                                     | -                      | 975   | 792          | -         | 783                               |
| 2018                | Hazardous Materials                  | 89,354                                  | -                      | -     | -            | -         | 89,354                            |
| 2086                | Police Donations                     | 4,888                                   | 500                    | 2,700 | 4,020        | -         | 4,068                             |
| 2107                | Tobacco Cessation                    | 9,216                                   | -                      | 2,901 | 1,199        | -         | 10,918                            |
| 2142                | SP Police Youth Program              | 12,476                                  | -                      | 1,925 | 3,064        | -         | 11,337                            |
| 2174                | Fire Donation                        | 8,320                                   | -                      | 568   | 3,016        | -         | 5,872                             |
| 2178                | Outside OT - Code Enforcement        | 5,041                                   | -                      | -     | -            | -         | 5,041                             |
| 2182                | Compliance Check                     | 970                                     | -                      | -     | -            | -         | 970                               |
| 2186                | County Underage Drinking Enforcement | 2,980                                   | 8,520                  | -     | 5,836        | -         | 5,664                             |
| 2194                | Fire Training                        | 3,141                                   | 5,800                  | -     | -            | -         | 8,941                             |
| Total Public Safety |                                      | 162,749                                 | 738,002                | 9,397 | 737,318      | 20,487    | 193,317                           |

**CITY OF SOUTH PORTLAND, MAINE**  
**City Special Revenues**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|                                     |                                     | Fund<br>balance<br>beginning of<br>year | Revenues               |                  | Expenditures     | Transfers        | Fund<br>balance<br>end of<br>year |
|-------------------------------------|-------------------------------------|---|------------------------|------------------|------------------|------------------|-----------------------------------|
|                                     |                                     |   | Inter-<br>governmental | Other            |                  |                  |                                   |
| Public Works:                       |                                     |   |                        |                  |                  |                  |                                   |
| Federal grants:                     |                                     |   |                        |                  |                  |                  |                                   |
| 2096                                | FEMA Disaster Relief                | \$ 154,253                              | -                      | -                | 23,426           | -                | 130,827                           |
| 2191                                | Safer Routes to Schools             | 4,018                                   | -                      | -                | -                | -                | 4,018                             |
| State grants:                       |                                     |   |                        |                  |                  |                  |                                   |
| 2046                                | State Aid Highway Block Grant       | 429,470                                 | 351,262                | 3,529            | 169,741          | (323,611)        | 290,909                           |
| Other:                              |                                     |   |                        |                  |                  |                  |                                   |
| 2024                                | Recycling                           | 2,406                                   | -                      | 762              | 394              | -                | 2,774                             |
| 2082                                | Street Openings                     | 189,331                                 | -                      | 88,659           | 70,982           | (108)            | 206,900                           |
| 2084                                | Sewer Impact                        | 504,384                                 | -                      | 26,372           | 156,269          | -                | 374,487                           |
| Total Public Works                  |                                     | 1,283,862                               | 351,262                | 119,322          | 420,812          | (323,719)        | 1,009,915                         |
| Culture and Recreation:             |                                     |   |                        |                  |                  |                  |                                   |
| Other:                              |                                     |   |                        |                  |                  |                  |                                   |
| 2035                                | Tree Fund                           | -                                       | -                      | 300              | -                | -                | 300                               |
| 2037                                | Debevoise Tennis Court              | 1,426                                   | -                      | 701              | -                | -                | 2,127                             |
| 2056                                | Library Donations                   | 35,264                                  | -                      | 1,878            | 388              | -                | 36,754                            |
| 2071                                | Golf Course                         | 201,277                                 | -                      | 191,003          | 217,786          | (35,664)         | 138,830                           |
| 2072                                | Recreation                          | (71,805)                                | -                      | 548,126          | 648,940          | 78,875           | (93,744)                          |
| 2073                                | Donations to Parks and Recreation   | 52,303                                  | -                      | 11,338           | 3,431            | -                | 60,210                            |
| 2076                                | Art in the Park                     | 33,732                                  | -                      | 23,925           | 27,517           | -                | 30,140                            |
| 2106                                | Friends of Maine Libraries          | 36                                      | -                      | -                | 45               | 9                | -                                 |
| 2109                                | Bug Light Beautification            | 1,326                                   | -                      | -                | 2,267            | -                | (941)                             |
| 2116                                | Ge Erskine Park                     | 1,987                                   | -                      | -                | -                | -                | 1,987                             |
| 2152                                | Friends of South Portland Libraries | 719                                     | -                      | 12,000           | 12,417           | (9)              | 293                               |
| 2189                                | Communities Promoting Health        | 575                                     | -                      | -                | -                | -                | 575                               |
| Total Culture and Recreation        |                                     | 256,840                                 | -                      | 789,271          | 912,791          | 43,211           | 176,531                           |
| Transportation and Waterfront:      |                                     |   |                        |                  |                  |                  |                                   |
| Federal grants:                     |                                     |   |                        |                  |                  |                  |                                   |
| 2041                                | Section 9 Capital                   | 21,436                                  | -                      | -                | -                | -                | 21,436                            |
| 2093                                | Rural Transit Assistance Grant      | 1,530                                   | 1,500                  | -                | 747              | -                | 2,283                             |
| State grants:                       |                                     |   |                        |                  |                  |                  |                                   |
| 2133                                | Small Harbor Improvement Program    | 4,894                                   | -                      | -                | -                | -                | 4,894                             |
| Other:                              |                                     |   |                        |                  |                  |                  |                                   |
| 2074                                | Boat Ramp                           | -                                       | -                      | 12,702           | 13,625           | 923              | -                                 |
| 2075                                | Portland Street Pier                | 151,254                                 | -                      | 21,149           | 2,713            | (1,620)          | 168,070                           |
| 2117                                | Thomas Knight Boat Landing          | -                                       | -                      | 246              | 943              | 697              | -                                 |
| Total Transportation and Waterfront |                                     | 179,114                                 | 1,500                  | 34,097           | 18,028           | -                | 196,683                           |
| <b>Total city special revenues</b>  |                                     | <b>\$ 3,321,982</b>                     | <b>1,988,805</b>       | <b>1,178,196</b> | <b>3,168,987</b> | <b>(231,412)</b> | <b>3,088,584</b>                  |

**CITY OF SOUTH PORTLAND, MAINE**  
**School Grant Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|                                       | Fund<br>balance<br>beginning of<br>year | Revenues | Expenditures | Transfers | Fund<br>balance<br>end of<br>year |
|---------------------------------------|---|----------|--------------|-----------|-----------------------------------|
| Federal Grants:                       |   |          |              |           |                                   |
| 0020                                  | ARRA - Stabilization Fund               | \$ 881   | 981,777      | 982,658   | -                                 |
| 0046                                  | ARRA - Maine Care                       | 25,502   | -            | 25,502    | -                                 |
| 0050                                  | ARRA - Local Entitlement                | -        | 21,900       | 21,900    | -                                 |
| 0051                                  | ARRA - Preschool                        | -        | 1,448        | 1,448     | -                                 |
| 0230                                  | Title IA - Disadvantaged                | -        | 519,219      | 519,219   | -                                 |
| 0231                                  | Title I - Program Improvement           | 3,109    | 53,415       | 56,524    | -                                 |
| 0242                                  | Smaller Learning Communities            | -        | 11,068       | 11,068    | -                                 |
| 0247                                  | Local Entitlement                       | -        | 684,569      | 684,569   | -                                 |
| 0251                                  | Preschool Grant                         | 675      | 2,320        | 2,995     | -                                 |
| 0259                                  | Second Language Program                 | (19,018) | 16,000       | 16,000    | 19,018                            |
| 0263                                  | 21st Century Grant                      | -        | 129,592      | 151,071   | 21,479                            |
| 0264                                  | Title V                                 | (2)      | -            | -         | (2)                               |
| 0268                                  | Title III - Language Acquisition        | 14,242   | 22,569       | 36,811    | -                                 |
| 0270                                  | Title II A - Improving Teacher Quality  | 14,088   | 123,591      | 123,591   | 14,088                            |
| 0275                                  | Elementary School Program               | 500      | -            | -         | 500                               |
| 0295                                  | Adult Basic Education                   | -        | 18,336       | 18,336    | -                                 |
| 0299                                  | Education Jobs Bill                     | -        | 1,245,036    | 1,245,036 | -                                 |
|                                       | Total federal grants                    | 39,977   | 3,830,840    | 3,896,728 | 40,497                            |
| State Grants:                         |   |          |              |           |                                   |
| 0216                                  | MMSA Cooperating School                 | 2,704    | -            | -         | 2,704                             |
| 0220                                  | MSLN Grant                              | 68,001   | -            | -         | 68,001                            |
| 0221                                  | Health & Wellness Grants:               |          |              |           |                                   |
|                                       | Health & Wellness                       | 420      | -            | -         | 420                               |
|                                       | Dental Study                            | 3,427    | -            | -         | 3,427                             |
|                                       | Action for Healthy Kids                 | 10       | -            | -         | 10                                |
|                                       | Integrated Youth Health Survey          | 300      | -            | -         | 300                               |
| 0224                                  | Partners in Arts & Learning             | 735      | -            | -         | 735                               |
| 0225                                  | Reading Recovery                        | 1,248    | -            | -         | 1,248                             |
| 0226                                  | Learning Results                        | (405)    | -            | -         | (405)                             |
| 0228                                  | Art Department Grant                    | 2,000    | -            | -         | 2,000                             |
| 0229                                  | State Agency Clients                    | 22,853   | -            | 5,771     | 17,082                            |
| 0284                                  | E-Rate                                  | 83,290   | 35,681       | 62,749    | 56,222                            |
|                                       | Total state grants                      | 184,583  | 35,681       | 68,520    | 151,744                           |
| Local Grants and Other Special Funds: |   |          |              |           |                                   |
| 0200                                  | SPHS Auditorium:                        |          |              |           |                                   |
|                                       | SPHS Auditorium                         | 86,399   | 12,800       | 7,224     | 91,975                            |
|                                       | Elaine Wolfson Memorial                 | 1,158    | -            | -         | 1,158                             |
| 0201                                  | Local SPHS:                             |          |              |           |                                   |
|                                       | High School Musical                     | 10,475   | 30,176       | 17,953    | 22,698                            |
|                                       | High School Aspirations                 | 18,522   | 13,100       | 14,485    | 17,137                            |
|                                       | SPHS Friends                            | 8,859    | -            | 1,646     | 7,213                             |
|                                       | SPHS Class of 1940                      | 100      | -            | -         | 100                               |
|                                       | Readiness Partnership                   | 178      | -            | -         | 178                               |

**CITY OF SOUTH PORTLAND, MAINE**  
**School Grant Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|  | Fund<br>balance<br>beginning of<br>year | Revenues         | Expenditures     | Transfers     | Fund<br>balance<br>end of<br>year |
|--|---|------------------|------------------|---------------|-----------------------------------|
| Local Grants and Other Special Funds, Continued: |   |                  |                  |               |                                   |
| 0203 Primary Books                               | \$ 7,906                                | -                | 3,096            | -             | 4,810                             |
| 0204 Local Grants:                               |   |                  |                  |               |                                   |
| Memorial Tech Grant Koelker                      | (1,237)                                 | -                | -                | -             | (1,237)                           |
| National Semiconductor (Morneault)               | 174                                     | -                | -                | -             | 174                               |
| National Semiconductor (Brown)                   | (3,683)                                 | -                | -                | -             | (3,683)                           |
| National Semiconductor (Stem Grant)              | 75,000                                  | 76,000           | 61,407           | -             | 89,593                            |
| Innovative Idea (Thurlow)                        | 1,558                                   | -                | -                | -             | 1,558                             |
| Summer Music (Memorial)                          | 1,680                                   | 340              | 781              | -             | 1,239                             |
| Kids Consortium Memorial                         | 477                                     | -                | -                | -             | 477                               |
| Memorial Friends                                 | (247)                                   | 9,121            | 2,247            | -             | 6,627                             |
| Cohen Foundation - Pre-school                    | -                                       | 50,000           | 50,000           | -             | -                                 |
| Great Bay Foundation - Kaler                     | -                                       | 125,000          | -                | -             | 125,000                           |
| Target Kaler Prof. Development Grant             | -                                       | 4,000            | -                | -             | 4,000                             |
| Girls Leadership Initiative                      | 31                                      | -                | -                | -             | 31                                |
| Donations  | 1,513                                   | 3,600            | -                | -             | 5,113                             |
| Transition Books                                 | 1,996                                   | 1,200            | 1,658            | -             | 1,538                             |
| 0205 Local Boosters:                             |   |                  |                  |               |                                   |
| Baseball Boosters                                | 500                                     | -                | -                | -             | 500                               |
| Hockey Boosters                                  | (3,931)                                 | -                | -                | -             | (3,931)                           |
| Lacrosse Club Boys                               | 2,625                                   | -                | -                | -             | 2,625                             |
| Lacrosse Club Girls                              | 3,861                                   | -                | -                | -             | 3,861                             |
| MSSPA Playoffs                                   | 3,657                                   | 4,750            | 2,610            | -             | 5,797                             |
| Johnson Athletic                                 | 2,891                                   | -                | -                | 15,078        | 17,969                            |
| 0206 Southern Maine (LCA) Project                | (721)                                   | 1,173            | 315              | -             | 137                               |
| 0207 Dyer Friends                                | 79                                      | -                | -                | -             | 79                                |
| 0208 Staff Computer Training                     | (476)                                   | -                | -                | -             | (476)                             |
| 0209 Future Builders/Summer School               | 17,252                                  | 16,965           | 19,504           | -             | 14,713                            |
| 0211 Robotics                                    | 5,000                                   | 42,648           | 47,685           | -             | (37)                              |
| 0212 21st Century Donations                      | 214,798                                 | 21,182           | 2,208            | (40,496)      | 193,276                           |
| 0213 Quest                                       | 7,551                                   | -                | -                | -             | 7,551                             |
| 0214 Skillin Local:                              |   |                  |                  |               |                                   |
| Skillin Playground                               | 655                                     | -                | -                | -             | 655                               |
| Friends Skillin Library                          | 559                                     | 6,328            | 5,198            | -             | 1,689                             |
| Skillin Natural Science                          | 925                                     | 650              | 1,120            | -             | 455                               |
| Skillin Friends                                  | 228                                     | -                | -                | -             | 228                               |
| 0215 Gates Teacher Leader Grant                  | 1,500                                   | -                | -                | -             | 1,500                             |
| 0217 Art Donations                               | 150                                     | 785              | 78               | -             | 857                               |
| 0218 Small Friends                               | 88                                      | -                | -                | -             | 88                                |
| 0219 Local Friends Grants:                       |   |                  |                  |               |                                   |
| Brown Friends                                    | 1,620                                   | 350              | -                | -             | 1,970                             |
| Mary F Marsh Book                                | 5,401                                   | 250              | -                | -             | 5,651                             |
| Mahoney Friends                                  | 276                                     | -                | -                | -             | 276                               |
| Kaler Friends                                    | 1,295                                   | 170              | 160              | -             | 1,305                             |
| 0222 Special Education Access Channel            | 7,100                                   | -                | 6,235            | 5,975         | 6,840                             |
| 0227 Teamwork for Kids - Fallon                  | 1,000                                   | -                | -                | -             | 1,000                             |
| 0615 Adult Ed Enrichment                         | 50                                      | 1,735            | 1,754            | -             | 31                                |
| Total local grants and other special funds       | 484,792                                 | 422,323          | 247,364          | (19,443)      | 640,308                           |
| <b>Total</b>                                     | <b>\$ 709,352</b>                       | <b>4,288,844</b> | <b>4,212,612</b> | <b>21,054</b> | <b>806,638</b>                    |

**CITY OF SOUTH PORTLAND, MAINE**  
**Private-purpose Trust Funds**  
**Combining Schedule of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2012**

|  | Net<br>assets<br>beginning<br>of year | Additions           |                    |   | Deductions    | Net<br>assets<br>end of<br>year |
|--|---------------------------------------|---------------------|--------------------|---|---------------|---------------------------------|
|  |                                       | Donations/<br>other | Interest<br>income | Realized and<br>Unrealized<br>gain (loss) |               |                                 |
| Private-purpose trusts:                |                                       |                     |                    |   |               |                                 |
| 0801 Dora Small Trust                  | \$ 8,899                              | -                   | 303                | 137                                       | 47            | 9,292                           |
| 0803 Lewis Trust (School)              | 1,496,681                             | -                   | 51,116             | 21,298                                    | 46,243        | 1,522,852                       |
| 0804 Alley Scholarship                 | 11,449                                | -                   | 389                | 169                                       | 313           | 11,694                          |
| 0805 Davidson Scholarship              | 4,967                                 | -                   | 169                | 73  | 228           | 4,981                           |
| 0806 Elliot Scholarship                | 7,466                                 | -                   | 254                | 110                                       | 241           | 7,589                           |
| 0807 Friese Scholarship                | 6,527                                 | -                   | 222                | 98  | 235           | 6,612                           |
| 0808 Harvie Scholarship                | 5,267                                 | -                   | 183                | 78  | 130           | 5,398                           |
| 0809 Naylon Scholarship                | 5                                     | -                   | -                  | -   | -             | 5                               |
| 0810 Norwood Scholarship               | (4,200)                               | 52,863              | 1,175              | (1,237)                                   | 1,500         | 47,101                          |
| 0811 Reynolds Scholarship              | 73                                    | -                   | 2                  | 1   | -             | 76                              |
| 0812 Robinson Scholarship              | 30                                    | -                   | 1                  | -   | -             | 31                              |
| 0813 Schwartz Scholarship              | 792                                   | -                   | 27                 | 11  | 4             | 826                             |
| 0814 Smart Scholarship                 | 18,336                                | 2,115               | 636                | 282                                       | 1,595         | 19,774                          |
| 0815 Super Runion Scholarship          | 8,046                                 | -                   | 274                | 118                                       | 245           | 8,193                           |
| 0816 Wiggin Scholarship                | 8,729                                 | -                   | 297                | 128                                       | 248           | 8,906                           |
| 0817 Paul Fiore Scholarship            | 6,063                                 | -                   | 206                | 91  | 33            | 6,327                           |
| 0818 John Millington Scholarship       | 13,574                                | -                   | 492                | 193                                       | 477           | 13,782                          |
| 0819 Stu Brown Scholarship             | 76                                    | -                   | 1                  | -   | -             | 77                              |
| 0820 William Linskey Memorial          | 11,160                                | -                   | 379                | 158                                       | 563           | 11,134                          |
| 0821 SPSHS Recycle Club Scholarship    | 1                                     | -                   | -                  | -   | -             | 1                               |
| 0822 Governor's Restaurant Scholarship | 3                                     | -                   | -                  | -   | -             | 3                               |
| 0823 Book Trust                        | 2,646                                 | -                   | 90                 | 40  | 214           | 2,562                           |
| 0824 Eagles Association Scholarship    | 1                                     | -                   | -                  | -   | -             | 1                               |
| 0825 Sherrie Libby Scholarship         | 9,426                                 | -                   | 320                | 138                                       | 452           | 9,432                           |
| 0826 Gustaf W Johnson Scholarship      | 595,438                               | -                   | 20,380             | 8,465                                     | 15,810        | 608,473                         |
| 0827 A Varanelli Scholarship           | 4,144                                 | -                   | 137                | 35  | 1,096         | 3,220                           |
| 0828 Downing Scholarship               | 7,521                                 | -                   | 256                | 136                                       | 32            | 7,881                           |
| 0829 Robert Graff Scholarship          | 2,506                                 | -                   | 73                 | 53  | 7             | 2,625                           |
| 0830 Rosella Loveitt Trust             | 2,524                                 | -                   | 86                 | 47  | 210           | 2,447                           |
| 0831 Deveboise Scholarship             | 17,577                                | -                   | 139                | -   | 139           | 17,577                          |
| 0832 TJ Michaud                        | 317                                   | -                   | 2                  | -   | -             | 319                             |
| 0833 Walker Scholarship                | 2,185                                 | 1,040               | 18                 | -   | 1,000         | 2,243                           |
| 0834 Burton Scholarship                | -                                     | 1,000               | -                  | -   | 1,000         | -                               |
| 7506 Eleanor Hatch Trust               | 14,270                                | -                   | 485                | 219                                       | 75            | 14,899                          |
| <b>Total private-purpose trusts</b>    | <b>\$ 2,262,499</b>                   | <b>57,018</b>       | <b>78,112</b>      | <b>30,841</b>                             | <b>72,137</b> | <b>2,356,333</b>                |

## STATISTICAL SECTION



## STATISTICAL SECTION

This part of City of South Portland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| <u>Contents</u>  | <u>Tables</u> |
|--|---------------|
| Financial Trends<br><i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>   | 1-5           |
| Revenue Capacity<br><i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>   | 6-11          |
| Debt Capacity<br><i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>                            | 12-14         |
| Demographic and Economic Information<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>  | 15-16         |
| Operating Information<br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | 17-19         |

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CITY OF SOUTH PORTLAND, MAINE  
 Net Assets by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

|   | Fiscal Year           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2003                  | 2004                  | 2005                  | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  | 2011                  | 2012                  |
| Governmental activities                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 59,716,644         | \$ 49,299,478         | \$ 56,427,912         | \$ 53,045,309         | \$ 60,871,026         | \$ 61,842,283         | \$ 62,710,640         | \$ 58,877,233         | \$ 65,465,039         | \$ 68,914,663         |
| Restricted                                      | 21,435,671            | 9,034,497             | 7,551,453             | 5,580,125             | 6,789,992             | 5,617,965             | 5,231,382             | 20,519,257            | 16,473,151            | 11,783,906            |
| Unrestricted                                    | 8,069,035             | 23,169,347            | 20,446,568            | 28,131,091            | 21,778,559            | 27,506,644            | 28,222,514            | 14,161,211            | 14,713,818            | 17,843,882            |
| Total governmental activities net assets        | <u>\$ 89,221,350</u>  | <u>\$ 81,503,322</u>  | <u>\$ 84,425,933</u>  | <u>\$ 86,756,525</u>  | <u>\$ 89,439,577</u>  | <u>\$ 94,966,892</u>  | <u>\$ 96,164,536</u>  | <u>\$ 93,557,701</u>  | <u>\$ 96,652,008</u>  | <u>\$ 98,542,451</u>  |
| Business-type activities                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 33,681,135         | \$ 47,372,868         | \$ 46,517,541         | \$ 46,845,715         | \$ 47,074,503         | \$ 46,308,755         | \$ 46,316,298         | \$ 45,994,633         | \$ 47,843,440         | \$ 49,501,248         |
| Restricted                                      | 29,114                | 46,402                | 25,857                | -                     | 16,387                | 59,260                | 3,695,284             | 9,527,765             | 6,884,009             | 5,877,132             |
| Unrestricted                                    | 5,467,551             | 6,234,019             | 7,043,102             | 7,443,111             | 7,459,989             | 7,982,872             | 5,484,960             | 4,297,811             | 4,452,700             | 5,562,693             |
| Total business-type net assets                  | <u>\$ 39,177,800</u>  | <u>\$ 53,653,289</u>  | <u>\$ 53,586,500</u>  | <u>\$ 54,288,826</u>  | <u>\$ 54,550,879</u>  | <u>\$ 54,350,887</u>  | <u>\$ 55,496,542</u>  | <u>\$ 59,820,209</u>  | <u>\$ 59,180,149</u>  | <u>\$ 60,941,073</u>  |
| Primary government                              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Invested in capital assets, net of related debt | \$ 93,397,779         | \$ 96,672,346         | \$ 102,945,453        | \$ 99,891,024         | \$ 107,945,529        | \$ 108,151,038        | \$ 109,026,938        | \$ 104,871,866        | \$ 113,308,479        | \$ 118,415,911        |
| Restricted                                      | 21,464,785 (a)        | 9,080,899             | 7,577,310             | 5,580,125             | 6,806,379             | 5,677,225             | 8,926,666             | 30,047,022            | 23,357,160            | 17,661,038            |
| Unrestricted                                    | 13,536,586 (a)        | 29,403,366            | 27,489,670            | 35,574,202            | 29,238,548            | 35,489,516            | 33,707,474            | 18,459,022            | 19,166,518            | 23,406,575            |
| Total primary government net assets             | <u>\$ 128,399,150</u> | <u>\$ 135,156,611</u> | <u>\$ 138,012,433</u> | <u>\$ 141,045,351</u> | <u>\$ 143,990,456</u> | <u>\$ 149,317,779</u> | <u>\$ 151,661,078</u> | <u>\$ 153,377,910</u> | <u>\$ 155,832,157</u> | <u>\$ 159,483,524</u> |

(a) For fiscal year 2004, the City of South Portland changed accounting for restricted verses unrestricted.

CITY OF SOUTH PORTLAND, MAINE  
Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

| Expenses   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 |
| <b>Governmental activities:</b>                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                                     | \$ 7,573,487         | \$ 6,368,109         | \$ 7,145,994         | \$ 8,131,168         | \$ 7,858,530         | \$ 8,751,896 (e)     | \$ 9,495,321 (g)     | \$ 9,688,052         | \$ 9,760,459 (h)     | \$ 10,384,706        |
| Public safety  | 7,842,615            | 7,812,767            | 8,971,803            | 9,316,207            | 9,752,130            | 10,932,053 (e)       | 10,957,606           | 11,199,775           | 11,475,123           | 11,883,029           |
| Public works   | 9,172,222            | 6,904,028            | 8,150,388            | 8,636,981            | 8,098,520            | 8,471,162            | 10,588,187 (f)       | 8,857,599            | 7,919,091            | 7,333,922            |
| Culture and recreation                                 | 3,690,004            | 3,912,896            | 3,958,526            | 4,064,565            | 4,164,619            | 4,385,614            | 4,508,966            | 4,118,351            | 4,271,160            | 4,349,852            |
| Transportation and waterfront                          | 1,291,565            | 927,882              | 1,349,357            | 1,160,373            | 1,138,742            | 1,206,499            | 1,240,071            | 1,114,584            | 1,100,308            | 1,220,037            |
| Health, welfare and social services                    | 264,650              | 312,407              | 290,835              | 304,135              | 364,539              | 365,874              | 411,092              | 422,295              | 346,737              | 321,795              |
| Education  | 32,680,136           | 34,788,496           | 36,933,609           | 38,632,642           | 40,004,828           | 40,404,346           | 42,048,840           | 43,115,348           | 43,299,040           | 43,451,415           |
| School lunch   | 971,541              | 1,016,272            | 989,814              | 1,019,946            | 1,083,170            | 1,508,487            | 1,537,754            | 1,471,687            | 1,471,687            | 1,591,951            |
| Intergovernmental                                      | 1,769,580            | 1,884,150            | 1,888,324            | 1,916,839            | 1,916,991            | - (e)                | -                    | -                    | -                    | -                    |
| Other  | (a) 2,646,626        | 96,591               | 58,757               | 38,262               | 45,863               | 95,030               | -                    | -                    | -                    | -                    |
| Interest on debt service                               | 1,293,474            | 1,343,881            | 1,676,693            | 1,416,593            | 1,300,155            | 1,199,352            | 1,131,499            | 1,018,182            | 1,020,873            | 853,840              |
| Capital maintenance expenses                           | 3,162,797            | 436,400              | 2,577,522            | 1,397,328            | 895,800              | -                    | -                    | -                    | -                    | -                    |
| <b>Total governmental activities expenses</b>          | <b>72,358,697</b>    | <b>65,803,879</b>    | <b>73,991,622</b>    | <b>76,035,039</b>    | <b>76,623,887</b>    | <b>77,320,313</b>    | <b>81,919,336</b>    | <b>81,005,873</b>    | <b>80,664,478</b>    | <b>81,390,547</b>    |
| <b>Business-type activities:</b>                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Sewer  | 4,551,934            | 4,732,418            | 4,835,619            | 5,195,059            | 5,039,723            | 5,269,243            | 5,385,925            | 5,588,572            | 5,721,362            | 5,632,254            |
| <b>Total business-type activities expenses</b>         | <b>4,551,934</b>     | <b>4,732,418</b>     | <b>4,835,619</b>     | <b>5,195,059</b>     | <b>5,039,723</b>     | <b>5,269,243</b>     | <b>5,385,925</b>     | <b>5,588,572</b>     | <b>5,721,362</b>     | <b>5,632,254</b>     |
| <b>Total primary government expenses</b>               | <b>\$ 76,910,631</b> | <b>\$ 70,536,297</b> | <b>\$ 78,827,241</b> | <b>\$ 81,230,098</b> | <b>\$ 81,663,610</b> | <b>\$ 82,589,556</b> | <b>\$ 87,305,261</b> | <b>\$ 86,594,445</b> | <b>\$ 86,385,840</b> | <b>\$ 87,022,801</b> |
| <b>Program Revenues</b>                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Governmental activities:</b>                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Charges for services:</b>                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                                     | \$ 464,199           | \$ 223,890           | \$ 215,067           | \$ 204,337           | \$ 267,501           | \$ 394,785           | \$ 451,215           | \$ 460,562           | \$ 291,417           | \$ 305,479           |
| Public safety  | 1,244,363            | 905,122              | 1,066,820            | 1,145,692            | 1,626,374            | 1,663,068            | 1,297,109            | 1,281,955            | 1,222,605            | 1,188,407            |
| Public works   | 325,211              | 118,844              | 123,906              | 120,624              | 124,318              | 288,339              | 251,918              | 227,948              | 76,690               | 200,634              |
| Culture and recreation                                 | 838,092              | 845,778              | 852,827              | 876,989              | 888,205 (d)          | 967,556              | 961,885              | 1,026,341            | 945,933              | 923,531              |
| Transportation and waterfront                          | 239,863              | 167,314              | 158,990              | 168,988              | 182,179              | 239,178              | 254,240              | 249,769              | 285,060              | 393,663              |
| Health, welfare and social services                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Education  | -                    | -                    | -                    | -                    | -                    | -                    | 104,088              | 94,400               | 114,136              | 119,035              |
| School lunch program                                   | 13,969               | 588,725              | 584,481              | 642,172              | 618,742              | 677,501              | 666,218              | 617,646              | 559,536              | 559,536              |
| Other activities                                       | 450,510              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Operating grants and contributions                     | 7,817,923            | 10,232,481           | 11,708,167           | 12,522,647           | 12,844,817           | 12,534,281           | 13,129,038           | 13,495,633           | 11,296,237           | 12,254,487           |
| Capital grants and contributions                       | 365,484              | 616,700              | 510,698              | 527,922              | 524,503              | 427,728              | 666,143              | 438,734              | 1,888,618            | 479,280              |
| <b>Total governmental activities program revenues</b>  | <b>11,759,614</b>    | <b>13,698,854</b>    | <b>15,220,956</b>    | <b>16,209,371</b>    | <b>17,076,639</b>    | <b>17,192,436</b>    | <b>17,781,854</b>    | <b>17,892,988</b>    | <b>16,680,232</b>    | <b>16,424,052</b>    |
| <b>Business-type activities:</b>                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Charges for services:</b>                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Sewer  | 4,611,842            | 4,393,554            | 4,704,910            | 4,702,081            | 4,712,656            | 4,830,444            | 4,828,439            | 4,934,609            | 5,397,938            | 5,436,377            |
| Operating grants and contributions                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Capital grants and contributions                       | -                    | -                    | -                    | -                    | -                    | 175,000              | -                    | 207,671              | 63,392               | 110,000              |
| <b>Total business-type activities program revenues</b> | <b>4,611,842</b>     | <b>4,393,554</b>     | <b>4,704,910</b>     | <b>4,702,081</b>     | <b>4,712,656</b>     | <b>5,005,444</b>     | <b>4,828,439</b>     | <b>5,142,280</b>     | <b>5,461,330</b>     | <b>5,546,377</b>     |
| <b>Total primary government program revenues</b>       | <b>\$ 16,371,456</b> | <b>\$ 18,092,408</b> | <b>\$ 19,925,866</b> | <b>\$ 20,911,452</b> | <b>\$ 21,789,295</b> | <b>\$ 20,871,646</b> | <b>\$ 22,610,293</b> | <b>\$ 23,035,268</b> | <b>\$ 22,141,562</b> | <b>\$ 21,970,429</b> |

**CITY OF SOUTH PORTLAND**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

|   | Fiscal Year            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2003                   | 2004                   | 2005                   | 2006                   | 2007                   | 2008                   | 2009                   | 2010                   | 2011                   | 2012                   |
| <b>Net (expense)/revenue</b>                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                     | \$ (60,599,083)        | \$ (52,105,025)        | \$ (58,770,666)        | \$ (59,825,668)        | \$ (59,547,248)        | \$ (60,127,877)        | \$ (64,137,482)        | \$ (63,112,885)        | \$ (63,984,246)        | \$ (64,966,495)        |
| Business-type activities                                    | 59,908                 | (338,864)              | (130,709)              | (492,978)              | (327,067)              | (263,799)              | (557,486)              | (446,292)              | (260,032)              | (85,877)               |
| <b>Total primary government net (expense)/revenue</b>       | <u>\$ (60,539,175)</u> | <u>\$ (52,443,889)</u> | <u>\$ (58,901,375)</u> | <u>\$ (60,318,646)</u> | <u>\$ (59,874,315)</u> | <u>\$ (60,391,676)</u> | <u>\$ (64,694,968)</u> | <u>\$ (63,559,177)</u> | <u>\$ (64,244,278)</u> | <u>\$ (65,052,372)</u> |
| <b>General Revenues and other Changes<br/>in Net Assets</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                    |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Taxes:  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property taxes, levied for general purposes                 | \$ 49,627,579          | \$ 49,348,535          | \$ 51,026,917          | \$ 50,720,084          | \$ 51,914,401          | \$ 54,792,790          | \$ 55,427,763          | \$ 54,915,627          | \$ 55,589,394          | \$ 57,176,484          |
| Motor vehicle excise tax                                    | 3,854,073              | 3,847,112              | 3,916,469              | 4,044,271              | 4,161,209              | 4,778,818              | 4,989,942              | 4,076,731              | 4,942,156              | 5,037,900              |
| Cable television franchise                                  | 107,600                | 108,000                | 108,000                | 125,934                | 148,000                | 167,000                | 167,000                | 175,000                | 180,000                | 185,000                |
| Unrestricted grants and contributions                       | 2,099,373              | 2,607,591              | 2,879,068              | 2,663,615              | 2,492,697              | 2,799,221              | 3,656,803              | 4,140,782              | 4,234,142              | 4,244,228              |
| Miscellaneous (b)   | 3,550,133              | 2,378,322              | 2,810,310              | 3,688,724              | 2,037,648 (d)          | 971,453                | 1,503,264              | 976,023                | 1,224,520              | 1,400,096              |
| Gain (Loss) on sale of assets/property                      | 339,088                | (117,565)              | 47,088                 | 498,154                | (97,456)               | 2,000                  | -                      | -                      | 289,956                | (121,631)              |
| Interest and investment earnings                            | 1,145,075              | 1,020,909              | 935,274                | 1,516,896              | 1,920,809              | 2,077,877              | 1,247,382              | 948,180                | 829,187                | 751,519                |
| Transfers   | 309,550 (c)            | (14,805,907)           | (29,849)               | (1,101,418)            | (440,027)              | 66,033                 | (1,657,028)            | (4,726,293)            | (210,802)              | (1,816,658)            |
| <b>Total governmental activities</b>                        | <u>\$ 61,032,471</u>   | <u>\$ 44,386,997</u>   | <u>\$ 61,693,277</u>   | <u>\$ 62,156,260</u>   | <u>\$ 62,137,281</u>   | <u>\$ 65,655,192</u>   | <u>\$ 65,335,126</u>   | <u>\$ 60,506,050</u>   | <u>\$ 67,078,553</u>   | <u>\$ 66,856,938</u>   |
| Business-type activities:                                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Interest and investment earnings                            | 75,486                 | 8,446                  | 34,071                 | 99,484                 | 149,093                | 110,957                | 46,113                 | 43,666                 | 30,537                 | 30,143                 |
| Gain (Loss) on sale of assets/property                      | -                      | -                      | -                      | (5,598)                | -                      | -                      | -                      | -                      | (621,367)              | -                      |
| Transfers   | (309,550) (c)          | 14,805,907             | 29,849                 | 1,101,418              | 440,027                | (47,150)               | 1,657,028              | 4,726,293              | 210,802                | 1,816,658              |
| <b>Total business-type activities</b>                       | <u>(234,064)</u>       | <u>14,814,353</u>      | <u>63,920</u>          | <u>1,195,304</u>       | <u>589,120</u>         | <u>63,807</u>          | <u>1,703,141</u>       | <u>4,769,959</u>       | <u>(380,028)</u>       | <u>1,846,801</u>       |
| <b>Total primary government</b>                             | <u>\$ 60,798,407</u>   | <u>\$ 59,201,350</u>   | <u>\$ 61,757,197</u>   | <u>\$ 63,351,564</u>   | <u>\$ 62,726,401</u>   | <u>\$ 67,045,233</u>   | <u>\$ 67,038,267</u>   | <u>\$ 65,276,009</u>   | <u>\$ 66,698,525</u>   | <u>\$ 68,703,739</u>   |
| <b>Change in Net Assets</b>                                 |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                     | \$ 433,388             | \$ (7,718,028)         | \$ 2,922,611           | \$ 2,330,592           | \$ 2,590,033           | \$ 5,527,315           | \$ 1,197,644           | \$ (2,606,835)         | \$ 3,094,307           | \$ 1,890,443           |
| Business-type activities                                    | (174,156)              | 14,475,489             | (66,789)               | 702,326                | 262,053                | (199,992)              | 1,145,655              | 4,323,667              | (640,060)              | 1,760,924              |
| <b>Total primary government</b>                             | <u>\$ 259,232</u>      | <u>\$ 6,757,461</u>    | <u>\$ 2,855,822</u>    | <u>\$ 3,032,918</u>    | <u>\$ 2,852,086</u>    | <u>\$ 5,327,323</u>    | <u>\$ 2,343,299</u>    | <u>\$ 1,716,832</u>    | <u>\$ 2,454,247</u>    | <u>\$ 3,651,367</u>    |

(a) Maine Public Employees Retirement school payment is included in Other Expenses.

(b) Rent, Leases and one time cost adjustment to asset.

(c) The business-type activities transfer was a result of sewer pipe infrastructure entered into Public Works, but should have been attributed to Water Resource Protection.

(d) Certain recreation charges for services have been reclassified from previously recorded miscellaneous receipts to properly reflect their classification.

(e) Intergovernmental expenditures relating to County Tax have been reclassified to general government and public safety starting in Fiscal year 2008 to better reflect the function of those expenses. No restatement for county tax has been made for years prior to fiscal year 2008.

(f) Fiscal year 2009 public works includes a one time contribution towards a state road interchange project of \$2,050,000.

(g) Fiscal year 2009 was the first year of GASB #45 which includes the recognition of the annual required contribution for other post employment benefits.

(h) Fiscal years 2009 and 2010 have been restated to correct an actuarial error in the calculation of OPEB liability.

CITY OF SOUTH PORTLAND, MAINE  
 Program Revenues by Function/Program  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

| Function/Program                    | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                     | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          |
| Governmental activities:            |               |               |               |               |               |               |               |               |               |               |
| General government                  | \$ 984,073    | \$ 435,660    | \$ 980,761    | \$ 740,808    | \$ 675,933    | \$ 551,765    | \$ 1,223,949  | \$ 1,088,768  | \$ 1,023,181  | \$ 1,203,520  |
| Public safety                       | 1,375,139     | 1,086,032     | 1,584,300     | 1,839,285     | 2,391,416     | 1,984,122     | 1,790,751     | 1,825,941     | 2,370,744     | 1,987,659     |
| Public works                        | 476,323       | 834,776       | 830,515       | 986,921       | 1,071,128     | 737,532       | 928,021       | 676,642       | 420,743       | 551,896       |
| Culture and recreation              | 920,393       | 310,660       | 167,957       | 165,888       | 107,035       | 166,204       | 984,385       | 1,026,341     | 947,023       | 923,531       |
| Transportation and waterfront       | 680,656       | 277,803       | 319,587       | 597,081       | 400,075       | 492,824       | 452,590       | 438,416       | 1,581,186     | 690,767       |
| Health, welfare and social services | 51,337        | 76,110        | 73,559        | 74,090        | 100,824       | 114,320       | 138,875       | 169,058       | 131,513       | 99,697        |
| Education                           | 6,821,183     | 9,980,158     | 10,559,875    | 11,069,862    | 11,549,058    | 11,819,435    | 12,263,283    | 12,667,822    | 10,205,842    | 10,966,982    |
| Unclassified (a)                    | 450,510       | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Total governmental activities       | 11,759,614    | 13,001,199    | 14,516,554    | 15,473,935    | 16,295,469    | 15,866,202    | 17,781,854    | 17,892,988    | 16,680,232    | 16,424,052    |
| Business-type activities:           |               |               |               |               |               |               |               |               |               |               |
| Sewer                               | 4,611,842     | 4,393,554     | 4,704,910     | 4,702,081     | 4,712,656     | 5,005,444     | 4,828,439     | 5,142,280     | 5,461,330     | 5,546,377     |
| Total business-type activities      | 4,611,842     | 4,393,554     | 4,704,910     | 4,702,081     | 4,712,656     | 5,005,444     | 4,828,439     | 5,142,280     | 5,461,330     | 5,546,377     |
| Total primary government            | \$ 16,371,456 | \$ 17,394,753 | \$ 19,221,464 | \$ 20,176,016 | \$ 21,008,125 | \$ 20,871,646 | \$ 22,610,293 | \$ 23,035,268 | \$ 22,141,562 | \$ 21,970,429 |

(a) After Fiscal Year 2003, all Special Revenues were classified to appropriate functions.

**CITY OF SOUTH PORTLAND, MAINE**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 |
| General fund                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                              | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | (a) \$ -             | \$ 28,138            | \$ -                 |
| Restricted                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 6,759,738            | 5,918,192            | 5,284,024            |
| Committed                                 | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 3,469,215            | 3,679,767            | 3,340,240            |
| Assigned                                  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 2,492,458            | 2,658,767            | 2,820,042            |
| Unassigned                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 8,866,245            | 9,686,895            | 10,591,915           |
| General fund                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                  | 214,267              | 80,343               | 137,894              | 63,007               | 47,904               | 75,761               | 86,254               | -                    | -                    | -                    |
| Unreserved                                | 17,412,565           | 18,956,332           | 17,485,019           | 16,258,795           | 16,668,116           | 20,933,104           | 22,182,284           | -                    | -                    | -                    |
| <b>Total general fund</b>                 | <b>\$ 17,626,832</b> | <b>\$ 19,036,675</b> | <b>\$ 17,622,913</b> | <b>\$ 16,321,802</b> | <b>\$ 16,716,020</b> | <b>\$ 21,008,865</b> | <b>\$ 22,268,538</b> | <b>\$ 21,587,656</b> | <b>\$ 21,971,759</b> | <b>\$ 22,036,221</b> |
| All other governmental funds              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                              | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | (a) \$ 198,949       | \$ 218,310           | \$ 218,310           |
| Restricted                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 13,560,570           | 10,356,010           | 39,970,502           |
| Committed                                 | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 7,971,945            | 8,528,436            | 7,688,035            |
| Assigned                                  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Unassigned                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | (147,328)            | (137,479)            | (263,166)            |
| All other governmental funds              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                  | 2,613,604            | 1,343,835            | 1,444,260            | 1,981,536            | 1,349,394            | 1,682,034            | 511,768              | -                    | -                    | -                    |
| Unreserved, reported in:                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds                     | 10,005,854           | 10,383,038           | 9,758,784            | 8,514,482            | 8,897,621            | 7,578,863            | 9,707,555            | -                    | -                    | -                    |
| Capital project funds                     | 8,110,023            | 10,022,992           | 9,045,224            | 8,991,983            | 10,181,451           | 11,052,928           | 8,408,461            | -                    | -                    | -                    |
| Permanent funds                           | 43,079               | 41,211               | 49,674               | 50,112               | 61,070               | 80,652               | 96,812               | -                    | -                    | -                    |
| <b>Total all other governmental funds</b> | <b>\$ 20,772,560</b> | <b>\$ 21,791,076</b> | <b>\$ 20,297,942</b> | <b>\$ 19,538,113</b> | <b>\$ 20,489,536</b> | <b>\$ 20,394,477</b> | <b>\$ 18,724,596</b> | <b>\$ 21,584,136</b> | <b>\$ 18,965,277</b> | <b>\$ 47,613,681</b> |

(a) 2010 and 2011 have been restated for the purposes of GASB Statement Number 54.

**CITY OF SOUTH PORTLAND, MAINE**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

|  | Fiscal Year         |                     |                    |                    |                   |                   |                   |                   |                    |                    |
|--|---------------------|---------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|  | 2003                | 2004                | 2005               | 2006               | 2007              | 2008              | 2009              | 2010              | 2011               | 2012               |
| <b>Revenues</b>  |                     |                     |                    |                    |                   |                   |                   |                   |                    |                    |
| Taxes  | \$ 53,396,541       | \$ 53,205,671       | \$ 54,881,972      | \$ 54,692,520      | \$ 56,115,227     | \$ 59,703,389     | \$ 60,190,887     | \$ 58,841,558     | \$ 60,530,950      | \$ 62,378,384      |
| Intergovernmental  | 12,863,621          | 13,456,772          | 15,097,933         | 15,714,184         | 15,862,017        | 15,761,230        | 17,451,984        | 18,075,149        | 17,418,997         | 16,977,995         |
| Licenses and permits   | 1,003,557           | 670,865             | 758,767            | 679,389            | 1,200,997         | 1,034,769         | 753,670           | 768,097           | 843,138            | 785,020            |
| Charges for services   | 2,267,241           | 1,833,631           | 1,855,162          | 2,115,822          | 2,118,758         | 2,288,552         | 3,647,254         | 3,497,817         | 2,953,646          | 3,090,265          |
| Unclassified   | 1,279,178           | 2,274,283           | 3,447,562          | 4,748,736          | 2,573,212         | 2,047,559         | 1,418,758         | 830,707           | 1,697,113          | 1,332,902          |
| Interest   | 1,145,075           | 1,020,909           | 935,274            | 1,516,896          | 1,920,809         | 2,077,877         | 1,247,382         | 948,180           | 829,187            | 751,519            |
| <b>Total revenues</b>  | <b>71,955,213</b>   | <b>72,462,131</b>   | <b>76,976,670</b>  | <b>79,467,547</b>  | <b>79,791,020</b> | <b>82,913,376</b> | <b>84,709,935</b> | <b>82,961,508</b> | <b>84,273,031</b>  | <b>85,316,085</b>  |
| <b>Expenditures</b>  |                     |                     |                    |                    |                   |                   |                   |                   |                    |                    |
| General government   | 7,456,959           | 6,606,716           | 6,831,811          | 8,059,489          | 7,543,139         | 7,597,359         | 8,379,854         | 8,551,477         | 8,734,685          | 9,341,619          |
| Public safety  | 7,372,087           | 7,526,354           | 8,526,035          | 8,948,953          | 9,311,250         | 9,310,380         | 9,622,443         | 9,725,959         | 9,889,615          | 10,178,386         |
| Public works   | 7,873,230           | 6,766,492           | 6,968,380          | 7,437,527          | 7,000,672         | 7,158,444         | 7,197,276         | 4,489,408         | 4,963,506          | 4,763,557          |
| Culture and recreation   | 3,272,574           | 3,468,418           | 3,488,880          | 3,596,371          | 3,688,126         | 3,886,781         | 4,035,270         | 3,823,890         | 3,765,412          | 3,817,090          |
| Transportation and waterfront                                    | 1,128,097           | 803,577             | 1,252,636          | 1,044,321          | 1,010,334         | 1,082,421         | 1,096,823         | 968,877           | 1,065,623          | 1,012,745          |
| Health, welfare and social services                              | 264,650             | 312,407             | 290,835            | 304,135            | 364,539           | 365,874           | 411,092           | 422,295           | 346,737            | 321,795            |
| Education  | 32,651,741          | 36,002,519          | 38,253,836         | 40,016,928         | 40,776,756        | 41,344,800        | 43,126,774        | 44,463,544        | 44,508,869         | 44,780,581         |
| School lunch program   | -                   | 1,029,821           | 989,814            | 1,019,946          | 1,083,170         | 1,508,487         | 1,537,754         | 1,471,687         | 1,487,170          | 1,591,951          |
| County tax   | 1,769,580           | 1,884,150           | 1,888,324          | 1,916,839          | 1,916,991         | 1,941,542         | 1,999,427         | 2,034,422         | 2,058,577          | 2,072,476          |
| Other  | -                   | 96,591              | 58,757             | 38,262             | 45,863            | 40,846            | 59,571            | 1,822,481         | 1,741,346          | 1,526,050          |
| Pension obligation   | 3,266,501 (a)       | 8,184,001           | -                  | -                  | -                 | -                 | -                 | -                 | -                  | -                  |
| Capital projects   | 17,391,031          | 10,140,771          | 11,295,663         | 7,644,426          | 5,455,657         | 3,200,346         | 5,850,981         | 3,445,901         | 7,543,276          | 6,948,842          |
| <b>Debt Service: (b)</b>   |                     |                     |                    |                    |                   |                   |                   |                   |                    |                    |
| Principal  | 1,235,000           | 1,210,000           | 1,692,843          | 1,617,843          | 1,403,765         | 1,308,765         | 1,148,765         | 898,765           | 898,765            | 925,161            |
| Interest expense   | 405,643             | 352,945             | 600,833            | 508,648            | 447,893           | 412,661           | 370,714           | 314,348           | 251,204            | 216,082            |
| <b>Total expenditures</b>  | <b>84,087,093</b>   | <b>84,384,762</b>   | <b>82,138,647</b>  | <b>82,153,688</b>  | <b>80,048,155</b> | <b>79,158,706</b> | <b>84,836,744</b> | <b>82,433,054</b> | <b>87,254,785</b>  | <b>87,496,335</b>  |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(12,131,880)</b> | <b>(11,922,631)</b> | <b>(5,161,977)</b> | <b>(2,686,141)</b> | <b>(257,135)</b>  | <b>3,754,670</b>  | <b>(126,809)</b>  | <b>528,454</b>    | <b>(2,981,754)</b> | <b>(2,180,250)</b> |

(a) City of South Portland refinanced its \$8.2 million unfunded pension liability through the issuance of general obligation bonds to produce a total saving of \$2,119,036 when the bonds issued are paid off in 2017.

(b) Does not include debt service relating to Education

CITY OF SOUTH PORTLAND, MAINE  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

|  | Fiscal Year            |                     |                       |                       |                     |                     |                     |                     |                       |                      |
|--|------------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|
|  | 2003                   | 2004                | 2005                  | 2006                  | 2007                | 2008                | 2009                | 2010                | 2011                  | 2012                 |
| <b>Other financing sources (uses)</b>                          |                        |                     |                       |                       |                     |                     |                     |                     |                       |                      |
| Proceeds - Bonds   | \$ -                   | \$ 14,200,000       | \$ -                  | \$ -                  | \$ 500,000          | \$ -                | \$ 6,182,810        | \$ 4,712,173        | \$ -                  | \$ 32,642,580        |
| Proceeds capital leases  | -                      | -                   | 283,570               | 152,892               | -                   | -                   | -                   | 1,470,637           | 957,800               | -                    |
| Proceeds on asset disposal                                     | 334,211                | -                   | -                     | -                     | -                   | -                   | -                   | -                   | -                     | -                    |
| Refunding bonds issued   | -                      | -                   | -                     | -                     | 1,575,000           | -                   | -                   | 1,934,957           | -                     | 9,584,150            |
| Payment to refunded bond escrow agent                          | -                      | -                   | -                     | -                     | (1,575,000)         | -                   | -                   | (1,921,934)         | -                     | (9,516,956)          |
| Transfers in   | 3,179,097              | 150,990             | 329,487               | 472,309               | 4,056,229           | 4,315,184           | 2,464,669           | 809,829             | 4,448,190             | 6,043,689            |
| Transfers out  | (2,662,497)            | -                   | -                     | -                     | (2,953,453)         | (3,872,068)         | (2,748,068)         | (5,355,458)         | (4,658,992)           | (7,860,347)          |
| <b>Total other financing sources (uses)</b>                    | <b>850,811</b>         | <b>14,350,990</b>   | <b>613,057</b>        | <b>625,201</b>        | <b>1,602,776</b>    | <b>443,116</b>      | <b>5,899,411</b>    | <b>1,650,204</b>    | <b>746,998</b>        | <b>30,893,116</b>    |
| <b>Net change in fund balances</b>                             | <b>\$ (11,281,069)</b> | <b>\$ 2,428,359</b> | <b>\$ (4,548,920)</b> | <b>\$ (2,060,940)</b> | <b>\$ 1,345,641</b> | <b>\$ 4,197,786</b> | <b>\$ 5,772,602</b> | <b>\$ 2,178,658</b> | <b>\$ (2,234,756)</b> | <b>\$ 28,712,866</b> |
| <br>   |                        |                     |                       |                       |                     |                     |                     |                     |                       |                      |
| <b>Total Debt Service including education</b>                  | 3,658,555              | 3,637,503           | 4,863,037             | 4,630,023             | 4,291,922           | 4,098,209           | 3,811,482           | 3,442,285           | 3,729,355             | 3,583,220            |
| <br>   |                        |                     |                       |                       |                     |                     |                     |                     |                       |                      |
| <b>Debt service as a percentage of noncapital expenditures</b> | 5.11%                  | 4.98%               | 6.59%                 | 5.98%                 | 5.57%               | 5.36%               | 4.66%               | 4.34%               | 4.43%                 | 4.50%                |

**CITY OF SOUTH PORTLAND, MAINE**  
**Governmental Activities Tax Revenue by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

| Fiscal Year | Property<br>Taxes | Vehicle<br>Taxes | Other (a)  | Subtotal      | TIF<br>Property<br>Taxes | Capital Project<br>Property<br>Taxes | Total         |
|-------------|-------------------|------------------|------------|---------------|--------------------------|--------------------------------------|---------------|
| 2003        | \$ 43,637,899     | \$ 3,685,739     | \$ 276,334 | \$ 47,599,972 | \$ 5,796,569             | -                                    | \$ 53,396,541 |
| 2004        | 44,667,706        | 3,847,112        | 321,055    | 48,835,873    | 4,369,798                | -                                    | 53,205,671    |
| 2005        | 46,724,656        | 3,916,469        | 299,176    | 50,940,301    | 3,941,671                | -                                    | 54,881,972    |
| 2006        | 46,524,932        | 4,044,271        | 308,440    | 50,877,643    | 3,814,877                | -                                    | 54,692,520    |
| 2007        | 48,469,669        | 4,161,209        | 316,968    | 52,947,846    | 3,167,381                | -                                    | 56,115,227    |
| 2008        | 51,091,582        | 4,778,818        | 365,804    | 56,236,204    | 3,467,185                | -                                    | 59,703,389    |
| 2009        | 51,743,235        | 4,989,942        | 339,008    | 57,072,185    | 3,118,702                | -                                    | 60,190,887    |
| 2010        | 51,925,202        | 4,076,731        | 370,741    | 56,372,674    | 2,468,884                | -                                    | 58,841,558    |
| 2011        | 52,436,750        | 4,942,156        | 376,974    | 57,755,880    | 2,399,132                | 375,938                              | 60,530,950    |
| 2012        | 53,525,182        | 5,037,900        | 364,869    | 58,927,951    | 2,400,433                | 1,050,000                            | 62,378,384    |

(a) Interest and penalties and payments in lieu of taxes.

**CITY OF SOUTH PORTLAND, MAINE**  
**State Aid Revenues by Source**  
**Last Ten Fiscal Years**

| Fiscal<br>Year | State<br>Revenue<br>Sharing | School<br>Aid | General<br>Assistance | Homestead<br>Reimb | Business<br>Equipment Tax<br>Exemption (c) | Other<br>State<br>Aid (a) | Total<br>State<br>Aid |
|----------------|-----------------------------|---------------|-----------------------|--------------------|--|---------------------------|-----------------------|
| 2003           | \$ 2,099,373                | \$ 4,390,804  | \$ 51,337             | \$ 675,124         | \$ -                                       | \$ 143,873                | \$ 7,360,511          |
| 2004           | 2,058,659                   | 4,327,890     | 76,110                | 537,434            | -  | 125,168                   | 7,125,261             |
| 2005           | 2,091,049                   | 4,848,213     | 73,559                | 459,685            | -  | 467,762 (b)               | 7,940,268             |
| 2006           | 2,076,515                   | 5,100,680     | 74,090                | 573,700            | -  | 163,268                   | 7,988,253             |
| 2007           | 1,999,347                   | 5,215,864     | 100,824               | 483,090            | -  | 150,474                   | 7,949,599             |
| 2008           | 2,291,242                   | 5,681,482     | 114,320               | 498,227            | -  | 230,216                   | 8,815,487             |
| 2009           | 2,185,778                   | 4,335,654     | 138,875               | 524,979            | 663,651                                    | 243,137                   | 8,092,074             |
| 2010           | 1,896,769                   | 3,331,791     | 169,058               | 540,909            | 832,201                                    | 253,495                   | 7,024,223             |
| 2011           | 1,751,872                   | 2,308,208     | 131,513               | 442,112            | 897,637                                    | 257,048                   | 5,788,390             |
| 2012           | 1,888,773                   | 2,350,219     | 99,697                | 466,578            | 921,472                                    | 244,323                   | 5,971,062             |

(a) MDEA Revenue, MDOT Revenue, Section 9 and Veterans exemption.

(b) MDEA Revenue, MDOT Revenue, Section 9, Veterans exemption and FEMA Snowstorm assistance.

(c) Starting in fiscal year ended June 30, 2009, the State of Maine exempted certain personal property taxes and in lieu provided reimbursement to the municipality under the Business Equipment Tax Exemption (BETE) program. Revenue is recognized under the BETE program in the general fund and TIF fund. BETE revenue reported in the TIF fund is not reported on this table.

**CITY OF SOUTH PORTLAND, MAINE**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

| Tax Roll<br>Year | Taxable Real Property |                  | Taxable<br>Personal<br>Property | Total Taxable<br>Assessed<br>Value | Less<br>TIF Property<br>Value | Total<br>Taxable<br>General | Total<br>Direct<br>Tax<br>Value | Estimated<br>Actual<br>Taxable<br>Value (b) | Assessed<br>Value as a<br>Percentage of<br>Actual Value |
|------------------|-----------------------|------------------|---------------------------------|------------------------------------|-------------------------------|-----------------------------|---------------------------------|---|---|
|                  | Residential           | Commercial       |                                 |                                    |                               |                             |                                 |   |   |
| 2003             | (d) \$ 1,168,945,700  | \$ 1,027,502,804 | \$ 642,760,900                  | \$ 2,839,209,404                   | \$ 312,939,767                | \$ 2,526,269,637            | 17.06                           | \$ 2,437,250,000                            | 103.7%  |
| 2004             | 1,202,989,800         | 1,036,352,200    | 566,144,900                     | 2,805,486,900                      | 253,303,800                   | 2,552,183,100               | 17.49                           | 2,681,800,000                               | 95.2%   |
| 2005             | 1,241,803,600         | 1,046,773,200    | 514,525,700                     | 2,803,102,500                      | 221,564,850                   | 2,581,537,650               | 18.10                           | 3,071,600,000                               | 84.0%   |
| 2006             | 1,228,568,600         | 1,052,647,500    | 479,535,100                     | 2,760,751,200                      | 212,547,400                   | 2,548,203,800               | 18.27                           | 3,411,200,000                               | 74.7%   |
| 2007             | (d) 1,971,394,300     | 1,482,218,700    | 487,023,500                     | 3,940,636,500                      | 241,765,900                   | 3,698,870,600               | 13.10                           | 3,642,750,000                               | 101.5%  |
| 2008             | 1,990,118,400         | 1,486,787,400    | 507,143,200                     | 3,984,049,000                      | 259,305,300                   | 3,724,743,700               | 13.69                           | 3,844,400,000                               | 96.9%   |
| 2009             | 2,001,840,100         | 1,499,315,500    | 444,400,100 (e)                 | 3,945,555,700                      | 222,764,400                   | 3,722,791,300               | 14.00                           | 3,843,700,000                               | 96.9%   |
| 2010             | 1,902,934,000         | 1,430,791,200    | 400,422,500                     | 3,734,147,700                      | 167,951,200                   | 3,566,196,500               | 14.70                           | 3,875,800,000                               | 92.0%   |
| 2011             | 1,847,604,000         | 1,334,587,200    | 341,033,200                     | 3,523,224,400                      | 152,811,000                   | 3,370,413,400               | 15.70                           | 3,738,950,000                               | 90.1%   |
| 2012             | 1,855,163,100         | 1,339,392,500    | 337,351,900                     | 3,531,907,500                      | 149,095,240                   | 3,382,812,260               | 16.10                           | 3,556,500,000                               | 95.1%   |

(b) Maine Bureau of Property Taxation, state equalized values.

(c) Total number of homestead granted increased by 4,915 in 2006 due to program change.

(d) A revaluation designed to bring assessed values in line with market values was conducted.

(e) In 2008 the State of Maine created a Business Equipment Tax Exemption (BETE) program for certain personal property which is summarized below.

|      | Homestead<br>Assessed<br>Values | Homestead<br>Estimated<br>Actual Values | BETE<br>Assessed<br>Values | BETE<br>Estimated<br>Actual Values |
|------|---------------------------------|---|----------------------------|------------------------------------|
| 2003 | \$ 39,557,000                   | \$ 33,030,095                           | \$ -                       | \$ -                               |
| 2004 | 30,588,000                      | 29,180,952                              | -                          | -                                  |
| 2005 | 25,323,000                      | 27,526,101                              | -                          | -                                  |
| 2006 | (c) 62,700,000                  | 77,472,479                              | -                          | -                                  |
| 2007 | 73,658,000                      | 68,089,934                              | -                          | -                                  |
| 2008 | 74,787,000                      | 74,787,000                              | -                          | -                                  |
| 2009 | 74,997,000                      | 74,997,000                              | 77,861,300                 | 77,861,300                         |
| 2010 | 73,593,000                      | 73,593,000                              | 131,230,200                | 131,230,200                        |
| 2011 | 56,320,000                      | 56,320,000                              | 141,235,000                | 141,235,000                        |
| 2012 | 57,960,000                      | 57,960,000                              | 140,425,200                | 140,425,200                        |

Table 9

**CITY OF SOUTH PORTLAND, MAINE**  
**Direct and Overlapping Property Tax Rates (Per \$1,000 of Assessed Value)**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

| Tax Year | Direct Rates      |           | Overlapping Rate      | Total |       |
|----------|-------------------|-----------|-----------------------|-------|-------|
|          | General Municipal | Education | Cumberland County (a) |       |       |
| 2003     | (b)               | 5.27      | 11.10                 | 0.69  | 17.06 |
| 2004     |                   | 5.47      | 11.28                 | 0.74  | 17.49 |
| 2005     |                   | 5.65      | 11.72                 | 0.73  | 18.10 |
| 2006     |                   | 5.79      | 11.73                 | 0.75  | 18.27 |
| 2007     | (b)               | 4.18      | 8.41                  | 0.51  | 13.10 |
| 2008     |                   | 4.46      | 8.71                  | 0.52  | 13.69 |
| 2009     |                   | 4.30      | 9.16                  | 0.54  | 14.00 |
| 2010     |                   | 4.61      | 9.52                  | 0.57  | 14.70 |
| 2011     |                   | 4.92      | 10.17                 | 0.61  | 15.70 |
| 2012     |                   | 5.02      | 10.46                 | 0.62  | 16.10 |

The City annually adopts an annual budget for which property taxes are levied. The Education and County Tax are part of the total property tax levy. The distribution shown above reflects the amount each component requires of the tax levy.

(a) Cumberland County assesses a county tax to the City of South Portland. The City includes the county assessment in the City's total direct tax rate. The rate shown here reflects the portion of the City's total direct tax rate levied by the City to pay the county tax assessment.

(b) A revaluation designed to bring assessed values in line with market values was conducted.

**CITY OF SOUTH PORTLAND, MAINE**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

| Taxpayer                                       | 2012                    |      |                                    | 2003                    |      |                                    |
|--|-------------------------|------|------------------------------------|-------------------------|------|------------------------------------|
|  | Assessed Valuation      | Rank | Percentage of Total Assessed Value | Assessed Valuation      | Rank | Percentage of Total Assessed Value |
| GGP - Maine Mall (a)                           | \$ 220,458,100          | 1    | 6.24%                              |                         |      |                                    |
| National Semiconductor (Texas Instruments) (b) | 188,178,010             | 2    | 5.33%                              | \$ 313,713,400          | 1    | 11.21%                             |
| Hannaford                                      | 58,527,200              | 3    | 1.66%                              | 49,688,400              | 4    | 1.77%                              |
| Fairchild Semiconductor                        | 57,274,200              | 4    | 1.62%                              | 173,607,000             | 2    | 6.20%                              |
| Home Properties                                | 55,256,500              | 5    | 1.56%                              |                         |      |                                    |
| Portland Pipe Line                             | 45,209,800              | 6    | 1.28%                              | 37,244,800              | 6    | 1.33%                              |
| Central Maine Power                            | 32,751,800              | 7    | 0.93%                              | 21,908,200              | 8    | 0.78%                              |
| Dead River                                     | 30,953,500              | 8    | 0.88%                              |                         |      |                                    |
| Anthem   | 27,575,100              | 9    | 0.78%                              | 35,351,800              | 7    | 1.26%                              |
| Oprock Portland                                | 26,659,600              | 10   | 0.75%                              |                         |      |                                    |
| Maine Associates (a)                           |                         |      |                                    | 162,109,300             | 3    | 5.79%                              |
| Blethen Maine Newspaper                        |                         |      |                                    | 44,244,800              | 5    | 1.58%                              |
| Allied Stores                                  |                         |      |                                    | 21,133,600              | 9    | 0.75%                              |
| UNUM Corp.                                     |                         |      |                                    | 19,935,200              | 10   | 0.71%                              |
|  | <u>742,843,810</u>      |      | <u>21.03%</u>                      | <u>878,936,500</u>      |      | <u>31.38%</u>                      |
| Total Assessed Valuation                       | \$ 3,531,907,500        |      |                                    | \$ 2,839,209,000        |      |                                    |
| Includes:                                      |                         |      |                                    |                         |      |                                    |
| Municipal valuation                            | 3,324,852,260           |      |                                    | 2,486,712,233           |      |                                    |
| TIF valuation                                  | 149,095,240             |      |                                    | 312,939,767             |      |                                    |
| Homestead exemptions                           | 57,960,000              |      |                                    | 39,557,000              |      |                                    |
|  | <u>\$ 3,531,907,500</u> |      |                                    | <u>\$ 2,839,209,000</u> |      |                                    |

(a) GGP purchased the Maine Mall from Maine Associates.

(b) National Semiconductor was acquired by Texas Instruments on September 23, 2011.

Table 11

**CITY OF SOUTH PORTLAND, MAINE**  
**Total Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy |                    | Collections in Subsequent Years | Tax Collections to Date |                    |
|-------------|----------------------------------|--|--------------------|---------------------------------|-------------------------|--------------------|
|             |                                  | Amount                                       | Percentage of Levy |                                 | Amount                  | Percentage of Levy |
| 2003        | \$ 48,436,912                    | \$ 47,787,857                                | 98.66%             | \$ 629,007                      | \$ 48,416,864           | 99.96%             |
| 2004        | 49,067,966                       | 48,530,797                                   | 98.91%             | 520,942                         | 49,051,739              | 99.97%             |
| 2005        | 50,736,155                       | 50,074,721                                   | 98.70%             | 643,782                         | 50,718,503              | 99.97%             |
| 2006        | 50,438,924                       | 49,714,723                                   | 98.56%             | 706,601                         | 50,421,324              | 99.97%             |
| 2007        | 51,639,156                       | 50,893,134                                   | 98.56%             | 733,687                         | 51,626,821              | 99.98%             |
| 2008        | 54,424,090                       | 53,687,629                                   | 98.65%             | 724,921                         | 54,412,550              | 99.98%             |
| 2009        | 55,191,170                       | 54,287,615                                   | 98.36%             | 863,012                         | 55,150,627              | 99.93%             |
| 2010        | 54,605,827                       | 53,622,159                                   | 98.20%             | 918,446                         | 54,540,605              | 99.88%             |
| 2011        | 55,253,882                       | 54,175,209                                   | 98.05%             | 707,243                         | 54,882,452              | 99.33%             |
| 2012        | 56,829,326                       | 55,608,726                                   | 97.85%             | -                               | 55,608,726              | 97.85%             |

**CITY OF SOUTH PORTLAND, MAINE**  
**Ratios of Net General Debt Outstanding**  
**Last Ten Fiscal Years**

| Fiscal Year | Governmental Activities  |               | Business-type Activities | Total         | Personal Income (a) | Percentage of Personal Income | Population (b) | Per Capita | Percentage of Estimated Actual Taxable Value of Property (c) |
|-------------|--------------------------|---------------|--------------------------|---------------|---------------------|-------------------------------|----------------|------------|--|
|             | General Obligation bonds | Capital Lease | General Obligation Bonds |               |                     |                               |                |            |  |
| 2003        | \$ 25,220,000            | \$ 134,396    | \$ 2,770,000             | \$ 28,124,396 | \$ 531,344,044      | 5.29%                         | 23,324         | \$ 1,206   | 1.03%  |
| 2004        | 37,060,000 (d)           | 155,000       | 2,440,000                | 39,655,000    | 531,344,044         | 7.46%                         | 23,324         | 1,700      | 1.38%  |
| 2005        | 33,840,000               | 362,065       | 2,135,000                | 36,337,065    | 531,344,044         | 6.84%                         | 23,324         | 1,558      | 1.10%  |
| 2006        | 30,695,000               | 369,913       | 1,830,000                | 32,894,913    | 531,344,044         | 6.19%                         | 23,324         | 1,410      | 0.90%  |
| 2007        | 28,265,000               | 151,787       | 1,525,000                | 29,941,787    | 531,344,044         | 5.64%                         | 23,324         | 1,284      | 0.78%  |
| 2008        | 25,430,000               | 37,679        | 1,220,000                | 26,687,679    | 531,344,044         | 5.02%                         | 23,324         | 1,144      | 0.66%  |
| 2009        | 22,755,000               | 103,293       | 915,000                  | 23,773,293    | 531,344,044         | 4.47%                         | 23,324         | 1,019      | 0.59%  |
| 2010        | 24,943,000               | 1,591,184     | 1,138,494                | 27,672,678    | 531,344,044         | 5.21%                         | 23,324         | 1,186      | 0.64%  |
| 2011        | 22,280,000               | 2,458,226     | 806,392                  | 25,544,618    | 569,570,562         | 4.48%                         | 25,002         | 1,022      | 0.60%  |
| 2012        | 49,590,000 (e)           | 2,198,587     | 474,289                  | 52,262,876    | 569,570,562         | 9.18%                         | 25,002         | 2,090      | 1.39%  |

(a) See Table 16. Amount shown is per capita income multiplied by population.

(b) For years 2003 through 2010, 2000 Census, U.S. Department of Commerce, Bureau of the Census.

For year 2011 & 2012, 2010 Census, U.S. Department of Commerce, Bureau of the Census.

(c) See Table 8. General Obligation Bond divided by the Estimated Actual Taxable Value.

(d) \$6 Million in GOB's issued for renovation and expansion of Brown School. \$8.2 Million in taxable GOB's issued to extinguish the City's unfunded unpoolled actuarial liability for its defined benefit pension plan with the MEPERS

(e) \$30 Million in GOB's issued for phase one of High School Project

**CITY OF SOUTH PORTLAND, MAINE**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2012**

| Jurisdiction                              | Debt<br>Outstanding   | Percentage<br>Applicable to<br>Government | Amount<br>Applicable to<br>Government |
|---|-----------------------|---|---------------------------------------|
| Direct:                                   |                       |   |                                       |
| City of South Portland General Obligation | \$ 50,064,289         | 100.00%                                   | \$ 50,064,289                         |
| City of South Portland Capital Leases     | 2,198,587             | 100.00%                                   | 2,198,587                             |
| Total direct debt                         | <u>52,262,876</u>     |   | <u>52,262,876</u>                     |
| Overlapping:                              |                       |   |                                       |
| Portland Water District                   | 28,438,885            | 13.83%                                    | 3,932,690                             |
| Cumberland County                         | 37,220,000            | 9.00%                                     | 3,351,468                             |
| Total overlapping debt                    | <u>65,658,885</u>     |   | <u>7,284,158</u>                      |
| Total direct and overlapping debt         | <u>\$ 117,921,761</u> |   | <u>\$ 59,547,034</u>                  |

Note: Annually Cumberland County assesses each municipality its proportionate share of the County tax required to fund the County budget. The County tax assessment applicable to the City of South Portland is included in the total property tax levy of the City of South Portland.

Sources: The outstanding debt for Cumberland County has been provided by the County. The percentage applicable to the City of South Portland is based on the ratio of the State equalized assessed valuation for the City of South Portland versus the equalized State valuation Cumberland County.

The outstanding debt for Portland Water District has been provided by the District. The percentage applicable to the City of South Portland is based on the ratio of the State equalized assessed valuation for the City of South Portland versus the equalized State valuation of all municipalities located within the District.

CITY OF SOUTH PORTLAND, MAINE  
 Legal Debt Margin Information  
 June 30, 2012

The amount of debt a Maine municipality may have is governed by title 30-A.M.R.S.A. section 5702. The law limits total debt and debt for specific categories. Total debt cannot exceed 15% of the City's last full State Valuation. Debt for specific categories is limited to a percentage of State Valuation. As the following table indicates, based on a 2012 State Valuation of \$3,556,500,000, the City is in compliance with the total and categorical debt limits:

Debt Limit by Category

| Type of Debt              | Maximum Percent Allowable | Maximum Amount Allowable | Principal Amount Outstanding | Legal Debt Margin     |
|---------------------------|---------------------------|--------------------------|------------------------------|-----------------------|
| School                    | 10.00%                    | \$ 355,650,000           | \$ 43,501,175                | \$ 312,148,825        |
| Storm or Sanitary Sewer   | 7.50%                     | 266,737,500              | 474,289                      | 266,263,211           |
| Municipal                 | 7.50%                     | 266,737,500              | 6,088,825                    | 260,648,675           |
| <b>Total Maximum Debt</b> | <b>15.00%</b>             | <b>\$ 533,475,000</b>    | <b>\$ 50,064,289</b>         | <b>\$ 483,410,711</b> |

Legal Debt Margin Calculation for Fiscal Year 2012

|  |                       |
|--|-----------------------|
| State Valuation                                | \$ 3,556,500,000      |
| Debt Limit - 15% of State Valuation            | 533,475,000           |
| Less outstanding debt applicable to debt limit | (50,064,289)          |
| <b>Legal Debt Margin</b>                       | <b>\$ 483,410,711</b> |

|  | <u>2002</u>    | <u>2003</u>    | <u>2004</u>    | <u>2005</u>    | <u>2006</u>    | <u>2007</u>    | <u>2008</u>    | <u>2009</u>    | <u>2010</u>    | <u>2011</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt limit   | \$ 319,000,000 | \$ 365,600,000 | \$ 402,270,000 | \$ 460,740,000 | \$ 511,680,000 | \$ 546,412,500 | \$ 576,660,000 | \$ 576,555,000 | \$ 581,370,000 | \$ 533,475,000 |
| Total debt applicable to limit                                   | 30,730,000     | 27,990,000     | 39,500,000     | 36,337,065     | 32,525,000     | 29,790,000     | 26,650,000     | 23,670,000     | 26,081,494     | 50,064,289     |
| Legal debt margin  | \$ 288,270,000 | \$ 337,610,000 | \$ 362,770,000 | \$ 424,402,935 | \$ 479,155,000 | \$ 516,622,500 | \$ 550,010,000 | \$ 552,885,000 | \$ 555,288,506 | \$ 483,410,711 |
| Total debt applicable to the limit as a percentage of debt limit | 9.63%          | 7.66%          | 9.82%          | 7.89%          | 6.36%          | 5.45%          | 4.62%          | 4.11%          | 4.49%          | 9.38%          |

Table 15

**CITY OF SOUTH PORTLAND, MAINE**  
**Principal Employers**  
**Current Year and Nine Years Ago**

| Employer                                   | 2012          |      |                                     | 2003      |      |                                     |
|--|---------------|------|-------------------------------------|-----------|------|-------------------------------------|
|  | (a) Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| UnumProvident Life Insurance Co.           | 3,500         | 1    | 14.00%                              | 3,180     | 1    | 13.63%                              |
| Anthem/Blue Cross & Blue Shield of Maine   | 1,000         | 2    | 4.00%                               | 982       | 2    | 4.21%                               |
| City of South Portland                     | 861           | 3    | 3.63%                               | 940       | 3    | 4.03%                               |
| Fairchild Semiconductor                    | 775           | 4    | 3.10%                               | 940       | 4    | 4.03%                               |
| Wright Express                             | 744           | 5    | 2.98%                               |           |      |                                     |
| Southern Maine Community College           | 739           | 6    | 2.96%                               | 180       | 9    | 0.77%                               |
| Texas Instruments (formerly National Semi) | 540           | 7    | 2.16%                               | 460       | 5    | 1.97%                               |
| United Parcel Service                      | 200           | 8    | 0.80%                               |           |      |                                     |
| Macy's                                     | 150           | 9    | 0.60%                               |           |      |                                     |
| Marriott Corporation                       | 148           | 10   | 0.59%                               | 160       | 10   | 0.69%                               |
| Spring Harbor Hospital                     |               |      |                                     | 350       | 6    | 1.50%                               |
| G.H. Bass & Company                        |               |      |                                     | 270       | 7    | 1.16%                               |
| Filene's                                   |               |      |                                     | 250       | 8    | 1.07%                               |
|  | 8,657         |      | 34.82%                              | 7,712     |      | 33.06%                              |

Source for Data: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2000 & 2010 data.

(a) Source for employees was each company's human resource department.

**CITY OF SOUTH PORTLAND, MAINE**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

| Fiscal<br>Year | Population (a) | Personal<br>Income (b) | Per Capita<br>Personal<br>Income (a) | Median<br>Age (a) | School<br>Enrollment (d) | Unemployment<br>Rate ( c ) |
|----------------|----------------|------------------------|--------------------------------------|-------------------|--------------------------|----------------------------|
| 2003           | 23,324         | \$ 531,344,044         | \$ 22,781                            | 37.90             | 3,191                    | 3.70%                      |
| 2004           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,084                    | 3.40%                      |
| 2005           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,009                    | 3.60%                      |
| 2006           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,041                    | 3.40%                      |
| 2007           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,064                    | 3.30%                      |
| 2008           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,064                    | 4.00%                      |
| 2009           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,024                    | 4.20%                      |
| 2010           | 23,324         | 531,344,044            | 22,781                               | 37.90             | 3,120                    | 6.40%                      |
| 2011           | 25,002         | 569,570,562            | 22,781                               | 39.40             | 3,074                    | 6.10%                      |
| 2012           | 25,002         | 569,570,562            | 22,781                               | 39.40             | 3,116                    | 5.70%                      |

(a) For years 2003 through 2010, 2000 Census, U.S. Department of Commerce, Bureau of the Census.

For years 2011 & 2012, 2010 Census, U.S. Department of Commerce, Bureau of the Census.

(b) Personal income equals per capita income times the population.

( c ) State of Maine, Department of Labor, Division of Economic Analysis and Research as of 12/31 prior to fiscal year end.

(d) State of Maine Department of Education, April 1 Census

Table 17

**CITY OF SOUTH PORTLAND, MAINE**  
**Full-time Employees by Function/Program**  
**Last Ten Fiscal Years**

| Function                             | Fiscal Year |            |            |            |            |            |            |            |            |            |
|--------------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                      | 2003        | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       |
| <b>General Government</b>            |             |            |            |            |            |            |            |            |            |            |
| City council                         | 7           | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Executive department                 | 6           | 6          | 6          | 6          | 6          | 3          | 3          | 3          | 3          | 3          |
| City clerk                           | 5           | 5          | 5          | 5          | 5          | 4          | 4          | 4          | 4          | 4          |
| Corporation council                  | 2           | 2          | 2          | 2          | 2          | 1          | 1          | 1          | 1          | 1          |
| Finance department                   | 17          | 17         | 17         | 17         | 17         | 18         | 17         | 17         | 16         | 17         |
| Information technology               | 3           | 3          | 3          | 3          | 3          | 6          | 6          | 6          | 6          | 6          |
| Planning department                  | 3           | 3          | 3          | 3          | 3          | 3          | 2          | 2          | 2          | 2          |
| Human resources                      | 3           | 3          | 3          | 3          | 3          | 3          | 2          | 2          | 3          | 3          |
| City building                        | 1           | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| <b>Public Safety</b>                 |             |            |            |            |            |            |            |            |            |            |
| Police                               | 55          | 57         | 58         | 56         | 56         | 57         | 56         | 55         | 56         | 55         |
| Fire                                 | 64          | 66         | 68         | 67         | 69         | 66         | 65         | 64         | 65         | 67         |
| Dispatch                             | 12          | 12         | 12         | 12         | 12         | 12         | 12         | 11         | 10         | 9          |
| Code                                 | 4           | 4          | 4          | 5          | 5          | 5          | 5          | 5          | 5          | 5          |
| <b>Public Works</b>                  |             |            |            |            |            |            |            |            |            |            |
| Public Works                         | 29          | 28         | 25         | 24         | 24         | 21         | 21         | 21         | 20         | 20         |
| Engineering                          | 5           | 2          | 2          | -          | -          | -          | -          | -          | -          | -          |
| <b>Parks and Recreation</b>          |             |            |            |            |            |            |            |            |            |            |
| Parks                                | 11          | 11         | 11         | 12         | 12         | 12         | 12         | 12         | 12         | 12         |
| Recreation                           | 21          | 22         | 22         | 26         | 27         | 27         | 22         | 22         | 22         | 22         |
| <b>Public Library</b>                |             |            |            |            |            |            |            |            |            |            |
| Main Library                         | 14          | 14         | 12         | 12         | 11         | 12         | 12         | 11         | 11         | 11         |
| Branch Library                       | 4           | 3          | 6          | 6          | 5          | 3          | 2          | 2          | 2          | 2          |
| <b>Transportation and Waterfront</b> |             |            |            |            |            |            |            |            |            |            |
| Health and Welfare                   | 2           | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| School                               | 516         | 498        | 515        | 517        | 513        | 528        | 560        | 579        | 571        | 571        |
| Water Resource                       | 24          | 23         | 25         | 25         | 25         | 25         | 25         | 26         | 28         | 29         |
| <b>Total</b>                         | <b>820</b>  | <b>801</b> | <b>821</b> | <b>823</b> | <b>819</b> | <b>828</b> | <b>850</b> | <b>865</b> | <b>858</b> | <b>861</b> |

Source: Payroll Department.

Note: Neither the municipal nor the education departments have maintained their employment numbers on a full-time equivalents basis. The above represents the departments best estimates of full-time positions for the various fiscal years. Many seasonal and part-time positions have not been included or converted to full-time equivalents. Further, the determination of which positions have been counted as full-time may have varied from year to year. All of the positions may or may not have been filled as of June 30 of any given year.

**CITY OF SOUTH PORTLAND, MAINE**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

| <u>Function</u>  | <u>Fiscal Year</u> |             |             |             |             |             |             |             |             |             |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <u>2003</u>        | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Police (b)   |                    |             |             |             |             |             |             |             |             |             |
| Physical arrests   | 703                | 837         | 782         | 850         | 767         | 814         | 814         | 750         | 833         | 693         |
| Calls for Service  | 31,609             | 34,588      | 34,899      | 33,676      | 32,522      | 34,692      | 30,648      | 32,028      | 33,009      | 30,740      |
| UCR - Crime Index  | 1,259              | 1,121       | 1,133       | 1,148       | 981         | 1,058       | 1,253       | 1,085       | 946         | 923         |
| Fire   |                    |             |             |             |             |             |             |             |             |             |
| Fire calls   | 1,073              | 1,189       | 1,152       | 1,121       | 1,321       | 1,129       | 1,071       | 1,283       | 1,192       | 1,173       |
| Medical calls  | 2,850              | 2,882       | 2,896       | 2,944       | 3,046       | 3,056       | 3,173       | 2,768       | 3,026       | 3,240       |
| Inspections  | 2,351              | 2,310       | 2,215       | 2,338       | 1,818       | 2,268       | 2,310       | 1,600       | 1,698       | 1,749       |
| Refuse Collection  |                    |             |             |             |             |             |             |             |             |             |
| Refuse collected (tons)                                  | 7,808              | 7,512       | 7,667       | 7,741       | 7,838       | 7,525       | 6,947       | 6,633       | 6,253       | 6,244       |
| Recyclables collected (tons)                             | 2,131              | 2,139       | 2,202       | 2,053       | 1,905       | 2,093       | 2,036       | 2,457       | 2,461       | 2,323       |
| Other public works                                       |                    |             |             |             |             |             |             |             |             |             |
| Street resurfacing (miles)                               | 4.48               | 6.37        | 5.57        | 5.33        | 5.23        | 5.87        | 4.59        | 5.21        | 5.01        | 4.50        |
| Potholes repaired  | 207                | 198         | 231         | 156         | 187         | 217         | 200         | 241         | 250         | 225         |
| Parks and Recreation                                     |                    |             |             |             |             |             |             |             |             |             |
| Community center admissions                              | 116,606            | 114,465     | 112,242     | 84,548      | 106,408     | 116,840     | 111,582     | 158,224     | 155,153     | 177,390     |
| Library  |                    |             |             |             |             |             |             |             |             |             |
| Items in collection (a)                                  | 112,836            | 115,467     | 115,752     | 116,046     | 115,930     | 101,828     | 106,817     | 106,527     | 104,062     | 99,316      |
| Total items circulated (a)                               | n/a                | 202,418     | 211,048     | 216,010     | 212,959     | 256,623     | 224,929     | 277,641     | 288,602     | 262,125     |
| Total items borrowed (a)                                 | 338                | 1,206       | 5,178       | 12,475      | 13,367      | 17,307      | 20,624      | 24,826      | 21,242      | 21,088      |
| Water Resource   |                    |             |             |             |             |             |             |             |             |             |
| Average daily sewage treatment<br>(thousands of gallons) | 6,640              | 6,420       | 8,530       | 7,840       | 7,350       | 7,140       | 8,100       | 7,613       | 6,610       | 6,740       |
| Transit  |                    |             |             |             |             |             |             |             |             |             |
| Total route miles  | 215,008            | 219,205     | 214,731     | 216,004     | 215,310     | 214,326     | 224,847     | 210,169     | 193,242     | 196,295     |
| Passengers   | 162,725            | 178,762     | 177,681     | 189,355     | 184,273     | 202,299     | 223,575     | 219,749     | 211,634     | 247,370     |

Sources: Various city departments.

n/a = information not available

(a) Items are books, periodicals, audio, books and music on cassette and cd, tapes and videos and art prints.

(b) Operating indicators are based on calendar from 2002-2011

**CITY OF SOUTH PORTLAND, MAINE**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

| Function                               | Fiscal Year |      |      |      |      |      |      |      |      |      |
|--|-------------|------|------|------|------|------|------|------|------|------|
|  | 2003        | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| <b>General Government</b>              |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 6           | 6    | 7    | 6    | 6    | 6    | 6    | 6    | 7    | 7    |
| Vehicles                               | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| <b>Police Department</b>               |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Vehicles                               | 32          | 33   | 31   | 37   | 30   | 35   | 36   | 39   | 38   | 35   |
| <b>Fire Department</b>                 |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 6           | 7    | 7    | 7    | 7    | 7    | 7    | 7    | 7    | 7    |
| Vehicles                               | 20          | 21   | 21   | 21   | 23   | 23   | 24   | 26   | 27   | 27   |
| <b>Code Enforcement</b>                |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 1           | 1    | -    | -    | -    | -    | -    | -    | 1    | 1    |
| Vehicles                               | 5           | 5    | 3    | 2    | 4    | 4    | 4    | 4    | 4    | 4    |
| <b>Public Works</b>                    |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 7           | 7    | 7    | 7    | 7    | 7    | 7    | 7    | 7    | 7    |
| Streets (miles)                        | 115         | 115  | 115  | 115  | 115  | 115  | 115  | 115  | 115  | 115  |
| Vehicles/Trucks                        | 6           | 7    | 8    | 8    | 10   | 10   | 10   | 11   | 10   | 11   |
| Heavy Vehicles                         | 33          | 30   | 33   | 31   | 32   | 37   | 36   | 37   | 38   | 39   |
| <b>Engineering</b>                     |             |      |      |      |      |      |      |      |      |      |
| Vehicles                               | 2           | 2    | 1    | 1    | -    | -    | -    | -    | -    | -    |
| <b>Culture and recreation</b>          |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 14          | 14   | 14   | 14   | 14   | 13   | 14   | 14   | 14   | 14   |
| Vehicles                               | 13          | 13   | 15   | 16   | 18   | 18   | 18   | 18   | 18   | 18   |
| <b>Transportation &amp; Waterfront</b> |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Buses                                  | 8           | 8    | 8    | 7    | 7    | 7    | 7    | 7    | 12   | 12   |
| Vehicles                               | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| <b>Water Resources</b>                 |             |      |      |      |      |      |      |      |      |      |
| Buildings                              | 36          | 37   | 37   | 37   | 37   | 38   | 38   | 38   | 38   | 38   |
| Vehicles                               | 20          | 21   | 21   | 21   | 24   | 22   | 23   | 23   | 24   | 23   |
| <b>School Department</b>               |             |      |      |      |      |      |      |      |      |      |
| Schools                                | 8           | 8    | 8    | 8    | 9    | 9    | 9    | 9    | 8    | 8    |
| Buildings                              | 4           | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Portable Classrooms                    | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 3    |
| School Buses                           | 21          | 21   | 21   | 21   | 21   | 23   | 23   | 23   | 22   | 22   |
| Vehicles                               | 7           | 6    | 7    | 8    | 8    | 8    | 8    | 8    | 7    | 8    |

Sources: Various city departments and the City's capital asset database.

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