

APPENDIX TO THE FY 2013 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2011

South Portland Budget History

Municipal Property Tax Levy Limit

School Department Budget

Glossary of Terms

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

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

(Ref. of 6-13-78)

[Sec.] 503. Budget a public record.

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

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

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

(Ref. of 6-13-78)

[Sec.] 505. Public hearing on budget.

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

[Sec.] 506. Further consideration of budget.

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

[Sec.] 507. Increase of budget.

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

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

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

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

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

(P.&S.L. 1967, Ch. 37, § 4)

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

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

[Sec.] 511. Budget establishes appropriations.

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

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

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

(Ref of 11/2.04)

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

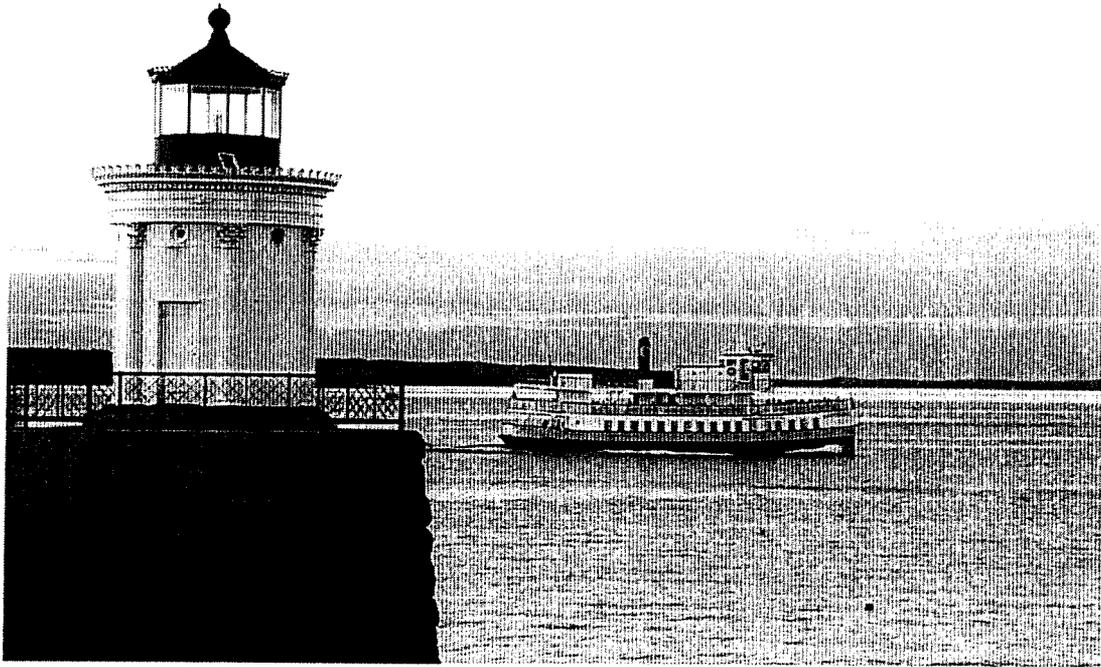
The budget message submitted by the city manager to the council shall be explanatory of the budget, shall contain an outline of the proposed financial policies of the city for the budget year and shall describe in connection therewith the important features of the budget plan. It shall set forth the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

[Sec.] 905. Powers and duties.

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

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

FINANCIAL SECTION



Independent Auditor's Report

City Council
City of South Portland, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine as of and for the year ended June 30, 2011, 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, 2011, 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, 2011, 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 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 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, 2011
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis
June 30, 2011

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, 2011.

Financial Highlights

- The assets of the City of South Portland exceeded its liabilities at the close of the most recent fiscal year by \$155,832,157 (*net assets*). Of this amount, \$19,166,518 (*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 \$2,454,247.
- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net assets of \$96,652,008, an increase of \$3,094,307 in comparison with the prior year. Approximately 15.1 percent of this total amount, \$14,713,818, 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 \$9,686,895, or 14.04% of total general fund expenditures. The City implemented GASB Statement No. 54 which substantially altered the categories and terminology used to describe fund balance. The financials also reflect some minor reorganization of funds within the various Fund Categories as a result of GASB Statement No. 54.
- The City's total bonded debt decreased by \$2,995,102 (11.4%) during the current fiscal year. The City did not issue any new debt during the year; however the City voters approved borrowing \$41,500,000 for renovations and addition to the South Portland High School. That project is anticipated to be started in late April of 2012 and to be completed in phases to reduce the impact to students and taxpayers.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 35-37 of this report. The budget basis schedule demonstrating compliance can be found on page 94 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 66-107 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 \$155,832,157 at the close of the most recent fiscal year.

City of South Portland's Net Assets

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 47,326,462	\$ 49,996,241	\$ 12,060,942	\$ 14,299,906	\$ 59,387,404	\$ 64,296,147
Capital assets	83,267,897	79,530,780	48,649,832	47,133,127	131,917,729	126,663,907
Total assets	130,594,359	129,527,021	60,710,774	61,433,033	191,305,133	190,960,054
Long-term liabilities	28,555,290	30,101,154	1,039,461	1,385,612	29,594,751	31,486,766
Other liabilities	5,387,061	5,868,166	491,164	227,212	5,878,225	6,095,378
Total liabilities	33,942,351	35,969,320	1,530,625	1,612,824	35,472,976	37,582,144
Net assets:						
Invested in capital assets, net of related debt	65,465,039	58,877,233	47,843,440	45,994,633	113,308,479	104,871,866
Restricted	16,473,151	20,519,257	6,884,009	9,527,765	23,357,160	30,047,022
Unrestricted	14,713,818	14,161,211	4,452,700	4,297,811	19,166,518	18,459,022
Total net assets	\$ 96,652,008	\$ 93,557,701	\$ 59,180,149	\$ 59,820,209	\$ 155,832,157	\$ 153,377,910

By far the largest portion of the City of South Portland's net assets (72.7 percent or \$113,308,479) 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 (14.99 percent or \$23,357,160) represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$19,166,518) 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 \$2,454,247 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,495,377	\$ 3,958,621	\$ 5,397,938	\$ 4,934,609	\$ 8,893,315	\$ 8,893,230
Operating grants and contributions	11,296,237	13,346,960	-	-	11,296,237	13,346,960
Capital grants and contributions	1,888,618	438,734	63,392	207,671	1,952,010	646,405
General revenues:						
Property and other taxes	60,531,550	58,992,358	-	-	60,531,550	58,992,358
Grants and contributions not restricted to specific programs	4,234,142	4,289,455	-	-	4,234,142	4,289,455
Other	2,233,707	2,099,203	30,537	43,666	2,264,244	2,142,869
Total revenues	83,679,631	83,125,331	5,491,867	5,185,946	89,171,498	88,311,277
Expenses:						
General government	9,760,459	9,688,052	-	-	9,760,459	9,688,052
Public safety	11,475,123	11,199,775	-	-	11,475,123	11,199,775
Public works	7,919,091	8,857,599	-	-	7,919,091	8,857,599
Culture and recreation	4,271,160	4,118,351	-	-	4,271,160	4,118,351
Transportation and waterfront	1,100,308	1,114,584	-	-	1,100,308	1,114,584
Health, wealth and social services	346,737	422,295	-	-	346,737	422,295
Interest on debt service	1,020,873	1,018,182	-	-	1,020,873	1,018,182
Education	44,770,727	44,587,035	-	-	44,770,727	44,587,035
Sewer	-	-	5,721,362	5,588,572	5,721,362	5,588,572
Total expenses	80,664,478	81,005,873	5,721,362	5,588,572	86,385,840	86,594,445
Increase (decrease) in net assets before transfers and other	3,015,153	2,119,458	(229,495)	(402,626)	2,785,658	1,716,832
Gain (loss) on disposal of capital asset	289,956	-	(621,367)	-	(331,411)	-
Transfers	(210,802)	(4,726,293)	210,802	4,726,293	-	-
Increase (decrease) in net assets	3,094,307	(2,606,835)	(640,060)	4,323,667	2,454,247	1,716,832
Net assets - beginning of year	93,557,701	96,164,536	59,820,209	55,496,542	153,377,910	151,661,078
Net assets - end of year	\$ 96,652,008	\$ 93,557,701	\$ 59,180,149	\$ 59,820,209	\$ 155,832,157	\$ 153,377,910

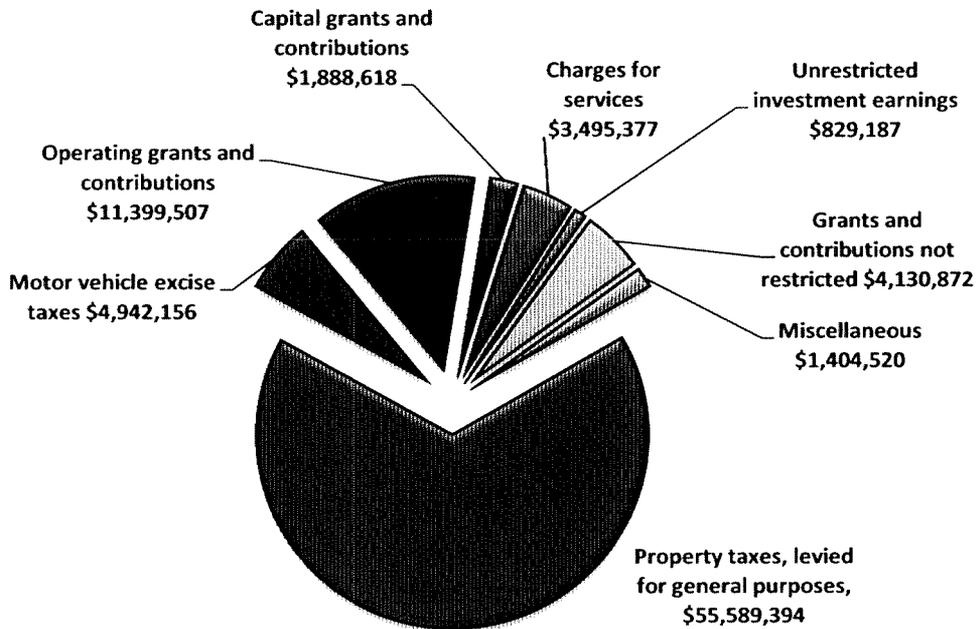
Governmental activities. During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net assets of \$3.094 million. This amount represented an increase in the net assets of 3.3%. Key elements of this increase are as follows:

- Property and other taxes increased by \$1,539,192 (2.61 percent). This was primary due to an increase in motor vehicle excise taxes collected from Enterprise Rent-A-Car which saw a increase of approximately \$800,000 during the year. Additionally the City experienced an increase in needs from property taxes of approximately \$550,000 due to municipal, school and county general cost increases.
- Various operating grants decreased from the State of Maine and the federal government by approximately \$1.95 million. This decrease was primarily attributable to a decrease in education ARRA stimulus funds and a decrease in state education subsidies.
- Capital grants and contributions increased \$1,449,884 due to 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.

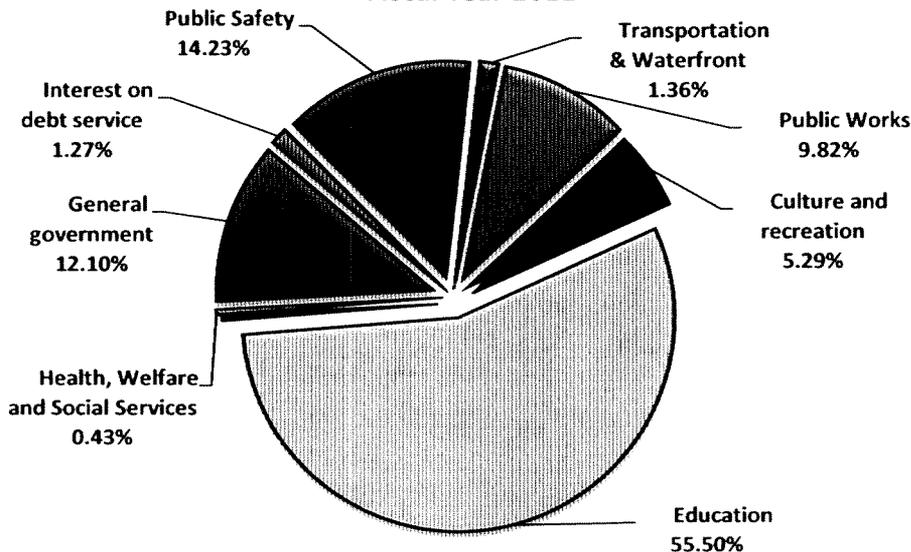
CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis, Continued

- Total expenses decreased by \$341,395 (-.42%). This decrease included a decrease in public works of \$938,508, of which \$798,400 included a non-capitalized public works contribution to the State of Maine for the local share of a state road project (Western Ave) in the prior year. Health, welfare and social services expenses decreased by \$75,558 during the year. Increases were noted in public safety \$275,348, education \$183,692, and culture and recreation \$152,809.

Government -wide
Revenues by Source -Governmental Activities
Fiscal Year 2011



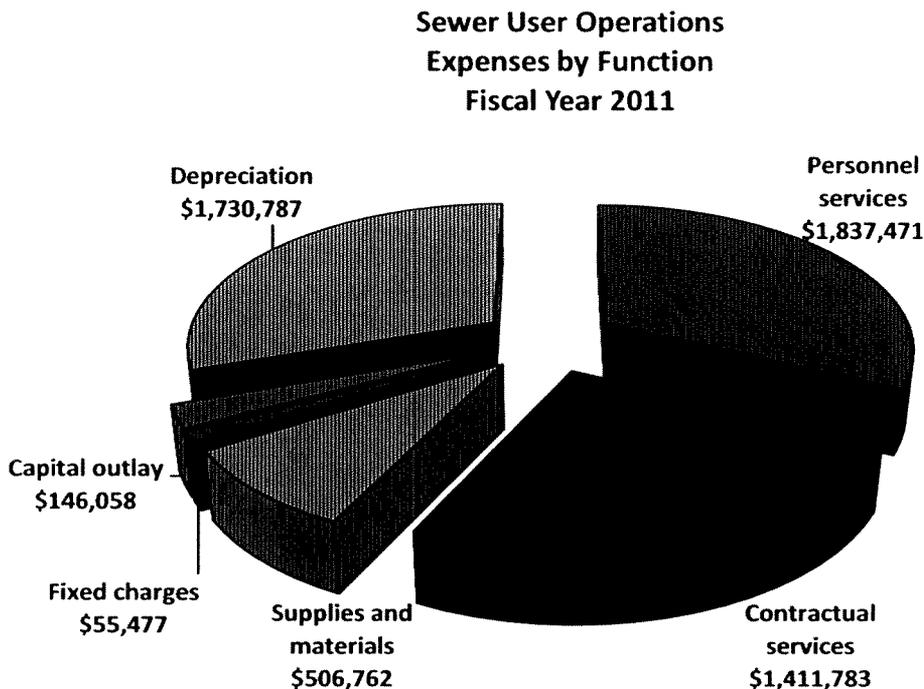
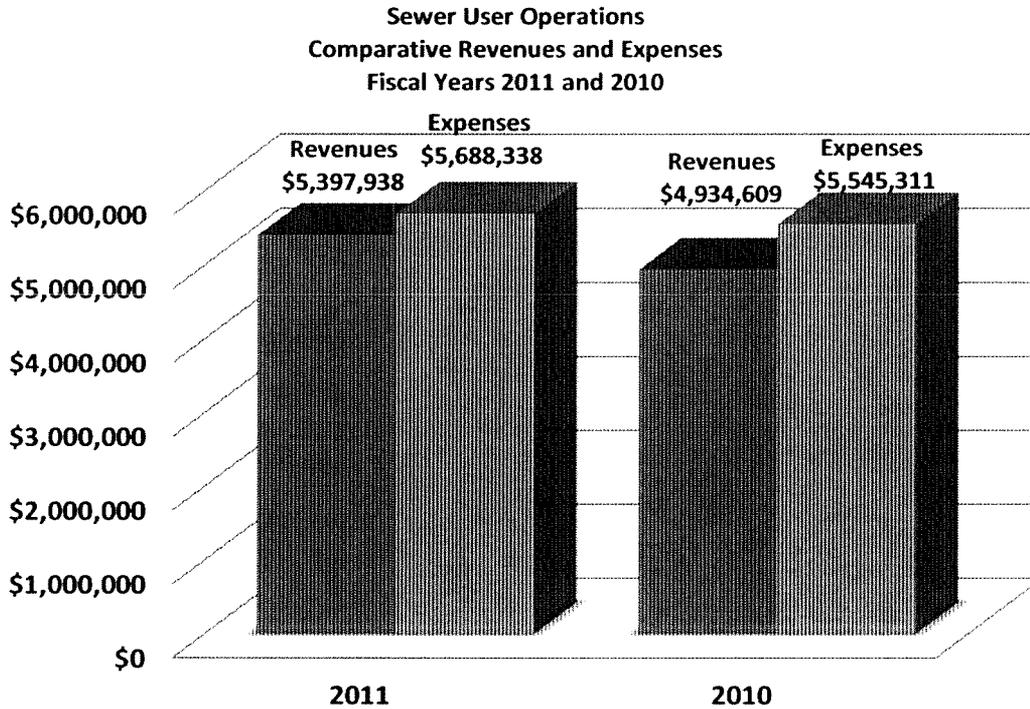
Government -wide
Expenses by Function -Governmental Activities
Fiscal Year 2011



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 decreased the City of South Portland's net assets by \$640,060. A large portion of this was the result of the disposal of a large pump station (loss on disposal of \$621,367) which was required to be replaced earlier than originally estimated due to new storm water requirements and commercial development in the area.

Revenues for business-type activities increased \$463,329 in billings due to an increase in user rates on a slightly lower consumption during the year. Total operating expenses for business-type activities increased \$143,027 or 2.58 percent due to increases in personal services (\$96,189), contractual services (\$48,206), supplies (\$46,461) and depreciation (\$46,727) and offset by a decrease in capital outlay (\$94,316).



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 \$40,937,036, a decrease of \$2,234,756 in comparison with the prior year. A significant portion of the decrease relates to the expenditure of capital projects (\$7,131,028) previously authorized which reduced capital project fund balance by \$1,623,675. Additionally, school grant funds were spent down during the year and reduced those balance by \$1,569,071.

General Fund - The general fund is the central operating fund of the City of South Portland. At the end of the current fiscal year the total fund balance of the general fund was \$21,971,759. 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 31.85 percent of total general fund expenditures (\$68,981,344). Under the new breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2011, general fund restricted balance for education totaled \$5,918,192 a decrease of \$841,546. Additionally, the City maintains various reserve balances for various future needs. These balances are now reported as either committed or assigned and both increased slightly during the year.

During the year, 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, 2011, the unassigned fund balance was \$9,686,895 or 13.98 percent of the City's FY 2012, budget (\$69,272,422).

The total fund balance of the City of South Portland's general fund increased by \$384,103 during the current fiscal year. Key factors in this change are as follows:

- As part of the City's 2011-12 capital improvement budget, the City appropriated \$897,000 from unassigned fund balance to fund certain City capital projects.
- Total actual revenues collected exceeded budgeted by approximately \$1,963,000. The largest budgetary surplus resulted from a large increase in excise taxes collected from Enterprise Rent-A-Car registering more vehicles this year in South Portland (\$800,000). Additionally, estimated budgets for various revenues were exceeded; State BETE revenue (\$159,000), State education subsidy (\$131,000), Code Enforcement permits (\$145,000), Interest earned (\$117,000) as well as several other revenue sources. 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 \$1,609,000. The major discrepancies included unexpended education appropriations (\$1,060,000) and Citywide insurance and benefit costs (\$280,000) 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.

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 \$5,065,079, 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 \$837,050 towards sewer and public works capital improvement projects.

Capital Projects - The capital project fund has a total fund balance of \$9,394,234. The decrease in fund balance during the current year in the capital project fund was \$1,623,675. This past year's approved projects approximating \$2,238,000 were supplemented with energy performance contract projects totaling \$1,033,000 and contributions towards the High School renovation and addition project that was approved by the voters. The City anticipates that it will be issuing bonds for the High School project as needed over the construction period.

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 more detail.

Unrestricted net assets of the sewer user fund at the end of the year amounted to \$1,160,658. The decrease in total unrestricted net assets for the sewer user fund was \$251,456. 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 \$225,190 on industrial consumption greater than anticipated. On the expenditure side, the fund spent less than budgeted with a surplus of \$280,577.

Budgetary Highlights

General Fund:

Revenue for the general fund totaled \$66,793,897 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2011. Actual revenues exceeded estimates by \$1,963,086.

General Fund Revenues Budget to Actual Summary			
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 56,606,340	57,755,880	1,149,540
Intergovernmental	5,365,087	5,788,390	423,303
Licenses, permits, fees and fines	705,950	843,138	137,188
Charges for services	1,520,434	1,608,793	88,359
Unclassified	108,000	155,308	47,308
Interest earned	525,000	642,388	117,388
Total revenues	\$ 64,830,811	66,793,897	1,963,086

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$1,149,540 of which \$968,156 is attributable to an excise tax surplus due primarily to Enterprise Rent-A-Car registering more vehicles of its fleet in South Portland.
- An intergovernmental revenue surplus of \$423,303, which is attributable primarily to additional Business Equipment Tax Exemption (BETE) revenues of \$158,637 and additional State education subsidy of \$130,686 which the City Council set aside for the Secondary Facilities reserve for the High School Project.
- A surplus in licenses, permits, fees and fines of \$137,188 relating primarily from building permit revenues in the City which exceed anticipated revenues.
- An interest earned surplus of \$117,388 is a result of a conservative estimate on anticipated interest earnings. The City's laddered investment maturities, enabled the City to maintain higher earnings in the very low interest rate environment.

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

Expenditures for the general fund totaled \$64,281,823 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2011.

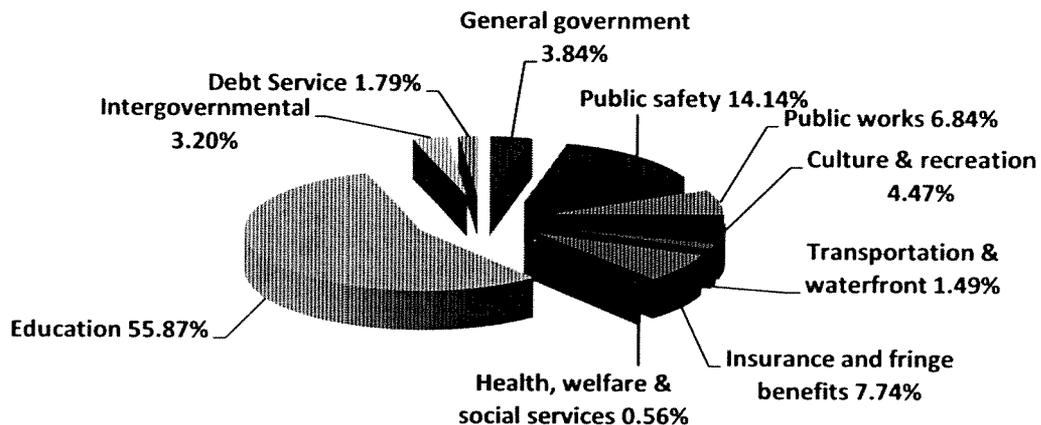
General Fund Expenditures Budget to Actual Summary

	Budget	Actual	Variance
Expenditures:			
General government	\$ 2,548,133	2,468,154	79,979
Public safety	9,141,268	9,092,600	48,668
Public works	4,401,627	4,399,859	1,768
Culture and recreation	2,946,018	2,872,216	73,802
Transportation and waterfront	958,911	958,851	60
Health, welfare and social services	401,442	357,789	43,653
Insurance and fringe benefits	5,257,100	4,977,343	279,757
Education	36,974,025	35,913,762	1,060,263
Intergovernmental (county tax)	2,058,577	2,058,577	-
Other	52,000	32,703	19,297
Debt Service	1,152,356	1,149,969	2,387
Total expenditures	\$ 65,891,457	64,281,823	1,609,634

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

- Legal expenditures declined during the year with a surplus to budget of \$61,463.
- Education surplus of \$1,060,263 attributable to lower than anticipated, special education costs (surplus of \$162,812) operations and maintenance expenses (surplus of \$344,058), board of education expenses (surplus of \$162,519) and assistant superintendent (surplus of \$199,668).
- Insurance and fringe benefits (surplus of \$279,757) which was due to a lower than anticipated increase in health insurance and workers compensation insurance.

**General Fund
Expenditure Components
Fiscal Year 2011**



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, 2011 amounts to \$131,917,731 (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 4.15 percent (a 4.7 percent increase for governmental activities and a 3.22 percent increase for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 9,251,519	9,333,119	1,221,558	1,221,558	10,473,077	10,554,677
Buildings	51,916,077	50,604,031	18,023,391	16,648,847	69,939,468	67,252,878
Improvements other than buildings	1,312,972	1,442,771	-	-	1,312,972	1,442,771
Machinery and equipment	3,845,556	3,017,829	4,836,060	3,673,961	8,681,616	6,691,790
Infrastructure	10,885,909	10,693,351	23,478,073	23,578,424	34,363,982	34,271,775
Construction in progress	1,418,659	623,338	474,118	1,575,582	1,892,777	2,198,920
Vehicles	4,637,204	3,816,341	616,632	434,755	5,253,836	4,251,096
Total	\$ 83,267,897	79,530,780	48,649,832	47,133,127	131,917,729	126,663,907

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

- School building and equipment energy improvements were completed totaling approximately \$1,250,000 during the year at numerous schools.
- Three 2011 Gillig transit buses were purchased costing \$1,114,218 with the aid of a federal and state grant.
- Vehicles purchased included a new 2010 ambulance costing \$162,787 for the Fire Department, a 2011 MT6 Trackless sidewalk tractor costing \$133,380 which is used by both the public works and parks departments, five new police vehicles totaling \$142,700, four vehicles for the water resource department including a new vacuum sewer line cleaner totaling \$293,756 and two school vehicles totaling \$65,503.
- Public safety communications equipment totaling \$621,938 were purchased with the aid of a Federal grant.
- Boat ramp upgrade at Bug light park totaling \$85,078.
- Architectural and other design work were started on the High School Renovation project totaling \$961,945.
- New bus loop and parking at Mahoney Middle School totaling \$234,339.
- Various paving and sidewalk projects totaling \$674,112.
- Security system, sprinkler system, asbestos abatement and other improvements at Memorial Middle School totaling \$736,322.
- Security system and other improvements at Mahoney Middle School totaling \$791,514.
- Masonry work, windows and doors at the public safety building totaling \$167,093.
- Completion of the long creek pump station project totaling \$4,659,391.
- Work on the pump station telemetry alarm system totaling \$121,237.

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 \$3,738,950,000 for 2011, the debt limit would be over \$560,842,500. Our current debt is \$23,086,392, or less than .617% of State Valuation or approximately 4.12% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2011, the City of South Portland's debt per capita (including lease obligations) was \$1,022 as compared to the prior year of \$1,186.

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

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds payable at June 30, 2010	\$ 24,943,000	1,138,494	26,081,494
Principal additions	-	-	-
Principal payments	(2,663,000)	(332,102)	(2,995,102)
General Obligation Bonds payable at June 30, 2011	\$ 22,280,000	806,392	23,086,392

The City of South Portland's total bonded debt decreased by \$2,995,102 (11.5 percent) during the current fiscal year.

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, positive signs of development with increases in building permits were experienced this past year and into the new fiscal year.

- The October 2011 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 7.3% and the national average rate of 9.0%.
- As of December 2010, the vacancy rate for Class A office space in the mall area was 16.3% from 16.53% in December 2009 and the vacancy rate for Class B office space in the mall area was 6.21% from 5.69% in December 2009. 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 2012, 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. An eye is kept on the State's emerging policies regarding school funding and property tax reform as well as to proposed changes in the State revenue sharing formula that would affect the portion of sales and income taxes that South Portland receives from the statewide collection pool. Management also felt it was necessary to invest in our workforce as well as maintaining our building, vehicles and equipment.

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

During the upcoming fiscal year (2012) 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.
- A reduction in the Municipal Revenue Sharing pool resulting from a slowdown in state tax receipts and/or changes in how the State calculates the revenue sharing pool.
- 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 2012 calendar year premiums will see an increase of 2.78%. 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 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 cost of overtime, contracted snow removal, and salt and sand payments associated with the uncertainty of winter snow removal operations is an annual area of concern.

The fiscal year 2012 budget was approved in June 2011, with a \$2,158,657 (3.22%) increase in the overall general fund expenditure budget. Included in the budget is a contribution of \$1,050,000 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 16.10 per thousand from the prior year 15.70.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 47,459,174	-	47,459,174
Investments	7,432,215	-	7,432,215
Receivables, net of allow. of \$967,594 and \$165,302	1,897,280	741,950	2,639,230
Taxes receivable	1,257,623	-	1,257,623
Tax liens and acquired property	494,228	-	494,228
Prepaid expenses	28,138	7,435	35,573
Inventory	19,361	-	19,361
Internal balances	(11,311,557)	11,311,557	-
Restricted assets, cash	50,000	-	50,000
Capital assets, not being depreciated	10,670,178	1,695,676	12,365,854
Capital assets, net of accumulated depreciation	72,597,719	46,954,156	119,551,875
Total assets	130,594,359	60,710,774	191,305,133
LIABILITIES			
Accounts payable	1,230,406	460,264	1,690,670
Accrued liabilities	762,308	25,147	787,455
Accrued interest	237,635	5,753	243,388
Accrued teachers' summer salaries	3,156,712	-	3,156,712
Non-current liabilities:			
Due within one year	3,870,919	409,632	4,280,551
Due in more than one year	24,684,371	629,829	25,314,200
Total liabilities	33,942,351	1,530,625	35,472,976
NET ASSETS			
Invested in capital assets, net of related debt	65,465,039	47,843,440	113,308,479
Restricted for:			
Permanent Funds - Nonexpendable principal	198,949	-	198,949
Permanent Funds - Expendable	118,267	-	118,267
Education	5,918,192	-	5,918,192
Other grants	2,017,296	-	2,017,296
Tax Increment Financing	5,065,079	-	5,065,079
Capital	3,155,368	6,884,009	10,039,377
Unrestricted	14,713,818	4,452,700	19,166,518
Total net assets	\$ 96,652,008	59,180,149	155,832,157

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Activities
For the year ended June 30, 2011

Functions/programs	Net (expense) revenue and changes in net assets						
	Expenses	Program Revenues			Primary Government		Total
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 9,760,459	291,417	731,764	-	(8,737,278)	-	(8,737,278)
Public safety	11,475,123	1,222,605	680,651	467,488	(9,104,379)	-	(9,104,379)
Public works	7,919,091	76,690	-	344,053	(7,498,348)	-	(7,498,348)
Culture and recreation	4,271,160	945,933	1,090	-	(3,324,137)	-	(3,324,137)
Transportation and waterfront	1,100,308	285,060	219,049	1,077,077	480,878	-	480,878
Health, welfare and social services	346,737	-	131,513	-	(215,224)	-	(215,224)
Education	44,770,727	673,672	9,532,170	-	(34,564,885)	-	(34,564,885)
Interest on debt service	1,020,873	-	-	-	(1,020,873)	-	(1,020,873)
Total governmental activities	80,664,478	3,495,377	11,296,237	1,888,618	(63,984,246)	-	(63,984,246)
Business-type activities:							
Sewer	5,721,362	5,397,938	-	63,392	-	(260,032)	(260,032)
Total business-type activities	5,721,362	5,397,938	-	63,392	-	(260,032)	(260,032)
Total primary government	\$ 86,385,840	8,893,315	11,296,237	1,952,010	(63,984,246)	(260,032)	(64,244,278)
General revenues:							
Property taxes, levied for general purposes					\$ 55,589,394	-	55,589,394
Motor vehicle excise taxes					4,942,156	-	4,942,156
Cable television franchise					180,000	-	180,000
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					1,751,872	-	1,751,872
Homestead exemption					442,112	-	442,112
Other State aid					2,040,158	-	2,040,158
Rent and leases					121,407	-	121,407
Unrestricted investment earnings					829,187	30,537	859,724
Miscellaneous					1,103,113	-	1,103,113
Gain (loss) on disposal of capital assets					289,956	(621,367)	(331,411)
Transfers					(210,802)	210,802	-
Total general revenues and transfers					67,078,553	(380,028)	66,698,525
Change in net assets					3,094,307	(640,060)	2,454,247
Net assets - beginning as previously stated					93,072,011	59,820,209	152,892,220
Restatement					485,690	-	485,690
Net assets - ending					\$ 96,652,008	59,180,149	155,832,157

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE

Balance Sheet
Governmental Funds
June 30, 2011

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 33,179,585	5,052,058	9,227,531	-	47,459,174
Investments	6,729,620	-	-	702,595	7,432,215
Due from other governments	109,100	-	243,411	1,217,827	1,570,338
Accounts receivable, net of allowance of \$967,594	295,588	22,679	-	8,179	326,446
Taxes receivable	1,257,623	-	-	-	1,257,623
Tax liens and tax acquired property	494,228	-	-	-	494,228
Interfund loans receivable	-	-	-	3,116,961	3,116,961
Prepaid expenditures	28,138	-	-	-	28,138
Inventory	-	-	-	19,361	19,361
Restricted assets, cash	50,000	-	-	-	50,000
Total assets	\$ 42,143,882	5,074,737	9,470,942	5,064,923	61,754,484
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	971,472	8,423	76,633	173,878	1,230,406
Accrued liabilities	675,432	1,235	75	85,566	762,308
Interfund loans payable	14,428,022	-	-	-	14,428,022
Deferred tax revenue	1,240,000	-	-	-	1,240,000
Accrued teachers' summer salaries	2,857,197	-	-	299,515	3,156,712
Total liabilities	20,172,123	9,658	76,708	558,959	20,817,448
Fund balances:					
Nonspendable	28,138	-	-	218,310	246,448
Restricted	5,918,192	5,065,079	3,155,368	2,135,563	16,274,202
Committed	3,679,767	-	6,238,866	2,289,570	12,208,203
Assigned	2,658,767	-	-	-	2,658,767
Unassigned	9,686,895	-	-	(137,479)	9,549,416
Total fund balances	21,971,759	5,065,079	9,394,234	4,505,964	40,937,036
Total liabilities and fund balances	\$ 42,143,882	5,074,737	9,470,942	5,064,923	

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.	83,267,897
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,240,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(3,204,758)
Other postemployment benefits liability	(510,306)
Accrued interest	(237,635)
Landfill closure	(102,000)
Capital leases	(2,458,226)
Bonds payable	(22,280,000)

Net assets of governmental activities

\$ 96,652,008

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 33,179,585	5,052,058	9,227,531	-	47,459,174
Investments	6,729,620	-	-	702,595	7,432,215
Due from other governments	109,100	-	243,411	1,217,827	1,570,338
Accounts receivable, net of allowance of \$967,594	295,588	22,679	-	8,179	326,446
Taxes receivable	1,257,623	-	-	-	1,257,623
Tax liens and tax acquired property	494,228	-	-	-	494,228
Interfund loans receivable	-	-	-	3,116,961	3,116,961
Prepaid expenditures	28,138	-	-	-	28,138
Inventory	-	-	-	19,361	19,361
Restricted assets, cash	50,000	-	-	-	50,000
Total assets	\$ 42,143,882	5,074,737	9,470,942	5,064,923	61,754,484
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	971,472	8,423	76,633	173,878	1,230,406
Accrued liabilities	675,432	1,235	75	85,566	762,308
Interfund loans payable	14,428,022	-	-	-	14,428,022
Deferred tax revenue	1,240,000	-	-	-	1,240,000
Accrued teachers' summer salaries	2,857,197	-	-	299,515	3,156,712
Total liabilities	20,172,123	9,658	76,708	558,959	20,817,448
Fund balances:					
Nonspendable	28,138	-	-	218,310	246,448
Restricted	5,918,192	5,065,079	3,155,368	2,135,563	16,274,202
Committed	3,679,767	-	6,238,866	2,289,570	12,208,203
Assigned	2,658,767	-	-	-	2,658,767
Unassigned	9,686,895	-	-	(137,479)	9,549,416
Total fund balances	21,971,759	5,065,079	9,394,234	4,505,964	40,937,036
Total liabilities and fund balances	\$ 42,143,882	5,074,737	9,470,942	5,064,923	
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.					83,267,897
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					1,240,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:					
Accrued compensated absences					(3,204,758)
Other postemployment benefits liability					(510,306)
Accrued interest					(237,635)
Landfill closure					(102,000)
Capital leases					(2,458,226)
Bonds payable					(22,280,000)
Net assets of governmental activities					\$ 96,652,008

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, 2011

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 57,755,880	2,399,132	375,938	-	60,530,950
Intergovernmental	9,498,341	1,094,940	1,544,565	5,281,151	17,418,997
Licenses, permits, fees and fines	843,138	-	-	-	843,138
Charges for services	1,608,793	-	-	1,344,853	2,953,646
Unclassified	712,690	-	8,000	976,423	1,697,113
Interest earned	677,979	51,248	60,626	39,334	829,187
Total revenues	71,096,821	3,545,320	1,989,129	7,641,761	84,273,031
Expenditures:					
Current:					
General government	7,840,862	-	-	893,823	8,734,685
Public safety	9,262,672	-	-	626,943	9,889,615
Public works	4,425,756	201,738	-	336,012	4,963,506
Culture and recreation	2,874,133	-	-	891,279	3,765,412
Transportation and waterfront	958,851	-	-	106,772	1,065,623
Health, welfare and social services	346,737	-	-	-	346,737
Education	39,747,280	-	-	4,761,589	44,508,869
School lunch program	-	-	-	1,487,170	1,487,170
Intergovernmental	2,058,577	-	-	-	2,058,577
Other	37,703	1,702,155	-	1,488	1,741,346
Debt service (excluding education)	1,149,969	-	-	-	1,149,969
Capital expenditures	278,804	133,444	7,131,028	-	7,543,276
Total expenditures	68,981,344	2,037,337	7,131,028	9,105,076	87,254,785
Excess (deficiency) of revenues over (under) expenditures	2,115,477	1,507,983	(5,141,899)	(1,463,315)	(2,981,754)
Other financing sources (uses):					
Transfers in	615,259	-	3,118,424	714,507	4,448,190
Transfers out	(2,421,433)	(988,974)	(483,200)	(765,385)	(4,658,992)
Issuance of debt	74,800	-	883,000	-	957,800
Total other financing sources (uses)	(1,731,374)	(988,974)	3,518,224	(50,878)	746,998
Net change in fund balances	384,103	519,009	(1,623,675)	(1,514,193)	(2,234,756)
Fund balances, beginning of year, as reclassified	21,587,656	4,546,070	11,017,909	6,020,157	43,171,792
Fund balances, end of year	\$ 21,971,759	5,065,079	9,394,234	4,505,964	40,937,036

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, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	(2,234,756)
<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 (\$8,034,449) exceed book value of disposed assets (\$187,761) and depreciation (\$4,109,571).		3,737,117
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.		600
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 proceeds (\$957,800) exceed repayments (\$90,758).		(867,042)
Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$32,751), accrued interest (-\$45,482), and other postemployment benefits liability (\$153,591).		(140,860)
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.		(63,752)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond 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 of repayments (\$2,663,000).		2,663,000
Change in net assets of governmental activities (see Statement 2)	\$	3,094,307

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, 2011

	General Fund				TIF Funds			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 56,606,340	56,606,340	57,755,880	1,149,540	2,296,505	2,296,505	2,399,132	102,627
Intergovernmental	5,365,087	5,365,087	5,788,390	423,303	834,000	834,000	1,094,940	260,940
Licenses, permits, fees and fines	705,950	705,950	843,138	137,188	-	-	-	-
Charges for services	1,520,434	1,520,434	1,608,793	88,359	-	-	-	-
Unclassified	108,000	108,000	155,308	47,308	-	-	-	-
Interest earned	525,000	525,000	642,388	117,388	-	-	51,248	51,248
Total revenues	64,830,811	64,830,811	66,793,897	1,963,086	3,130,505	3,130,505	3,545,320	414,815
Expenditures:								
Current:								
General government	7,782,233	7,805,233	7,445,497	359,736	-	-	-	-
Public safety	9,123,268	9,141,268	9,092,600	48,668	-	-	-	-
Public works	4,376,627	4,401,627	4,399,859	1,768	262,445	262,445	201,738	60,707
Culture and recreation	2,946,018	2,946,018	2,872,216	73,802	-	-	-	-
Transportation and waterfront	954,911	958,911	958,851	60	-	-	-	-
Health, welfare and social services	401,442	401,442	357,789	43,653	-	-	-	-
Education	36,974,025	36,974,025	35,913,762	1,060,263	-	-	-	-
Intergovernmental	2,058,577	2,058,577	2,058,577	-	-	-	-	-
Other	122,000	52,000	32,703	19,297	1,627,774	1,627,774	1,702,155	(74,381)
Debt service (excluding education)	1,152,356	1,152,356	1,149,969	2,387	-	-	-	-
Capital expenditures	-	-	-	-	1,088,362	251,312	133,444	117,868
Total expenditures	65,891,457	65,891,457	64,281,823	1,609,634	2,978,581	2,141,531	2,037,337	104,194
Excess (deficiency) of revenues over (under) expenditures	(1,060,646)	(1,060,646)	2,512,074	3,572,720	151,924	988,974	1,507,983	519,009
Other financing sources (uses):								
Budgeted use of surplus - City	-	1,447,000	-	(1,447,000)	-	-	-	-
Budgeted use of surplus - School	1,200,000	1,200,000	-	(1,200,000)	-	-	-	-
Transfer in	556,331	556,331	615,259	58,928	-	-	-	-
Transfers out	(695,685)	(2,142,685)	(3,302,436)	(1,159,751)	(151,924)	(988,974)	(988,974)	-
Total other financing sources (uses)	1,060,646	1,060,646	(2,687,177)	(3,747,823)	(151,924)	(988,974)	(988,974)	-
Net change in fund balance - budgetary basis	-	-	(175,103)	(175,103)	-	-	519,009	519,009
Reconciliation to GAAP basis:								
Change in encumbrances - City			(18,364)					
Change in encumbrances - School			169,943					
Change in reserves			407,627					
Net change in fund balance - GAAP basis			384,103				519,009	
Fund balance, beginning of year			21,587,656				4,546,070	
Fund balance, end of year			\$ 21,971,759				5,065,079	

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2011 and 2010

Business-type Activities - Enterprise Funds		
	Sewer	
	2011	2010
ASSETS		
Current assets:		
Due from other governments	\$ 269,751	589,490
Receivables, net of allowance of \$165,302 and \$85,228, respectively	463,507	267,435
Sewer liens	8,692	7,314
Prepaid expenses	7,435	7,210
Interfund loan receivables	11,311,557	13,428,457
Total current assets	12,060,942	14,299,906
Noncurrent assets:		
Capital assets, not being depreciated	1,695,676	2,797,140
Capital assets	83,852,882	80,203,918
Accumulated depreciation	(36,898,726)	(35,867,931)
Total noncurrent assets	48,649,832	47,133,127
Total assets	60,710,774	61,433,033
LIABILITIES		
Current liabilities:		
Accounts payable	460,264	197,882
Accrued wages	25,147	17,825
Accrued interest	5,753	11,505
Current portion of noncurrent liabilities:		
Compensated absences	77,530	87,834
Bonds payable	332,102	332,102
Total current liabilities	900,796	647,148
Noncurrent liabilities:		
Compensated absences	155,539	159,284
Bonds payable	474,290	806,392
Total noncurrent liabilities	629,829	965,676
Total liabilities	1,530,625	1,612,824
NET ASSETS		
Invested in capital assets, net of related debt	47,843,440	45,994,633
Restricted for capital projects	6,884,009	9,527,765
Unrestricted - reserves	3,292,042	2,885,697
Unrestricted	1,160,658	1,412,114
Total net assets	\$ 59,180,149	59,820,209

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, 2011 and 2010

Business-type Activities - Enterprise Funds		
	Sewer	
	2011	2010
Operating revenues:		
Charges for services	\$ 5,341,582	4,881,004
Interest and penalties	568	398
Licenses	55,788	53,207
Total operating revenues	5,397,938	4,934,609
Operating expenses:		
Personnel services	1,837,471	1,741,282
Contractual services	1,411,783	1,363,577
Supplies and materials	506,762	460,301
Fixed charges	55,477	55,717
Capital outlay	146,058	240,374
Depreciation	1,730,787	1,684,060
Total operating expenses	5,688,338	5,545,311
Operating loss	(290,400)	(610,702)
Nonoperating revenues (expenses):		
Interest revenue	30,537	43,666
Gain (loss) on disposal of capital assets	(621,367)	891
Interest expense	(33,024)	(44,152)
Total nonoperating revenues (expenses)	(623,854)	405
Loss before transfers and capital contributions	(914,254)	(610,297)
Capital contributions	63,392	207,671
Transfers in	273,972	4,729,557
Transfer out	(63,170)	(3,264)
Total transfers and capital contributions	274,194	4,933,964
Change in net assets	(640,060)	4,323,667
Net assets, beginning of year	59,820,209	55,496,542
Net assets, end of year	\$ 59,180,149	59,820,209

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2011 and 2010

	Sewer	
	2011	2010
Business-type Activities - Enterprise Funds		
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,200,488	5,004,553
Payments to suppliers	(1,857,923)	(1,992,142)
Payments to employees	(1,844,196)	(1,744,471)
Net cash provided by operating activities	1,498,369	1,267,940
Cash flows from noncapital financing activities:		
Transfer in from other funds	273,972	4,548,893
Interfund loan	2,116,900	(4,244,708)
Transfers to other funds	(63,170)	(3,264)
Net cash (used in) provided by noncapital financing activities	2,327,702	300,921
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,805,469)	(1,422,995)
Proceeds from sale of capital assets	-	18,659
Proceeds from bonded obligations	319,739	160,226
Interest paid on bonds	(38,776)	(49,866)
Principal payments on bonds	(332,102)	(318,551)
Net cash (used in) provided by capital and related financing activities	(3,856,608)	(1,612,527)
Cash flows from investing activities:		
Interest revenue	30,537	43,666
Net cash provided by investing activities	30,537	43,666
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	-
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (290,400)	(610,702)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,730,787	1,684,060
(Increase) decrease in receivables	(196,072)	70,497
(Increase) decrease in liens	(1,378)	(553)
(Increase) decrease in prepaid expenses	(225)	(308)
Increase (decrease) in accounts payable	262,382	128,135
Increase in accrued wages	7,322	3,722
Increase (decrease) in compensated absences	(14,047)	(6,911)
Net cash provided by operating activities	\$ 1,498,369	1,267,940
Noncash investing, capital, and financing activities:		
Transfers of capital assets from governmental funds	63,392	180,664
Capital contributions	-	207,671

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

		Private- purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$	99,311	107,843
Investments		2,164,352	-
Total assets		2,263,663	107,843
LIABILITIES			
Accounts payable		668	-
Interfund loans payable		496	-
Due to others		-	107,843
Total liabilities		1,164	107,843
NET ASSETS			
Held in trust	\$	2,262,499	-

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, 2011

	Private- purpose Trust Funds
<hr/>	
Additions:	
Donations	\$ 5,200
Investment earnings:	
Interest	83,391
Unrealized gain (loss)	(32,253)
Total additions	56,338
<hr/>	
Deductions:	
Scholarships and other	90,019
Total deductions	90,019
<hr/>	
Change in net assets	(33,681)
Net assets, beginning of year	2,296,180
<hr/>	
Net assets, end of year	\$ 2,262,499

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City of South Portland, Maine 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, Maine that should be included as part of these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

The City reports the following major governmental funds:

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary fund:

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

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-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 are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash, Cash Equivalents and Investments

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

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

E. Interfund Loans

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

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

F. Inventories

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

G. Restricted Assets

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

H. Capital Assets

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Capital Assets, continued

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

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

I. Compensated Absences

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

J. Long-term Obligations

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

K. Fund Equity

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Assigned* – resources that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have 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.

L. Interfund Transactions

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

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

M. Comparative Data

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

N. Use of Estimates

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 159,207,502	85,548,558
Accumulated depreciation	(75,939,605)	(36,898,726)
Bonds payable	(22,280,000)	(806,392)
Add back bonds payable pertaining to Maine PERS	3,780,000	-
Add back bonds payable unexpended	2,272,368	-
Capital leases	(2,458,226)	-
Add back lease proceeds unexpended	883,000	-
<u>Total invested in capital assets net of related debt</u>	<u>\$ 65,465,039</u>	<u>47,843,440</u>

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The City employs encumbrance accounting in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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, 2011, all departments were within their charter level budget limits. However, for the year ended June 30, 2011, the following divisional categories exceeded their budgetary appropriations:

Planning	\$ 2,836	Streets and Sidewalks	36,100
Branch Library	3,440	Parks	10,404
Information Technology	20,278	Welfare Administration	2,011

C. Deficit Fund Balances

At June 30, 2011, the following funds had deficit fund balances:

<u>Special Revenue Funds:</u>		<u>Special Revenue Funds:</u>	
Energy Efficiency and Conservation	\$ 503	Title V	2
Long Creek Watershed Plan	1,249	Learning Results	405
Comprehensive Planning Grant	39	Memorial Tech Grant - Koelker	1,237
LID Manual	4,826	National Semiconductor - Brown	3,683
Body Armor	2,846	Memorial Friends	247
Supplemental Homeland Security	20,361	Hockey Boosters	3,931
County Hazmat	1,225	Southern Maine (LCA) Project	721
Justice Assistance Grant	264	Staff Computer Training	476
Speed Enforcement	1,754	Second Language Program	19,018
Underage Drinking Enforcement	1,968		
Maine Investigative Agent	919	<u>Private-purpose Trust Funds:</u>	
Recreation	71,805	Norwood scholarship	4,200

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

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

DEPOSITS AND INVESTMENTS

As of June 30, 2011, 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	\$ 6,441,025	6,441,025	-	-
U.S. Treasury Notes	1,834,291	71,040	956,510	806,741
Federal Home Loan Bank	2,893,027	-	2,893,027	-
Federal National Mortgage	4,842,627	145,259	4,697,368	-
Certificates of Deposit	42,213,637	9,279,005	32,934,632	-

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, 2011, the City had bank balances of \$48,654,662. 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, 2011, the City had \$2,032,544 of deposits which were subject to custodial credit risk because they were not insured and not collateralized. Of that balance \$1,700,000 were proceeds from called agency bonds and a matured certificate of deposit which were pending investment settlement in early July 2011.

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, 2011, the City had fair value investment balances of \$9,569,945 none of which were 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, 2011, the City’s investments in Federal Home Loan Banks and Federal National Mortgage Associations were rated AAA 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, 2010 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 \$401,610 for the year ended June 30, 2011.

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>2011</u>	<u>2010</u>
Assessed value	\$ 3,523,224,400	3,734,147,700
Tax rate (per \$1,000)	15.70	14.70
Commitment	55,314,623	54,891,971
Add:		
Supplementals	8,374	-
Total commitment	55,322,997	54,891,971
Less:		
Abatements	69,115	286,144
Collections	54,175,209	53,622,159
Current year taxes receivable at end of year	1,078,673	983,668
Taxes and liens receivable - prior years	673,178	590,573
Total taxes and liens receivable	\$ 1,751,851	1,574,241

Due dates:	1st quarter	August 19, 2010	August 20, 2009
	2nd quarter	November 18, 2010	November 19, 2009
	3rd quarter	February 17, 2011	February 11, 2010
	4th quarter	May 12, 2011	May 6, 2010

	<u>2011</u>	<u>2010</u>
Interest rate on delinquent taxes	7.00%	9.00%
Collection rate	98.05%	98.20%

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, 2011 was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,333,119	73,400	155,000	9,251,519
Construction in progress	623,338	1,205,919	410,598	1,418,659
Total capital assets not being depreciated	9,956,457	1,279,319	565,598	10,670,178
Capital assets, being depreciated:				
Buildings	79,485,463	2,855,603	-	82,341,066
Improvements other than buildings	3,925,885	-	-	3,925,885
Machinery and equipment	10,295,576	1,444,736	76,004	11,664,308
Vehicles	11,610,541	1,673,688	208,234	13,075,995
Infrastructure	36,338,369	1,191,701	-	37,530,070
Total capital assets being depreciated	141,655,834	7,165,728	284,238	148,537,324
Less accumulated depreciation for:				
Buildings	28,881,431	1,543,560	-	30,424,991
Improvements other than buildings	2,483,114	129,799	-	2,612,913
Machinery and equipment	7,277,747	605,523	64,520	7,818,750
Vehicles	7,794,200	831,548	186,957	8,438,791
Infrastructure	25,645,018	999,141	-	26,644,159
Total accumulated depreciation	72,081,510	4,109,571	251,477	75,939,604
Total capital assets being depreciated, net	69,574,323	3,056,157	32,761	72,597,719
Governmental activities capital assets, net	\$ 79,530,780	4,335,476	598,359	83,267,897

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

Governmental activities:	
General government	\$ 154,257
Public safety	632,623
Public works	1,232,287
Culture and recreation	513,573
Transportation and waterfront	119,763
Education	1,457,068
Total depreciation expense – governmental activities	\$ 4,109,571

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, 2011 was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,221,558	-	-	1,221,558
Construction in progress	1,575,582	198,575	1,300,039	474,118
Total capital assets not being depreciated	2,797,140	198,575	1,300,039	1,695,676
Capital assets, being depreciated:				
Buildings	32,377,088	2,665,669	939,665	34,103,092
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	11,483,672	1,590,961	128,000	12,946,633
Vehicles	1,366,071	293,756	253,694	1,406,133
Infrastructure	34,896,756	419,937	-	35,316,693
Total capital assets being depreciated	80,203,918	4,970,323	1,321,359	83,852,882
Less accumulated depreciation for:				
Buildings	15,728,241	669,758	318,298	16,079,701
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	7,809,711	428,862	128,000	8,110,573
Vehicles	931,316	111,879	253,694	789,501
Infrastructure	11,318,332	520,288	-	11,838,620
Total accumulated depreciation	35,867,931	1,730,787	699,992	36,898,726
Total capital assets being depreciated, net	44,335,987	3,239,536	621,367	46,954,156
Business-type activities capital assets, net	\$ 47,133,127	3,438,111	1,921,406	48,649,832

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 24,943,000	-	2,663,000	22,280,000	2,595,000
Capital leases	1,591,184	957,800	90,758	2,458,226	259,639
Landfill closure	38,248	71,992	8,240	102,000	8,500
Other post employment benefits	356,715	319,021	165,430	510,306	-
Compensated absences	3,172,007	1,512,825	1,480,074	3,204,758	1,007,780
Governmental activity long-term liabilities	\$ 30,101,154	2,861,638	4,407,502	28,555,290	3,870,919

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

LONG-TERM DEBT, CONTINUED

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Business-type activities:					
General obligation bonds	\$ 1,138,494	-	332,102	806,392	332,102
Compensated absences	247,118	124,003	138,052	233,069	77,530
Business-type activities					
long-term liabilities	\$ 1,385,612	124,003	470,154	1,039,461	409,632

Long-term debt payable at June 30, 2011 is comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest <u>rate</u>	Balance June 30, <u>2011</u>
Governmental activities:					
1993 Series B – School	9/1/1993	\$ 4,235,000	9/1/2011	4.30-5.00%	210,000
1994 Series B - School	12/1/1994	3,250,000	9/1/2014	5.70-6.50%	500,000
2002 Street and Sidewalk – City	4/5/2002	600,000	4/1/2012	3.75-5.00%	60,000
2002 Kaler and Small Elem – School	4/5/2002	12,000,000	4/1/2022	3.75-5.00%	6,600,000
2003 Brown Elementary – School	10/1/2003	6,000,000	10/1/2023	2.50-4.45%	3,900,000
2004 MSRS (1) – City & School	1/15/2004	8,200,000	3/1/2017	3.00-5.10%	3,780,000
2007 Paving and Refinancing (2)	5/15/2009	2,075,000	9/1/2016	4.00-5.00%	1,175,000
2010 1999 Community Center – City	2/1/2010	1,890,000	11/1/2018	2.00-3.00%	1,680,000
2010 HS & MS Renovations - School	2/1/2010	4,613,000	11/1/2029	2.00-4.00%	4,375,000
Total governmental activities:					22,280,000
Business-type activities:					
1992 Sewer CSO Project	6/1/1992	4,200,000	9/1/2011	5.50-5.70%	185,000
1993 Series A	2/15/1993	2,300,000	9/1/2011	4.25-5.60%	120,000
2009 SRF (Long creek)	10/7/2009	749,716	10/1/2029	N/A	501,392
Total business-type activities					806,392
Total bonds payable					\$ 23,086,392

(1) Of the outstanding bond principal, 81.55% is City (\$3,082,590) and 18.45% is School (\$697,410).

(2) Of the outstanding bond principal, \$300,000 is for City and \$875,000 is for School.

In November of 2010, the voters approved a bond referendum for the High School Renovation and Addition project. At June 30, 2011, \$41,500,000 was authorized but unissued for this project.

All governmental activity debt service payments, including capital leases and compensated absences were made within the General Fund. Capital lease proceeds have been recorded in the vehicle replacement city reserve fund and in the municipal buildings capital project.

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

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize long-term debt outstanding as of June 30, 2011 are as follows:

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,595,000	909,446	3,504,446	332,102	8,725	340,827
2013	2,320,000	809,253	3,129,253	27,102	-	27,102
2014	2,320,000	716,728	3,036,728	27,102	-	27,102
2015	2,320,000	623,378	2,943,378	27,102	-	27,102
2016	2,195,000	526,010	2,721,010	27,102	-	27,102
2017-2021	6,960,000	1,497,355	8,457,355	135,511	-	135,511
2022-2026	2,650,000	387,175	3,037,175	135,511	-	135,511
2027-2030	920,000	73,600	993,600	94,860	-	94,860
Total	\$ 22,280,000	5,542,945	27,822,945	806,392	8,725	815,117

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, 2011, the statutory limit for the City was \$560,842,500. The City's outstanding long-term debt of \$23,086,392 at June 30, 2011 was \$537,756,108 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, 2011:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to South Portland</u>	<u>City of South Portland's share of debt</u>
Cumberland County	\$ 1,445,000	9.18%	132,649
Portland Water District	28,463,828	14.17%	4,033,495

CONTINGENT DEBT

Ecomaine, a Maine Corporation with 27 participating municipalities including South Portland, has issued bonds to fund the construction and operation of a resource recovery system. The bonds are special revenue obligations of Ecomaine, payable from and secured by a pledge of Ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of, or a pledge of full faith and credit of, any political subdivision of the State of Maine. Ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain amounts of the solid waste produced within each such participating municipality to Ecomaine for processing and to make service payments and make tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service on the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2011 outstanding bonds of Ecomaine totaled \$4,560,000, of which the City's share, based on estimated tonnage and yardage to be delivered, amounted to 11.78% and 11.02%, respectively, for a total of \$522,618. In addition, Ecomaine has estimated that landfill closure and postclosure costs at June 30, 2010 (latest information available), amounted to \$15,138,502 of which the City's share, based on estimated tonnage to be delivered, amounted to 11.75% or \$1,778,369.

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

CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment and has also entered into an energy performance lease arrangement. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2011 was \$1,486,059. The City closed on the energy performance lease on June 9, 2011, totaling \$883,000 and the improvements are anticipated to be done within the next six months.

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, 2011.

	<u>Governmental activities</u>
2012	\$ 327,816
2013	279,360
2014	246,412
2015	251,015
2016	252,555
2017-2021	1,342,278
<u>2022-2026</u>	<u>281,123</u>
Total minimum lease payments	2,980,559
Less: amount representing interest	<u>522,333</u>
Present value of future minimum lease payments	<u>\$ 2,458,226</u>

LANDFILL

The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities.

State and federal laws and regulations require the City to place a final cover on its Highland Avenue landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill ceased accepting waste, effective January 1, 1993, as required by State regulations. Since that time, the twenty-five acre landfill has remained inactive. Although it was not at capacity, its useful life was over. The City completed the landfill closure process in fiscal year 2000. At June 30, 2011, 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.

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

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2011, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	14,428,022
Sewer Use Fund	11,311,557	-
Nonmajor Special Revenue Funds:		
City Special Revenues	2,733,206	-
School Grant Funds	255,591	-
School Adult Education	4,226	-
School Lunch Fund	123,938	-
Private-purpose Trust Funds	-	496
<u>Total interfund balances</u>	<u>\$ 14,428,518</u>	<u>14,428,518</u>

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, 2011, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 615,259	2,421,433
Sewer Use Fund	273,972	63,170
Tax Increment Financing	-	988,974
Capital Projects	3,118,424	483,200
Nonmajor Special Revenue Funds:		
City Special Revenues	-	413,152
School Grant Funds	5,975	-
School Lunch Fund	356,299	-
<u>Total interfund transfers</u>	<u>\$ 4,369,929</u>	<u>4,369,929</u>

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

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

FUND BALANCES

As of June 30, 2011, fund balance components consisted of the following:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory and prepaid items	\$ 28,138	19,361	47,499
Principal for permanent funds	-	198,949	198,949
Total nonspendable	28,138	218,310	246,448
Restricted:			
Education	5,918,192	877,125	6,795,317
TIF funds	-	5,065,079	5,065,079
Capital projects	-	3,155,368	3,155,368
General government	-	328,202	328,202
Public safety	-	102,732	102,732
Public works	-	587,741	587,741
Culture and recreation	-	93,636	93,636
Transit and waterfront	-	27,860	27,860
Permanent funds	-	118,267	118,267
Total restricted	5,918,192	10,356,010	16,274,202
Committed:			
General government	1,912,435	1,117,832	3,030,267
Public safety	929,495	89,354	1,018,849
Public works	612,563	696,121	1,308,684
Transit and waterfront	225,274	151,254	376,528
Culture and recreation	-	235,009	235,009
Capital projects	-	6,238,866	6,238,866
Total committed	3,679,767	8,528,436	12,208,203
Assigned:			
General government	2,489,179	-	2,489,179
Public safety	58,895	-	58,895
Public works	34,510	-	34,510
Encumbrances	76,183	-	76,183
Total assigned	2,658,767	-	2,658,767
Unassigned	9,686,895	(137,479)	9,549,416
Total fund balance	\$ 21,971,759	18,965,277	40,937,036

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

Maine Public Employees Retirement System - Consolidated Plan

Description of the Plan - The City contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the City of South Portland, Maine is required to contribute an actuarially determined rate. The current rate is 3.5% of covered payroll for the regular plan and 6.6% of covered payroll for the special plan. The contribution rates of plan members and the City of South Portland, Maine 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, 2011, 2010 and 2009 were \$486,241, \$293,667, and \$258,351, 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 \$3,709,951 (17.76%) for the fiscal year 2011. 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 17.76% 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, Maine 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 years ending June 30, 2011, 2010 and 2009 and the annual required contributions:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 90,618	90,618	90,618
Amortization of unfunded	228,444	228,444	228,444
Adjustment to ARC	(20,629)	(10,803)	-
Interest	20,588	13,791	6,319
Annual required contribution	\$ 319,021	322,050	325,381

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB liability, July 1, 2010	\$ 356,715	186,812	-
Annual required contribution	319,021	322,050	325,381
Less: Actual contributions	(165,430)	(152,147)	(138,569)
OPEB liability, June 30, 2011	\$ 510,306	356,715	186,812

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 for the years ending June 30, 2011, 2010 and 2009 was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 319,021	322,050	325,381
Actual contribution	165,431	152,147	138,569
Percent contributed	51.86%	47.24%	42.59%
<hr/>			
Actuarial accrued liability	\$ 4,108,269	4,108,269	4,108,269
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 4,108,269	4,108,269	4,108,269
<hr/>			
Covered payroll	11,964,142	11,048,641	12,367,933
Unfunded actuarial accrued liability as a percentage of covered payroll	34.34%	37.18%	33.22%

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
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation 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 \$430,114 to the plans during the year ended June 30, 2011.

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 2011, 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, 2011. 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 2011:

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

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

RISK MANAGEMENT, CONTINUED

The following summarizes the claims activity with respect to the City's self-insurance programs during 2010:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 125,000</u>	<u>-</u>
Provision for current year events	-	55,892
<u>Increase in provision for prior year events</u>	<u>8,938</u>	<u>-</u>
Total incurred claims	8,938	55,892
Payments:		
Claims attributable to current year	-	55,892
<u>Claims attributable to prior year</u>	<u>8,938</u>	<u>-</u>
Total payments	8,938	55,892
<u>Unpaid claims, end of year</u>	<u>\$ 125,000</u>	<u>-</u>

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

CONTINGENT LIABILITIES

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

TAX INCREMENT FINANCING DISTRICTS

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

	<u>Original</u> <u>value</u>	<u>Increase in</u> <u>value</u>	<u>TIF</u> <u>cap</u>	<u>Captured</u> <u>value</u>	<u>Captured</u> <u>tax</u>
Fairchild TIF	\$ 33,512,500	22,787,900	100%	22,787,900	357,770
National TIF	20,509,000	165,913,100	50%	82,956,550	1,302,418
Cummings TIF	1,697,200	25,799,100	10%	2,579,910	40,504
One Wallace TIF	2,718,200	3,711,200	100%	3,711,200	58,266
Long Creek TIF	1,066,300	10,913,400	100%	10,913,400	171,340
Brick Hill TIF	-	19,360,000	100%	19,360,000	303,952
Jared TIF	957,500	1,300,600	100%	1,300,600	20,419
Hannaford TIF	343,000	8,800,300	100%	8,800,300	138,165
Downtown TIF	114,438,200	401,130	100%	401,130	6,298

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

FUND BALANCE RECLASSIFICATION

For fiscal year ending June 30, 2011 the City adopted Government Accounting Standards Board Statement No. 54 (GASB 54). Fund balances were reclassified as follows to meet the new definition of fund types as described in GASB 54:

	<u>General Fund</u>	<u>Other City Special Revenue Funds</u>
Fund balance, July 1, 2010	\$ 21,591,490	\$5,582,852
Reclassification	(3,834)	3,834
<u>Fund balance July 1, 2010, reclassified</u>	<u>\$ 21,587,656</u>	<u>5,586,686</u>

RESTATEMENT OF NET ASSETS

During 2011, the City determined that as a result of its second actuarial study that certain other post employment benefits had been accrued at the incorrect rate of the liability. The result has been a restatement of net assets on the entity-wide level only; the change had no effect on the fund financial statements. The restatement of net assets is as follows:

	<u>Net Assets</u>
Net assets, July 1, 2010 as previously reported	\$ 93,072,011
Restatement amount of OPEB liability	485,690
<u>Net assets, July 1, 2010, as restated</u>	<u>\$ 93,557,701</u>

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

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

GENERAL FUND

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

CITY OF SOUTH PORTLAND, MAINE
General Fund
Comparative Balance Sheets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 33,179,585	36,597,738
Investments	6,729,620	6,516,570
Due from other governments	109,100	165,892
Receivables, net of allowance of \$958,788 and \$994,560	295,588	174,074
Taxes receivable	1,257,623	1,140,881
Tax liens and tax acquired property	494,228	433,360
Prepaid expenditures	28,138	9,028
Restricted assets, cash	50,000	50,000
Total assets	\$ 42,143,882	45,087,543
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	971,472	1,031,044
Accrued liabilities	675,432	689,263
Interfund loans payable	14,428,022	17,729,583
Deferred tax revenue	1,240,000	1,239,400
Accrued teachers' summer salaries	2,857,197	2,810,597
Total liabilities	20,172,123	23,499,887
Fund balances:		
Nonspendable	28,138	9,028
Restricted	5,918,192	6,759,738
Committed	3,679,767	3,469,215
Assigned	2,658,767	2,492,458
Unassigned	9,686,895	8,857,217
Total fund balances	21,971,759	21,587,656
Total liabilities and fund balances	\$ 42,143,882	45,087,543

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, 2011
(with comparative actual amounts for the year ended June 30, 2010)

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property	\$ 52,303,488	52,436,750	133,262	51,925,202
Excise	3,974,000	4,942,156	968,156	4,076,731
Interest and penalties	105,000	136,826	31,826	146,109
Payments in lieu of taxes	223,852	240,148	16,296	224,632
Total taxes	56,606,340	57,755,880	1,149,540	56,372,674
Intergovernmental:				
State Revenue Sharing	1,680,000	1,751,872	71,872	1,896,769
State BETE Revenue	739,000	897,637	158,637	832,201
Homestead reimbursement	415,000	442,112	27,112	540,909
State education subsidy	1,809,638	1,940,324	130,686	2,205,361
State agency client	336,989	319,277	(17,712)	597,558
Medicaid	-	48,607	48,607	528,872
Section 9	159,000	157,233	(1,767)	159,000
General assistance	142,000	131,513	(10,487)	169,058
Other State revenue	83,460	99,815	16,355	94,495
Total intergovernmental	5,365,087	5,788,390	423,303	7,024,223
Licenses, permits, fees, and fines:				
Cable franchise fee	180,000	180,000	-	175,000
City clerk	160,800	166,776	5,976	139,108
Planning	7,750	9,971	2,221	12,214
Police	116,400	96,667	(19,733)	86,571
Code enforcement	225,000	369,836	144,836	332,666
Public library	16,000	19,888	3,888	22,538
Total licenses, permits, fees, and fines	705,950	843,138	137,188	768,097
Charges for services:				
Rent and leases	112,800	121,407	8,607	132,293
City clerk	1,500	562	(938)	971
Finance	111,531	114,108	2,577	105,462
Fire	726,100	756,102	30,002	720,985
Engineering	4,000	1,723	(2,277)	130
Public works - Transfer facility	94,000	74,967	(19,033)	92,225
Public library	1,450	3,103	1,653	2,652
Parks and recreation	135,000	172,633	37,633	180,552
Bus service	237,454	250,052	12,598	211,223
Education	96,599	114,136	17,537	94,400
Total charges for services	1,520,434	1,608,793	88,359	1,540,893
Unclassified:				
City clerk	14,000	19,467	5,467	16,394
Finance	15,000	23,919	8,919	20,116
Police	8,000	9,311	1,311	8,364
Fire	2,000	4,015	2,015	6,094
Code enforcement	2,000	2,845	845	2,739
Public works	26,000	35,409	9,409	31,964
Other	3,000	5,928	2,928	6,591
Education	38,000	54,414	16,414	88,533
Total unclassified	108,000	155,308	47,308	180,795
Interest earned	525,000	642,388	117,388	749,603
Total revenues	64,830,811	66,793,897	1,963,086	66,636,285

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, 2011
(with comparative actual amounts for the year ended June 30, 2010)

	Budget	Actual	Variance positive (negative)	2010 Actual
Expenditures:				
Current:				
General government:				
City council	\$ 98,062	97,477	585	101,399
Executive	180,833	180,698	135	206,963
City clerk	209,531	209,138	393	208,013
Corporation council	189,147	127,684	61,463	170,024
Finance	911,786	898,993	12,793	864,846
Information technology	297,723	318,001	(20,278)	312,347
Planning	233,156	235,992	(2,836)	248,294
Human resources	228,114	227,378	736	207,122
City building	199,781	172,793	26,988	186,645
Citywide insurance and benefit costs	5,257,100	4,977,343	279,757	4,682,449
Total general government	7,805,233	7,445,497	359,736	7,188,102
Public safety:				
Police department	3,554,479	3,533,834	20,645	3,488,949
Fire department	4,256,828	4,256,730	98	4,202,510
Communications	676,240	659,109	17,131	638,239
Code enforcement	639,211	638,199	1,012	633,574
Civil service	14,510	4,728	9,782	8,000
Total public safety	9,141,268	9,092,600	48,668	8,971,272
Public works:				
Administration	168,000	167,792	208	161,833
Streets and sidewalks	1,679,690	1,715,790	(36,100)	1,573,641
Rubbish disposal	2,035,471	2,018,858	16,613	2,037,042
Public works garage	288,611	277,582	11,029	259,239
Transfer facility	229,855	219,837	10,018	187,107
Total public works	4,401,627	4,399,859	1,768	4,218,862
Culture:				
Main library	564,650	555,365	9,285	552,053
Branch library	70,087	73,527	(3,440)	81,655
Total culture	634,737	628,892	5,845	633,708
Parks and recreation:				
Administration	141,170	121,343	19,827	135,802
Parks	1,049,880	1,060,284	(10,404)	1,103,202
Pool	378,700	342,424	36,276	306,586
Recreation	741,531	719,273	22,258	741,796
Total parks and recreation	2,311,281	2,243,324	67,957	2,287,386
Total culture, parks, and recreation	2,946,018	2,872,216	73,802	2,921,094
Transportation and waterfront:				
Bus service	920,861	920,845	16	883,088
Waterfront	38,050	38,006	44	37,606
Total transportation and waterfront	958,911	958,851	60	920,694

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, 2011
(with comparative actual amounts for the year ended June 30, 2010)

	Budget	Actual	Variance positive (negative)	2010 Actual
Expenditures, continued:				
Current, continued:				
Health, welfare and social services				
Welfare:				
Administration	\$ 73,364	75,375	(2,011)	76,334
General assistance	285,050	239,836	45,214	298,127
Total welfare	358,414	315,211	43,203	374,461
Health	43,028	42,578	450	43,028
Total health, welfare and social services	401,442	357,789	43,653	417,489
Intergovernmental - County tax	2,058,577	2,058,577	-	2,034,422
Other:				
Contingency and abatement reserve	52,000	32,703	19,297	45,175
Total other	52,000	32,703	19,297	45,175
Education	36,974,025	35,913,762	1,060,263	36,866,195
Debt service (excluding education):				
Administration	6,000	3,614	2,386	4,045
Principal	898,765	898,765	-	898,765
Interest	247,591	247,590	1	310,303
Total debt service	1,152,356	1,149,969	2,387	1,213,113
Total expenditures	65,891,457	64,281,823	1,609,634	64,796,418
Excess (deficiency) of revenues over (under) expenditures	(1,060,646)	2,512,074	3,572,720	1,839,867
Other financing sources (uses):				
Budgeted use of surplus - City	1,447,000	-	(1,447,000)	-
Budgeted use of surplus - School	1,200,000	-	(1,200,000)	-
Refunding bonds issued and premium	-	-	-	1,934,957
Payment to refunded bonds escrow agent and fees	-	-	-	(1,921,934)
Transfers - in	556,331	615,259	58,928	403,594
Transfers - out	(2,142,685)	(3,302,436)	(1,159,751)	(4,589,299)
Total other financing sources (uses)	1,060,646	(2,687,177)	(3,747,823)	(4,172,682)
Net change in fund balance - budgetary basis	-	(175,103)	(175,103)	(2,332,815)
Reconciliation to GAAP basis:				
Change in encumbrances - City		(18,364)		13,994
Change in encumbrances - School		169,943		7,399
Change in reserves		407,627		1,634,374
Net change in fund balance - GAAP basis		384,103		(677,048)
Fund balance, beginning of year, as reclassified		21,587,656		22,264,704
Fund balance, end of year	\$	21,971,759		21,587,656

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, 2011
 (with comparative actual amounts for the year ended June 30, 2010)

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Revenues:				
Local assessment	\$ 33,729,699	33,729,699	-	33,774,891
State education subsidy	1,809,638	1,940,324	130,686	2,205,361
State agency client	336,989	319,277	(17,712)	597,558
Medicaid	-	48,607	48,607	528,872
Charges for services	96,599	114,136	17,537	94,400
Other	38,000	54,414	16,414	88,533
Total revenues	36,010,925	36,206,457	195,532	37,289,615
Expenditures:				
Current:				
Brown Elementary	1,585,114	1,475,284	109,830	1,560,669
Dyer Elementary	1,543,554	1,501,191	42,363	1,498,035
Kaler Elementary	1,216,587	1,190,521	26,066	1,150,281
Skillin Elementary	2,233,917	2,212,326	21,591	2,110,967
Small Elementary	1,597,706	1,612,344	(14,638)	1,545,536
Mahoney Middle School	2,261,600	2,303,380	(41,780)	2,249,356
Memorial Middle School	2,242,549	2,222,389	20,160	2,105,418
South Portland High School	5,817,844	5,858,339	(40,495)	5,688,422
K-12 instrumental music	107,103	95,738	11,365	112,777
6-12 athletics	632,078	599,197	32,881	623,042
Special education	6,895,508	6,732,696	162,812	6,754,427
Health	368,829	325,453	43,376	378,307
Board of education	269,241	106,722	162,519	110,540
Superintendent of schools	331,987	322,014	9,973	321,956
Assistant superintendent	1,771,650	1,571,982	199,668	1,731,575
Technology	470,532	583,020	(112,488)	388,369
Business office	799,442	735,691	63,751	788,147
Operations/maintenance	2,984,083	2,640,025	344,058	4,278,710
Transportation	1,265,315	1,246,064	19,251	1,240,489
Debt service:				
Principal	1,764,235	1,764,235	-	1,526,235
Interest	815,151	815,151	-	702,937
Total expenditures	36,974,025	35,913,762	1,060,263	36,866,195
Excess (deficiency) of revenues over (under) expenditures	(963,100)	292,695	1,255,795	423,420
Other financing sources (uses):				
Transfers - in	143,239	143,239	-	149,651
Transfers - out	(380,139)	(1,410,824)	(1,030,685)	(1,265,661)
Budgeted use of surplus	1,200,000	-	(1,200,000)	-
Total other financing sources (uses)	963,100	(1,267,585)	(2,230,685)	(1,116,010)
Net change in fund balances - budgetary basis	-	(974,890)	(974,890)	(692,590)
Reconciliation to GAAP basis:				
Change in encumbrances		169,943		7,399
Change in reserves		(36,599)		556,250
Net change in fund balance - GAAP basis		(841,546)		(128,941)
Fund balance, beginning of year		6,759,738		6,888,679
Fund balance, end of year	\$	5,918,192		6,759,738

CITY OF SOUTH PORTLAND, MAINE
Reserves - General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Fund balance beginning of year	Revenues			Expenditures	Other financing sources (uses) Transfers	Fund balance end of year
		Other	Investment earnings				
<u>City committed reserves:</u>							
1801	Equipment replacement	\$ 78,126	2,413	824	-	30,979	112,342
1803	Unemployment - City	96,822	-	836	60,840	30,000	66,818
1804	Self-Insurance - City	9,535	61,793	165	48,530	12,500	35,463
1805	Municipal facilities	61,612	-	630	18,292	5,000	48,950
1806	Safety reserve	70,151	15,504	601	12,385	-	73,871
1807	Computerization project	106,352	-	682	114,521	194,500	187,013
1809	Litigation - legal	35,576	-	349	51,662	110,000	94,263
1819	Voting machines	5,344	-	55	-	(5,399)	-
1822	Communication equipment - police	21,440	-	223	-	34,907	56,570
1824	Body armor - police	6,500	300	-	-	3,250	10,050
1830	Fire	694,351	-	7,180	6,131	102,777	798,177
1834	Traffic improvements	28,975	-	300	-	-	29,275
1836	Public works equipment	11,864	-	122	-	30,399	42,385
1839	Container truck	30,088	-	311	-	(30,399)	-
1840	Snow removal	310,247	-	3,211	-	-	313,458
1842	Library computer	461	-	5	-	(466)	-
1845	Cummings Road sewer	201,486	-	2,751	-	-	204,237
1847	Bus	306,341	-	3,132	104,019	19,820	225,274
1861	Tax stabilization	1,021,781	-	10,573	-	-	1,032,354
1862	Wage reserve	3,897	-	-	-	(3,897)	-
1863	Election	7,580	-	-	-	(7,580)	-
1864	Call company retirement	64,698	-	-	-	-	64,698
1865	Pension obligation	4,408	-	-	-	(4,408)	-
1866	Pool	36,359	-	-	-	(36,359)	-
1869	Energy efficient	89,738	65	-	41,210	-	48,593
1871	Solid waste	45,208	-	-	-	(22,000)	23,208
1872	Municipal buildings & land acq.	120,275	235,620	2,789	128,829	(17,087)	212,768
	Subtotal City committed reserves	3,469,215	315,695	34,739	586,419	446,537	3,679,767
<u>City assigned reserves:</u>							
1828	Vehicle replacement - police	74,191	92,373	-	107,669	-	58,895
1867	Phone system	69,090	-	-	-	20,952	90,042
1868	Compensated absences	2,209,463	-	-	-	189,674	2,399,137
2172	Outside OT - Police	(21,960)	172,094	-	150,134	-	-
2173	Outside OT - Fire	(2,579)	5,996	-	3,417	-	-
2176	Fuel Distribution	20,705	13,805	-	-	-	34,510
	Subtotal City assigned reserves	2,348,910	284,268	-	261,220	210,626	2,582,584
	Total City reserves	5,818,125	599,963	34,739	847,639	657,163	6,262,351
<u>School reserves:</u>							
0202	Restricted school reserve funds:						
	School consolidation	351,892	8,432	-	36,640	-	323,684
	School tech upgrade	382,127	-	-	152,236	300,000	529,891
	Unemployment - School	74,829	-	-	38,199	23,840	60,470
	School bus	345,221	1,102	-	39,400	200,000	506,923
	School resource officer	48,171	-	-	-	-	48,171
	School elementary	115,414	-	-	610	-	114,804
	School hold harmless	(8,938)	-	-	-	-	(8,938)
	Self-insurance - School	10,965	-	-	-	-	10,965
	Musical program	139,128	-	-	-	-	139,128
	Maintenance	525,000	1,200	-	-	100,000	626,200
	Adult education	20,000	-	-	-	-	20,000
	Student educational support	22,036	12,181	-	25,800	-	8,417
	Laptop repair	3,666	9,304	-	625	-	12,345
	Secondary Schools	600,000	-	-	-	(600,000)	-
	Special Education	-	-	-	-	200,000	200,000
0456	School facility	82,290	-	852	-	-	83,142
	Total School reserves	2,711,801	32,219	852	293,510	223,840	2,675,202
	Total reserves	\$ 8,529,926	632,182	35,591	1,141,149	881,003	8,937,553

**City of South Portland
Budget History**

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

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

**City of South Portland
Budget History**

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

City of South Portland
FY2013 LD 1 Worksheet (with Comparison FY12)
PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A

	<u>FY13</u>	<u>FY12</u>
1. Prior Year Property Tax Levy/Limit for Municipal Services	19,307,105	18,250,029
2. Income Growth Factor (State Planning Office calculation)	0.0143	0.0166
3. Property Growth Factor (see property growth sheet)	0.0224	0.0273
4. LD 1 Growth Limit Factor (Line 2 + Line 3)	0.0367	0.0439
5. Add 1 to the Growth Limitation Factor calculated in Line 4. (For example, if Line 4 is 0.0360, the enter 1.0360 on Line 5.)	1.0367	1.0439
6. Net New State Funding (see instruction sheet)		
6A. Net New Revenue Sharing	9,178	-
6B. Loss of Revenue Sharing		255,900
7. Multiply Line 1 by Line 5	20,015,676	19,051,205
8. FY2013 Property Tax Levy Limit		
8A. Line 7 less Line 6A (complete only if data is reported in 6A)		
8B. Line 7 plus Line 6B (complete only if data is reported in 6B)	20,006,498	19,307,105
9. FY2013 Municipal Appropriations (Line 2 on 2012 Assessment Warrant) (Do not include any school appropriations.)	28,585,997	28,082,534
10. FY2013 Total Deductions (Line 11 on 2012 Assessment Warrant) (Do not include any school revenues.)	11,316,727	11,246,476
11. 2013 Municipal Property Tax Levy (Line 9 less Line 10)	17,269,270	16,836,058
12. Over/(Under) Limit (Line 11 less Line 8)*	(2,737,228)	(2,471,047)

* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2013.

CITY OF SOUTH PORTLAND
 2013 MUNICIPAL PROPERTY TAX GROWTH FACTOR
 PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A.1.C.

2011/12 Total Valuation	+	\$	3,531,907,500
Abatements	-	\$	292,000
Supplements	+	\$	-
BETE increases		\$	31,678,800
Adjust 2011 Valuation	=	\$	3,563,294,300
Real Estate Growth		\$	23,744,600
Personal Property Growth		\$	25,083,900
BETE increases		\$	31,678,800
Total		\$	80,507,300
Property Tax Growth			2.24%

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

SPO



Maine State Planning Office

Executive Department

PAUL R. LEPAGE
Governor

DARRYL BROWN
Director

TO: Municipal and County Officials
FROM: Maine State Planning Office
DATE: September 2, 2011
RE: **Next Year's LD 1 Average Personal Income Growth is 1.43%**

With the passage of "LD 1" in 2005, towns and counties are required to calculate a property tax levy limit each year based on local property growth and statewide average personal income growth. Each town and county is responsible for calculating its property growth using the most recent valuation data available. The State Planning Office (SPO) is responsible for calculating income growth. For the purpose of calculating municipal property tax levy limits for next year's municipal budgets (the 1/1/2012 - 12/31/2012 budget year for municipalities on a calendar-year budget or the 7/1/2012 - 6/30/2013 budget year for municipalities on a fiscal-year budget), SPO has determined average personal income growth to be 1.43%. The table below shows how this figure was calculated.

Calculation of Maine's "Average Personal Income Growth"

Calendar Year	Nominal Personal Income (thousands)	% Change	CPI-U	% Change	Real Personal Income
2000	\$34,096,690		172.2		
2001	\$36,232,131	6.26%	177.1	2.85%	3.42%
2002	\$37,383,244	3.18%	179.9	1.58%	1.60%
2003	\$39,000,530	4.33%	184.0	2.28%	2.05%
2004	\$41,164,305	5.55%	188.9	2.66%	2.89%
2005	\$41,981,794	1.99%	195.3	3.39%	-1.40%
2006	\$44,307,181	5.54%	201.6	3.23%	2.31%
2007	\$46,353,508	4.62%	207.3	2.85%	1.77%
2008	\$48,296,992	4.19%	215.3	3.84%	0.35%
2009	\$48,180,000	-0.24%	214.5	-0.36%	0.11%
2010	\$49,547,546	2.84%	218.1	1.64%	1.20%
AVERAGE					1.43%

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

This calculation reflects the methodology described in LD 1, which is now Public Law 2005, Chapter 2: "Average real personal income growth" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the percent change in the Consumer Price Index for the calendar year." 2010 is currently the most recent year for which data is available.

SOUTH PORTLAND SCHOOL DEPARTMENT

BOARD OF EDUCATION

FY 2013

BUDGET SUMMARY

PART I - BUDGET - LOCALLY SUPPORTED PROGRAMS

	2011-12 Budget	2012-13 Budget	% Change
REGULAR INSTRUCTION	15,556,838	15,758,992	1.3%
SPECIAL EDUCATION	7,771,427	8,070,705	3.9%
CAREER & TECHNICAL ED	310,306	300,647	-3.1%
OTHER INSTRUCTION	713,894	738,978	3.5%
STUDENT & STAFF SUPPORT	3,393,441	3,430,463	1.1%
SYSTEM ADMINISTRATION	1,221,490	1,194,517	-2.2%
SCHOOL ADMINISTRATION	2,093,597	2,192,930	4.7%
TRANSPORTATION & BUSES	1,217,299	1,405,900	15.5%
FACILITIES MAINTENANCE	2,828,416	3,818,431	35.0%
DEBT SERVICE	2,602,864	2,707,683	4.0%
ALL OTHER EXPENDITURES	337,840	377,495	11.7%
SUBTOTAL	<u>38,047,412</u>	<u>39,996,741</u>	
ADULT EDUCATION	20,000	20,000	0.0%
TOTAL	<u>\$38,067,412</u>	<u>\$40,016,741</u>	5.1%

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

DESCRIPTION	2008-09 BUDGETED REVENUES	2009-10 BUDGETED REVENUES	2010-11 BUDGETED REVENUES	2011-12 BUDGETED REVENUES	2012-13 ESTIMATED REVENUES
BEGINNING BALANCE	\$865,908	\$1,200,000	\$1,200,000	\$1,200,000	\$1,050,000
TUITION FOR STATE AGENCY CLIENTS	595,000	533,613	336,989	175,000	75,000
STUDENT ADM.	20,000	20,000	20,000	20,000	20,000
CO-CURRICULAR FEES	0	0	0	0	0
OTHER REVENUE	50,000	50,000	18,000	18,000	18,000
STATE SUBSIDY	4,205,815	3,435,568	1,809,638	2,123,289	3,103,278 est.
FEDERAL STATE STABILIZATION FUNDS*	874,260	1,383,984	1,960,287	371,414	-
FEDERAL EDUCATION JOBS FUNDS*	0	0	0	1,226,140	-
MAINE CARE	200,000	200,000	0	220,000	120,000
PORTLAND TRANSPORTATION AGRMT	104,083	94,400	96,599	77,350	77,350
TRANSFER IN FROM POB RESERVE	9,965	5,896	813	0	0
TRANSFER IN FROM BRICKHILL TIF	115,848	140,755	142,426	150,517	145,046
TRANSFER IN SRO/ BUS RESERVES	-	-	-	-	175,419
SUB TOTAL REVENUE	6,166,619	5,680,232	3,624,465	3,984,156	4,784,093
LOCAL EFFORT - OPERATING	33,786,372	33,774,891	33,729,699	34,063,256	35,212,648
TOTAL REVENUE	\$39,952,991	\$39,455,123	\$37,354,164	\$38,047,412	\$39,996,741

* Not part of local operating budget

SOUTH PORTLAND SCHOOL DEPARTMENT TAX CALCULATION					
	2008-09	2009-10	2010-11	2011-12	2012-13
PART I LOCAL OPERATING BUDGET	\$39,952,991	\$39,455,123	\$37,354,164	\$38,047,412	\$39,471,741
FY13 SPHS BOND INTEREST PAYMENT	\$0	\$0	\$0	\$0	\$525,000
TOTAL SCHOOL OPERATING BUDGET	<u>\$39,952,991</u>	<u>\$39,455,123</u>	<u>\$37,354,164</u>	<u>\$38,047,412</u>	<u>\$39,996,741</u>
REVENUE & ADJUSTMENTS:					
PART I REVENUE	\$5,300,711	\$4,480,232	\$2,424,465	\$2,784,156	\$3,734,093
USE OF UNDESIGNATED SURPLUS	865,908	1,200,000	1,200,000	1,200,000	1,050,000
TOTAL SCHOOL FUNDS AVAILABLE	<u>\$6,166,619</u>	<u>\$5,680,232</u>	<u>\$3,624,465</u>	<u>\$3,984,156</u>	<u>\$4,784,093</u>
TOTAL AMOUNT TO BE RAISED BY TAXES <i>(includes Secondary School Reserve Taxes)</i>	<u>\$33,786,372</u>	<u>\$33,774,891</u>	<u>\$34,105,637</u>	<u>\$35,113,256</u>	<u>\$36,662,648</u>
ASSESSED VALUATION	\$3,688,606,000	\$3,547,000,000	\$3,357,000,000	\$3,357,000,000	\$3,357,000,000
SPHS DEBT (FIRST INTEREST PAYMENT)					
TAX INCREASE (\$)	\$0	\$0	\$0	\$0	\$525,000
TAX RATE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.16
MIL RATE INCREASE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.156
SCHOOL OPERATING					
TAX INCREASE (\$)	\$1,354,544	(\$11,481)	(\$45,192)	\$333,557	\$624,392
TAX RATE	\$9.16	\$9.52	\$10.05	\$10.15	\$10.33
TAX INCREASE (%)	4.18%	-0.03%	-0.13%	0.98%	1.78%
MIL RATE INCREASE	\$0.37	\$0.36	\$0.53	\$0.10	\$0.186
COMBINED OPERATING AND SPHS DEBT					
TAX INCREASE (\$)	\$1,354,544	(\$11,481)	(\$45,192)	\$333,557	\$1,149,392
TAX RATE	\$9.16	\$9.52	\$10.05	\$10.15	\$10.49
TAX INCREASE (%)	4.18%	-0.03%	-0.13%	0.98%	3.27%
MIL RATE INCREASE	\$0.37	\$0.36	\$0.53	\$0.10	\$0.34

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Debt - an obligation resulting from the borrowing of money.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Surplus – See **Fund Balance**.

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

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