

# APPENDIX TO THE FY 2017 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2015

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.

## Independent Auditor's Report

City Council  
City of South Portland, Maine

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

City Council  
City of South Portland, Maine

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIF Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

City Council  
City of South Portland, Maine

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the City of South Portland, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Portland, Maine's internal control over financial reporting and compliance.



December 28, 2015  
South Portland, Maine

**CITY OF SOUTH PORTLAND, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2015**

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This section of the Comprehensive Annual Financial Report of the City of South Portland presents a narrative overview and analysis of the financial activities of the City of South Portland for the fiscal year ended June 30, 2015. We encourage readers to use the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City of South Portland exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$163,359,140 (*net position*). Of this amount, \$23,243,999 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As part of implementing the new GASB Statement No. 68 pension standard, the City recorded a prior period adjustment for the government-wide financial statements totaling \$8,194,128. This adjustment recognized the City's unfunded obligation under the new standard as of June 30, 2014.
- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net position of \$102,155,040, an increase of \$4,488,399 in comparison with the prior year as restated. Approximately 14.84% of this total amount, \$15,159,920, is *available for spending* at the City's discretion (unrestricted net position).
- For the fund financial statements, at the end of the current fiscal year, unassigned fund balance for the general fund was \$12,827,588, or 16.89% of total general fund expenditures (budgetary basis).
- The City's total bonded debt decreased by \$4,328,614 during the current fiscal year as a result of repayments on existing bonds.
- Voters in 2013 approved a bond referendum for \$14,000,000 for the construction of a new community services facility housing the Public Works, Parks, and Bus operations and maintenance garage. This facility will be designed and constructed over the next 2 years with bond financing anticipated sometime in 2016.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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The business-type activities of the City of South Portland include water resource protection (sewage treatment) activities. The government-wide financial statements can be found on pages 31-32 of this report.

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

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

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

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

The City of South Portland adopts an annual appropriated budget for its general fund and TIF funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budgets. The basic governmental fund financial statements can be found on pages 33-34 of this report.

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

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

The City of South Portland adopts an annual appropriated budget for its enterprise fund. Schedules of revenues, expenses and changes in net position on the budgetary basis of accounting have been provided for the enterprise fund to demonstrate compliance with this budget. The basic proprietary fund financial statements can be found on pages 37-39 of this report. The budgetary basis schedule demonstrating compliance can be found on page 103 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of South Portland's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-68 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 financial statements and schedules can be found on pages 75-116 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Portland, assets and deferred outflows exceeded liabilities and deferred inflows by \$163,359,140 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-type Activities		Total Activities	
	2015	2014 (Restated)	2015	2014	2015	2014 (Restated)
Current and other assets	\$ 48,862,520	\$ 54,199,617	\$ 11,121,505	\$ 12,116,473	\$ 59,984,025	\$ 66,316,090
Capital assets	126,376,831	122,115,041	51,360,421	50,318,683	177,737,252	172,433,724
Deferred outflows	2,304,049	1,427,322	-	-	2,304,049	1,427,322
<b>Total assets and outflows</b>	<b>177,543,400</b>	<b>177,741,980</b>	<b>62,481,926</b>	<b>62,435,156</b>	<b>240,025,326</b>	<b>240,177,136</b>
Long-term liabilities	63,161,035	72,357,112	647,783	657,690	63,808,818	73,014,802
Other liabilities	8,294,745	7,718,227	630,043	490,401	8,924,788	8,208,628
Deferred inflows	3,932,580	-	-	-	3,932,580	-
<b>Total liabilities and inflows</b>	<b>75,388,360</b>	<b>80,075,339</b>	<b>1,277,826</b>	<b>1,148,091</b>	<b>76,666,186</b>	<b>81,223,430</b>
Net investment						
in capital assets	75,413,372	73,600,630	50,967,438	49,898,598	126,380,810	123,499,228
Restricted	11,581,748	12,642,454	2,152,583	4,060,384	13,734,331	16,702,838
Unrestricted	15,159,920	11,423,557	8,084,079	7,328,083	23,243,999	18,751,640
<b>Total net position</b>	<b>\$ 102,155,040</b>	<b>\$ 97,666,641</b>	<b>\$ 61,204,100</b>	<b>\$ 61,287,065</b>	<b>\$ 163,359,140</b>	<b>\$ 158,953,706</b>

By far, the largest portion of the City of South Portland's net position (77.36% or \$126,380,810) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of South Portland uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Portland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of South Portland's net position (8.41% or \$13,734,331) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (14.23% or \$23,243,999) may be used to meet the City's on-going obligation to citizens and creditors. At the end of the current fiscal year, the City of South Portland is able to report a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

The City's total net position increased by \$4,405,434 during the current fiscal year. This increase is attributable to a combination of actual revenues being in excess of estimates and management's efforts to control and reduce budgeted expenditures.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,175,642	\$ 4,108,338	\$ 5,820,329	\$ 5,927,684	\$ 9,995,971	\$ 10,036,022
Operating grants and contributions	13,459,862	12,995,004	-	-	13,459,862	12,995,004
Capital grants and contributions	382,528	1,574,695	-	-	382,528	1,574,695
<b>General revenues:</b>						
Property and other taxes	68,249,072	65,608,432	-	-	68,249,072	65,608,432
Grants and contributions not restricted to specific programs	4,321,318	4,259,604	-	-	4,321,318	4,259,604
Other	1,902,594	1,847,442	48,777	30,101	1,951,371	1,877,543
<b>Total revenues</b>	<b>92,491,016</b>	<b>90,393,515</b>	<b>5,869,106</b>	<b>5,957,785</b>	<b>98,360,122</b>	<b>96,351,300</b>
<b>Expenses:</b>						
General government	10,584,081	11,234,446	-	-	10,584,081	11,234,446
Public safety	12,766,963	12,553,773	-	-	12,766,963	12,553,773
Public works	7,510,853	7,519,818	-	-	7,510,853	7,519,818
Culture and recreation	4,440,715	4,431,468	-	-	4,440,715	4,431,468
Transportation and waterfront	1,519,381	1,381,048	-	-	1,519,381	1,381,048
Health, wealth and social services	369,616	335,866	-	-	369,616	335,866
Interest on debt service	1,436,958	1,464,950	-	-	1,436,958	1,464,950
Education	49,178,808	47,506,758	-	-	49,178,808	47,506,758
Sewer	-	-	6,147,313	6,133,807	6,147,313	6,133,807
<b>Total expenses</b>	<b>87,807,375</b>	<b>86,428,127</b>	<b>6,147,313</b>	<b>6,133,807</b>	<b>93,954,688</b>	<b>92,561,934</b>
Increase (decrease) in net position before transfers	4,683,641	3,965,388	(278,207)	(176,022)	4,405,434	3,789,366
Transfers	(195,242)	(306,075)	195,242	306,075	-	-
<b>Increase (decrease) in net position</b>	<b>4,488,399</b>	<b>3,659,313</b>	<b>(82,965)</b>	<b>130,053</b>	<b>4,405,434</b>	<b>3,789,366</b>
Net position - beginning of year restated	97,666,641	102,201,456	61,287,065	61,157,012	158,953,706	163,358,468
<b>Net position - end of year</b>	<b>\$ 102,155,040</b>	<b>\$ 105,860,769</b>	<b>\$ 61,204,100</b>	<b>\$ 61,287,065</b>	<b>\$ 163,359,140</b>	<b>\$ 167,147,834</b>

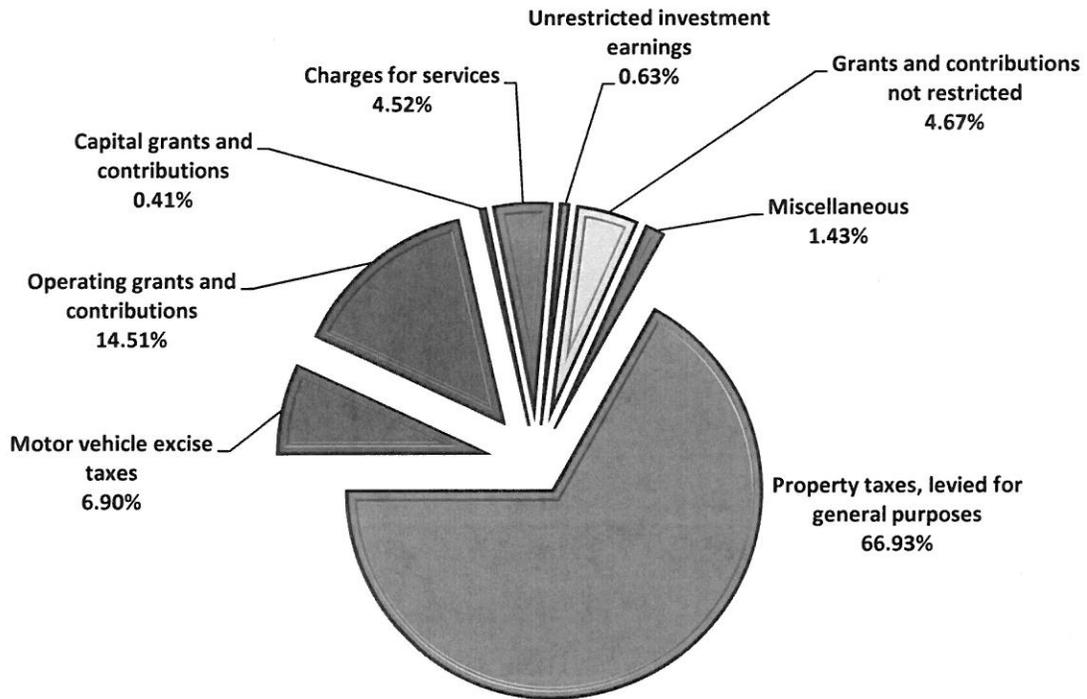
**Governmental activities.** During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net position of \$4.488 million. This amount represented an increase in the net position of 4.60%. Key elements of this increase are as follows:

- Property and other taxes increased by \$2.64 million (4.0%). This was primary due to an increase in taxes to support the School and City budgets and an increase in motor vehicle excise revenues.
- Capital grants decreased significantly as the prior year's total included a large capital grant for the purchase of 2 transit buses which did not occur in FY15.
- Total expenses increased by \$1.38 million (1.6%). The largest increase in expenses was for education which increased by \$1.67 million with a decrease in general government of \$0.65 million offsetting. The decrease in general government being primarily the result of the positive impact of the pension obligation declining.

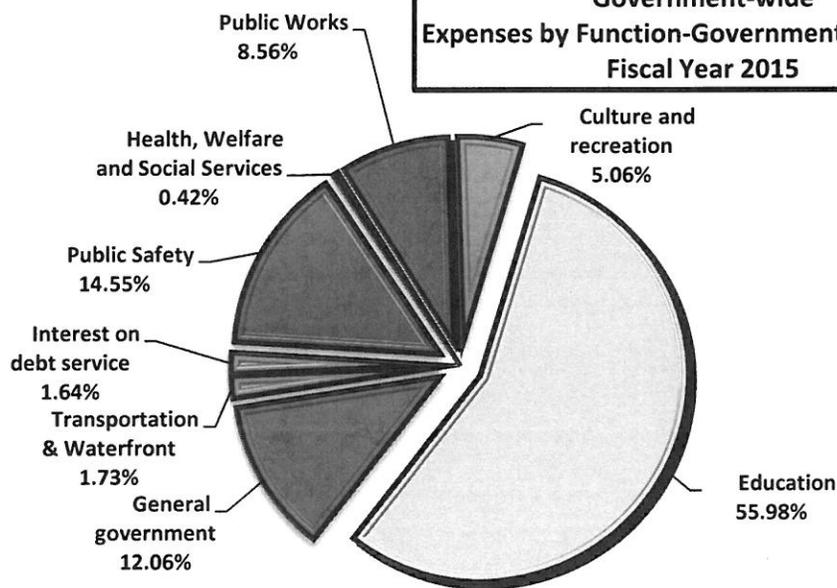
**CITY OF SOUTH PORTLAND, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Government-wide  
 Revenues by Source-Governmental Activities  
 Fiscal Year 2015**



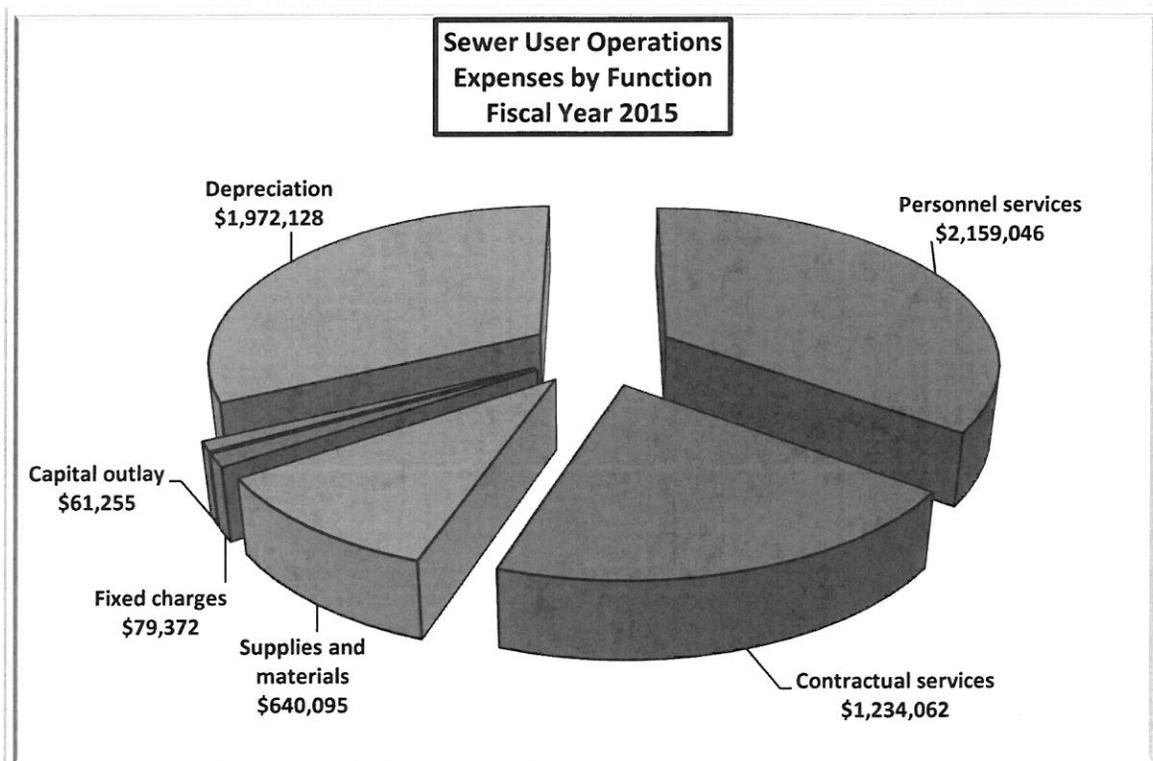
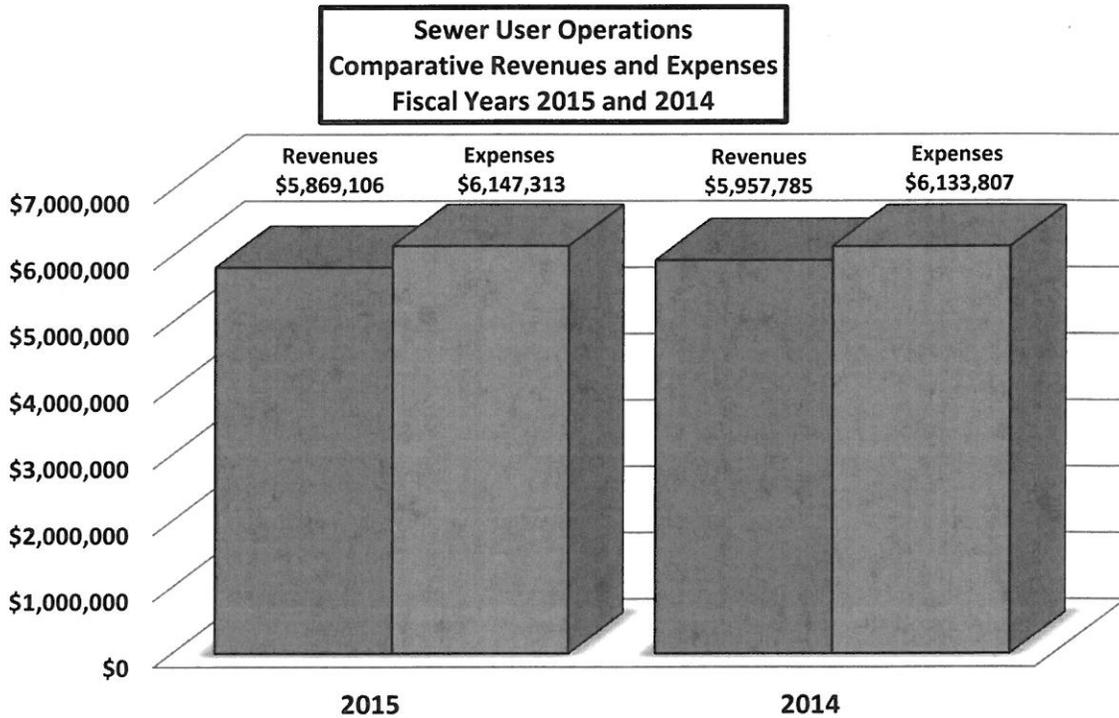
**Government-wide  
 Expenses by Function-Governmental Activities  
 Fiscal Year 2015**



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

**Business-type activities.** The City's business-type activities, which consists of sewer user operations, net position decreased by \$83K.

Revenues for business-type activities decreased by \$89K due to a continued lower residential consumption during the year. Total operating expenses for business-type activities increased by \$14K with increases in personnel services (\$88K) and supplies and materials (\$136K) which were offset primarily by decreases in contractual services (\$198K). The below graphs provide a more visual view of the last two years operations and expenditure components.



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

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

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

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

As of the end of the current fiscal year, the City of South Portland's governmental funds reported combined ending fund balances of \$40.29 million, a decrease of \$5.26 million in comparison with the prior year. This resulted primarily from the continued expenditure relating to the High School renovation capital project.

**General Fund** - The general fund is the central operating fund of the City of South Portland. At the end of the current fiscal year, the total fund balance of the general fund was \$22,336,536. 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 27.67% of total general fund expenditures (\$80,713,971). Under the breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2015, general fund restricted and nonspendable balances for education totaled \$2,815,844, a decrease of \$878,144. Additionally, the City maintains various reserve balances for various future needs. These balances are now reported as either committed or assigned and in total decreased by \$906,480 during the year, primarily as a result of funds being transferred to capital projects.

In June of 2011, the City Council amended its fund balance policy to better reflect the changes brought about by GASB Statement No. 54 which alters the focus and terminology used for fund balance reporting. The purpose of the fund balance policy is to help insure the future financial stability of the City and to mitigate financial risk that can occur from unforeseen revenue fluctuations or unanticipated expenditures. The City's fund balance policy, which is based on the new unassigned fund balance component of fund balance, establishes a minimum unassigned fund balance of 9% of the City's general fund budget. As of June 30, 2015, the unassigned fund balance was \$12,827,588 or 16.0% of the City's FY 2016, budget (\$79,907,849).

The total fund balance of the City of South Portland's general fund increased by \$204,164 during the current fiscal year. Key factors in this change are as follows:

- Total actual revenues collected exceeded budgeted by approximately \$2,860,462. The largest budgetary surplus resulted from excise taxes collected in excess of budget totaling approximately \$1.25 million. The City collects considerable excise taxes from fleet vehicles. However, the reliability of this revenue stream is at times uncertain and as a result, the City budgets conservatively. Property taxes also exceeded budget by \$1.05 million with a substantial decrease in deferred taxes resulting from the collection of delinquent taxes. Additionally, estimated budgets for various revenues were exceeded; State BETE revenue (\$159K), interest income (\$84K), State Revenue Sharing (\$74K) and building permits (\$57K). 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 \$834K. The major discrepancies included: unexpended education appropriations (\$357K), Citywide insurance and benefit costs (\$253K), and the parks and recreation department (\$67K) coming in less than anticipated. For more detailed information on actual expenditures to budget, please refer to the General Fund Highlights and Exhibit A-2.
- As part of the City's 2015-16 capital improvement budget, the City appropriated \$840K from unassigned fund balance to fund certain City capital projects. Additionally the Council set aside an additional \$200,000 to fund the legal reserve.

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

**TIF** - The TIF (Tax Increment Financing) fund includes all of the activity in the City's ten tax increment financing districts. At the end of the current fiscal year, the total fund balance of the TIF fund was \$6,516,752, all of which must be used for eligible projects as defined by Maine State Law. TIF funds are typically used to fund credit enhancement agreements with developers and also to fund capital improvement projects in and around the TIF districts. During the year, the City appropriated \$2.06 million towards sewer, storm water and public works capital improvement projects.

**Capital Projects** - The capital projects fund has a total fund balance of \$6,733,433. During the year, the fund balance decreased as a result of the expenditure of approximately \$6.75 million for completion of the second phase of the High School Renovation project that was approved by the voters in November of 2010.

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

Unrestricted net position of the sewer user fund at the end of the year amounted to \$8,084,079, an increase of \$756K. 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 \$488K, of which revenues came in greater than anticipated by \$307K and expenditures came in approximately \$181K under budget.

**Budgetary Highlights**

**General Fund:**

Revenue for the general fund totaled \$78,774,204 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2015. Actual revenues exceeded estimates by \$2,860,462.

**General Fund Revenues Budget to Actual Summary**

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 64,180,668	\$ 66,495,110	\$ 2,314,442
Intergovernmental	8,753,258	9,027,461	274,203
Licenses, permits, fees and fines	807,650	893,186	85,536
Charges for services	1,687,766	1,725,747	37,981
Unclassified	134,400	198,150	63,750
Interest earned	350,000	434,550	84,550
<b>Total revenues</b>	<b>\$ 75,913,742</b>	<b>\$ 78,774,204</b>	<b>\$ 2,860,462</b>

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$2.314 million of which \$1.25 million is attributable to an excise tax surplus due primarily to budgeting conservatively for fleet vehicles which are susceptible to major swings. Additionally, property taxes exceeded budget by \$1.05 million as a result of a significant increase in the collection of delinquent taxes.
- State BETE revenue surplus of \$159K and State Revenue sharing surplus of \$74K.
- Building permit licenses came in with a surplus of \$57K.
- An investment earnings surplus of \$84K as a result of better interest rates on investments during the year.

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

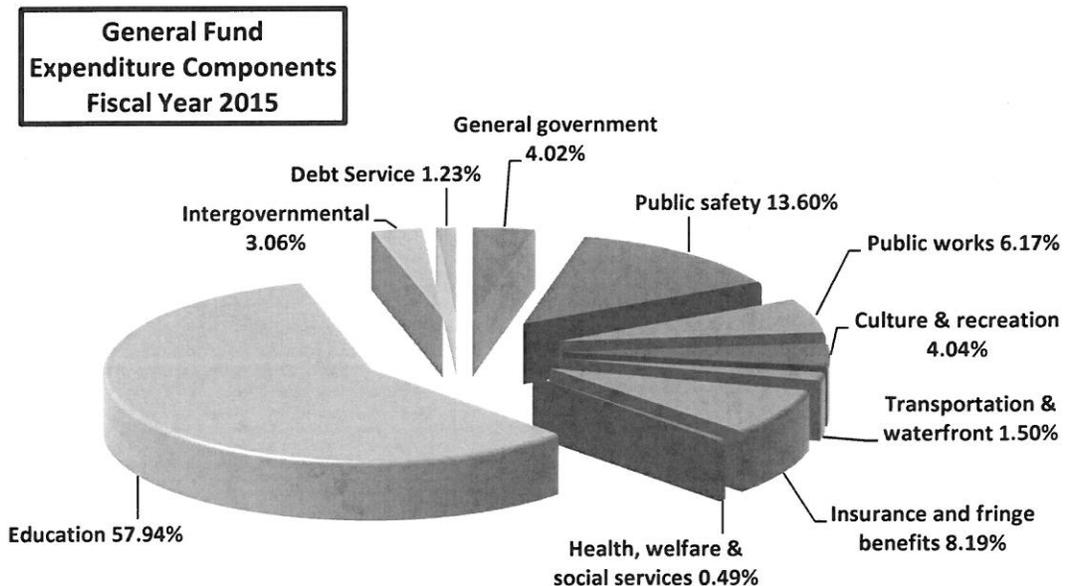
Expenditures for the general fund totaled \$75,952,524 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2015.

**General Fund Expenditures Budget to Actual Summary**

	Budget	Actual	Variance
Expenditures:			
General government	\$ 2,854,780	\$ 2,787,986	\$ 66,794
Public safety	10,356,029	10,330,345	25,684
Public works	4,689,317	4,685,198	4,119
Culture and recreation	3,170,728	3,065,075	105,653
Transportation and waterfront	1,147,388	1,140,051	7,337
Health, welfare and social services	370,249	369,616	633
Education	44,364,796	44,007,322	357,474
Insurance and fringe benefits	6,474,850	6,222,055	252,795
Intergovernmental	2,327,942	2,327,942	-
Other	89,800	79,143	10,657
Debt Service	940,792	937,791	3,001
<b>Total expenditures</b>	<b>\$ 76,786,671</b>	<b>\$ 75,952,524</b>	<b>\$ 834,147</b>

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

- General government expenditures were lower than anticipated with a surplus to budget of \$67K with surpluses of \$20K in legal fees and \$20K in City Council expenditures.
- Public safety expenditures were under budget \$26K, with a police surplus (\$20K), and civil service surplus (\$3K) making up the larger components.
- Public works had a challenging winter requiring to dip into the snow reserve by \$160K to balance the budget and finished the year with a streets and sidewalks division overage (\$70K) which was offset with a rubbish division surplus (\$89K).
- Citywide insurance and benefits had a surplus of \$253K, with the largest portion coming from health insurance (\$217K).
- Education had a surplus of \$357K attributable to lower than anticipated expenditures for Middle Schools (\$125K), High School (\$82K), and board of education (\$90k).



**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, 2015 amounts to \$177,737,252 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer system, improvements, machinery and equipment, vehicles, park facilities, roads, highways and dams. The total increase in the City of South Portland's investment in capital assets for the current fiscal year was 3.08% (a 3.49% increase for governmental activities and a 2.07% increase for business-type activities).

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 9,373,049	\$ 9,448,819	\$ 1,221,558	\$ 1,221,558	\$ 10,594,607	\$ 10,670,377
Buildings	92,694,440	86,370,642	15,772,984	15,965,352	108,467,423	102,335,995
Improvements other than buildings	1,486,523	1,661,490	-	-	1,486,523	1,661,490
Machinery and equipment	5,434,842	4,920,039	5,337,273	5,827,963	10,772,112	10,748,001
Infrastructure	11,368,839	11,578,986	27,289,667	24,676,067	38,658,505	36,255,055
Construction in progress	1,759,808	3,314,315	1,540,307	2,336,046	3,300,115	5,650,361
Vehicles	4,259,330	4,820,747	198,632	291,697	4,457,967	5,112,445
<b>Total</b>	<b>\$ 126,376,831</b>	<b>\$ 122,115,038</b>	<b>\$ 51,360,421</b>	<b>\$ 50,318,683</b>	<b>\$ 177,737,252</b>	<b>\$ 172,433,724</b>

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

- High School Renovation project and related equipment and furniture totaling \$9.2 million.
- Various vehicles purchased included a public works dump truck with plow totaling \$167K, a light response fire vehicle totaling \$100K, various police vehicles totaling \$200K and various other City and school vehicles totaling \$72K.
- Various paving and sidewalk projects totaling \$902K, a traffic single controller system for \$67K, a vehicle locator system for \$96K and an asphalt paver for \$77K.
- The completion of the Phase 1 (totaling \$1.6 Million) and the start of Phase 2 (totaling \$1 million) of the Thornton Heights and Main Street road, sewer separation and storm water projects, Treatment Plant building improvements totaling \$537K, Maine Mall road sewer replacement project totaling \$295K, and various CSO facility plan studies totaling \$223K.
- Restoration and replacement of various City and school roof projects totaling \$113K.
- Design and engineering of the new Municipal Services Facility housing the Public Works, Parks, and the Transportation Departments totaling \$341K. Phase 1 of this project is anticipated to be completed in January of 2016 with Phase 2 starting in the spring of 2016.
- Various IT server and network projects totaling \$299K.
- New air conditioning system for Main Library for \$40K, window replacements at City Hall and Planning for \$34K, as well as various other projects throughout the City.

Additional information on the City of South Portland's capital assets can be found in the notes to the financial statements on pages 52-53 of this report.

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

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**Long-term debt.** The State allows municipalities to borrow up to 15% of their total valuation. With the City's State Valuation at \$3,580,100,000 for 2015, the debt limit would be over \$537 million. Our current debt is \$48,871,586 or about 1.35% of State Valuation or approximately 9.1% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2015, the City of South Portland's debt per capita (including lease obligations) was \$2,146 as compared to the prior year of \$2,345.

The following is a summary of bond transactions of the City for the year ended June 30, 2015:

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds payable at June 30, 2014	\$ 52,780,115	420,085	53,200,200
Principal additions	-	-	-
Principal payments	(4,301,512)	(27,102)	(4,328,614)
<b>General Obligation Bonds payable at June 30, 2015</b>	<b>\$ 48,478,603</b>	<b>392,983</b>	<b>48,871,586</b>

The City voters approved a bond referendum last November authorizing the bonding of \$14,000,000 for the construction of a new Municipal Services Facility that will house Public Works, Parks, and Transportation Departments. The new facility will provide the departments with a much needed modern maintenance facility and administrative offices. The bonding for this project is not anticipated until 2016 and future debt repayments will overlap the retirement of certain old bond issues resulting in minimal impact to the City's overall budget.

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

Additional information on the City of South Portland's long-term debt can be found in the notes to the financial statements on pages 53-55 of this report.

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

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

- The October 2015 unemployment rate for the Portland/South Portland area is currently at 3.3% which is 0.9% less from the rate a year ago of 4.2%. This rate compares favorably to the state's average unemployment rate of 4.3% and the national average rate of 5.0%.
- As of June 2015, the vacancy rate for Class A office space in the Suburban Greater Portland area was 3.38% down from 6.22% in December 2014 and the vacancy rate for Class B office space Suburban Greater Portland area was 8.57% down from 8.98% in December 2014. We believe that more recent activity would conclude that that the office space has improved.

In adopting the budget for the ensuing fiscal year 2016, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic City services to the citizens while attempting to keep the property tax rate low.

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

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During the upcoming fiscal year (2016), the City's management will continue to monitor and evaluate local economic conditions. In the forefront of our revenue and expenditure concerns are:

**Revenue Projections:**

- Continuing uncertainty in the State budget and the funding formula for local school aid and state revenue sharing. For FY17, the City expects to experience flat funding for both school aide and state revenue sharing. However, the State budget continues to attack local revenue sharing and the distribution of funding for other local programs.
- Risk of rolling back into recession that may translate to a reduction in building permits, automobile excise revenues, recreational fees, and tax collections. Several larger building projects have come forward but continuing to be relatively conservative moving forward.

**Property Values and Business Development:**

- The regional economy appears to have stabilized in regards to property market values, however we will be watching this very closely over the coming months. Vacancy rates in the mall area appear to have declined significantly and the City has been working with businesses to assist in business development.
- Housing prices have rebounded and the market for coastal properties is especially strong. Available rental housing stock is limited with rates rising significantly.
- The City is in the process of developing a new economic development plan which is being rolled out in the coming months.
- City has established a new Growth TIF district and will be marketing that program to redevelop specific areas of the City that have been identified as having redevelopment needs.

**Health Insurance and Other Costs:**

- The cost of health insurance continues to rise. The City is actively taking steps to improve the City's health insurance experience rating. The City feels that by having a healthier workforce its long term cost for both health and worker's compensation insurance will be reduced. The City recently received notice that the increase for the coming year will be 4.1% increase.
- The employer cost for funding the City's defined benefit retirement plan has increased 25% each year for 3 years and approximately 12% per year for the for the last and present years.
- The costs of maintaining our facilities, vehicles and infrastructure including expanding paving streets.
- Heating and vehicle fuels prices have fallen dramatically and will have a positive impact to the comings year's budgets.
- The City has recently hired a sustainability coordinator who will be looking at ways to reduce energy usage and is looking at options for solar including the possibility of a solar farm on the City's closed landfill.

The fiscal year 2016 budget was approved in June 2015, with a \$2,527,491 (3.27%) increase in the overall general fund expenditure budget. Due to increases in various revenues, the impact to property taxes was an increase of \$1,207,816 (2.06%). Overall the tax rate increased (1.75%) to 17.40 per thousand from the prior year 17.10.

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 45,035,974	-	45,035,974
Investments	9,447,240	-	9,447,240
Receivables, net of allow. of \$542,142 and \$87,500	3,086,939	518,251	3,605,190
Taxes receivable	1,302,531	-	1,302,531
Tax liens and tax acquired property	413,098	-	413,098
Prepaid expenses	100,382	-	100,382
Inventory	29,610	-	29,610
Internal balances	(10,603,254)	10,603,254	-
Restricted assets, cash	50,000	-	50,000
Capital assets, not being depreciated	11,132,857	2,761,865	13,894,722
Capital assets, net of accumulated depreciation	115,243,974	48,598,556	163,842,530
Total assets	175,239,351	62,481,926	237,721,277
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	2,304,049	-	2,304,049
Total deferred outflows of resources	2,304,049	-	2,304,049
<b>LIABILITIES</b>			
Accounts payable	2,868,583	616,110	3,484,693
Accrued liabilities	632,651	13,933	646,584
Accrued interest	622,889	-	622,889
Accrued teachers' summer salaries	4,170,622	-	4,170,622
Non-current liabilities:			
Due within one year	5,805,102	120,858	5,925,960
Due in more than one year	57,355,933	526,925	57,882,858
Total liabilities	71,455,780	1,277,826	72,733,606
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	3,932,580	-	3,932,580
Total deferred inflows of resources	3,932,580	-	3,932,580
<b>NET POSITION</b>			
Net investment in capital assets	75,413,372	50,967,438	126,380,810
Restricted for:			
Permanent Funds - Nonexpendable principal	198,949	-	198,949
Permanent Funds - Expendable	132,159	-	132,159
Education	2,815,844	-	2,815,844
Other grants	1,918,044	-	1,918,044
Tax Increment Financing	6,516,752	-	6,516,752
Capital	-	2,152,583	2,152,583
Unrestricted	15,159,920	8,084,079	23,243,999
Total net position	\$ 102,155,040	61,204,100	163,359,140

*See accompanying notes to basic financial statements.*

CITY OF SOUTH PORTLAND, MAINE  
Statement of Activities  
For the year ended June 30, 2015

Functions/programs	Program Revenues				Net (expense) revenue and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary Government Business-type activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 10,584,081	510,092	676,447	-	(9,397,542)	-	(9,397,542)
Public safety	12,766,963	1,358,246	406,837	-	(11,001,880)	-	(11,001,880)
Public works	7,510,853	300,711	-	382,528	(6,827,614)	-	(6,827,614)
Culture and recreation	4,440,715	974,204	-	-	(3,466,511)	-	(3,466,511)
Transportation and waterfront	1,519,381	417,158	466,520	-	(635,703)	-	(635,703)
Health, welfare and social services	369,616	-	124,747	-	(244,869)	-	(244,869)
Education	49,178,808	615,231	11,785,311	-	(36,778,266)	-	(36,778,266)
Interest on debt service	1,436,958	-	-	-	(1,436,958)	-	(1,436,958)
<b>Total governmental activities</b>	<b>87,807,375</b>	<b>4,175,642</b>	<b>13,459,862</b>	<b>382,528</b>	<b>(69,789,343)</b>	<b>-</b>	<b>(69,789,343)</b>
<b>Business-type activities:</b>							
Sewer	6,147,313	5,820,329	-	-	-	(326,984)	(326,984)
<b>Total business-type activities</b>	<b>6,147,313</b>	<b>5,820,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(326,984)</b>	<b>(326,984)</b>
<b>Total primary government</b>	<b>\$ 93,954,688</b>	<b>9,995,971</b>	<b>13,459,862</b>	<b>382,528</b>	<b>(69,789,343)</b>	<b>(326,984)</b>	<b>(70,116,327)</b>
<b>General revenues:</b>							
Property taxes, levied for general purposes					61,874,477	-	61,874,477
Motor vehicle excise taxes					6,374,595	-	6,374,595
Cable television franchise					151,779	-	151,779
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					1,264,320	-	1,264,320
Homestead exemption					477,176	-	477,176
Other State aid					2,579,822	-	2,579,822
Unrestricted investment earnings					581,216	48,777	629,993
Miscellaneous					1,169,599	-	1,169,599
Transfers					(195,242)	195,242	-
<b>Total general revenues and transfers</b>					<b>74,277,742</b>	<b>244,019</b>	<b>74,521,761</b>
					4,488,399	(82,965)	4,405,434
<b>Change in net position</b>							
Net position - beginning					105,860,769	61,287,065	167,147,834
Restatement related to pensions					(8,194,128)	-	(8,194,128)
Restated net position - beginning					97,666,641	61,287,065	158,953,706
<b>Net position - ending</b>					<b>\$ 102,155,040</b>	<b>61,204,100</b>	<b>163,359,140</b>

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 31,128,579	6,507,909	7,399,486	-	45,035,974
Investments	8,470,978	-	-	976,262	9,447,240
Due from other governments	306,638	-	39,760	2,244,009	2,590,407
Accounts receivable, net of allowance of \$542,142	400,594	22,372	609	72,957	496,532
Taxes receivable	1,302,531	-	-	-	1,302,531
Tax liens and tax acquired property	413,098	-	-	-	413,098
Interfund loans receivable	-	-	-	2,971,039	2,971,039
Prepaid expenditures	100,382	-	-	-	100,382
Inventory	-	-	-	29,610	29,610
Restricted assets, cash	50,000	-	-	-	50,000
<b>Total assets</b>	<b>\$ 42,172,800</b>	<b>6,530,281</b>	<b>7,439,855</b>	<b>6,293,877</b>	<b>62,436,813</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	1,988,968	12,609	706,422	165,695	2,873,694
Accrued liabilities	582,346	920	-	49,385	632,651
Interfund loans payable	12,457,092	-	-	1,112,090	13,569,182
Accrued teachers' summer salaries	3,912,858	-	-	257,764	4,170,622
<b>Total liabilities</b>	<b>18,941,264</b>	<b>13,529</b>	<b>706,422</b>	<b>1,584,934</b>	<b>21,246,149</b>
Deferred inflows of resources:					
Unavailable revenue - property taxes	895,000	-	-	-	895,000
<b>Total deferred inflows of resources</b>	<b>895,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>895,000</b>
Fund balances:					
Nonspendable	100,382	-	-	228,559	328,941
Restricted	2,715,462	6,516,752	1,040,699	2,020,593	12,293,506
Committed	3,458,710	-	5,692,734	2,468,054	11,619,498
Assigned	3,234,394	-	-	-	3,234,394
Unassigned	12,827,588	-	-	(8,263)	12,819,325
<b>Total fund balances</b>	<b>22,336,536</b>	<b>6,516,752</b>	<b>6,733,433</b>	<b>4,708,943</b>	<b>40,295,664</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 42,172,800</b>	<b>6,530,281</b>	<b>7,439,855</b>	<b>6,293,877</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	126,376,831
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	895,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Bond premiums	(2,294,143)
Accrued compensated absences	(3,423,300)
Other postemployment benefits liability	(1,555,554)
Accrued interest	(622,889)
Landfill closure	(96,240)
Capital leases	(2,491,412)
Net pension liability with related deferred inflows and outflows of resources	(6,450,314)
Bonds payable	(48,478,603)

**Net position of governmental activities**

**\$ 102,155,040**

*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, 2015**

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 66,495,110	2,452,962	-	20,000	68,968,072
Intergovernmental	12,503,840	1,219,307	100,902	4,339,659	18,163,708
Licenses, permits, fees and fines	893,186	-	-	-	893,186
Charges for services	1,725,747	-	-	1,708,488	3,434,235
Unclassified	879,932	-	142,581	354,532	1,377,045
Interest earned	470,710	52,622	23,565	34,319	581,216
<b>Total revenues</b>	<b>82,968,525</b>	<b>3,724,891</b>	<b>267,048</b>	<b>6,456,998</b>	<b>93,417,462</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	9,407,937	116,599	-	921,896	10,446,432
Public safety	10,510,183	-	-	350,517	10,860,700
Public works	4,821,763	162,858	-	185,399	5,170,020
Culture and recreation	3,026,780	-	-	821,626	3,848,406
Transportation and waterfront	1,151,351	-	-	62,925	1,214,276
Health, welfare and social services	369,616	-	-	-	369,616
Education	48,066,502	-	-	2,384,648	50,451,150
School lunch program	-	-	-	1,693,739	1,693,739
Intergovernmental	2,327,942	-	-	-	2,327,942
Other	94,106	1,201,653	-	1,699	1,297,458
Debt service (excluding education)	937,791	-	510,638	-	1,448,429
Capital expenditures	-	-	9,356,651	-	9,356,651
<b>Total expenditures</b>	<b>80,713,971</b>	<b>1,481,110</b>	<b>9,867,289</b>	<b>6,422,449</b>	<b>98,484,819</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,254,554</b>	<b>2,243,781</b>	<b>(9,600,241)</b>	<b>34,549</b>	<b>(5,067,357)</b>
<b>Other financing sources (uses):</b>					
Transfers in	675,101	-	4,093,605	233,917	5,002,623
Transfers out	(2,725,491)	(2,226,593)	-	(245,781)	(5,197,865)
<b>Total other financing sources (uses)</b>	<b>(2,050,390)</b>	<b>(2,226,593)</b>	<b>4,093,605</b>	<b>(11,864)</b>	<b>(195,242)</b>
<b>Net change in fund balances</b>	<b>204,164</b>	<b>17,188</b>	<b>(5,506,636)</b>	<b>22,685</b>	<b>(5,262,599)</b>
<b>Fund balances, beginning of year</b>	<b>22,132,372</b>	<b>6,499,564</b>	<b>12,240,069</b>	<b>4,686,258</b>	<b>45,558,263</b>
<b>Fund balances, end of year</b>	<b>\$ 22,336,536</b>	<b>6,516,752</b>	<b>6,733,433</b>	<b>4,708,943</b>	<b>40,295,664</b>

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2015**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	(5,262,599)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

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 (\$9,828,671) exceed book value of disposed assets (\$131,676) and depreciation (\$5,435,205).		4,261,790
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unavailable revenues.		(719,000)
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Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments.		378,820
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Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - accrued compensated absences (\$333,300), accrued interest (-\$67,984), net pension liability with deferred outflows and inflows of resources, (-\$1,743,814) and other postemployment benefits liability (\$224,082).		1,254,416
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Changes in long-term liabilities on the statement of net position, are expenditures in the governmental funds. This is the change of the landfill closure liability.		12,030
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. During the year, the City did not issue any new debt. Governmental funds report the effects of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. During the year, the City amortized \$261,430 of bond premiums. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. For the year, the amount of repayments was \$4,301,512.		4,562,942
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<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>4,488,399</b>
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*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, 2015**

	General Fund				TIF Funds				Variance with final budget positive (negative)
	Budget		Actual	Budget		Actual	Budget		
	Original	Final		Original	Final		Original	Final	
<b>Revenues:</b>									
Taxes	\$ 64,180,668	64,180,668	66,495,110	2,314,442	2,320,000	2,452,962	132,962		
Intergovernmental	8,753,258	8,753,258	9,027,461	274,203	1,150,000	1,219,307	69,307		
Licenses, permits, fees and fines	807,650	807,650	893,186	85,536	-	-	-		
Charges for services	1,687,766	1,687,766	1,725,747	37,981	-	-	-		
Unclassified	134,400	134,400	198,150	63,750	-	-	-		
Interest earned	350,000	350,000	434,550	84,550	-	52,622	52,622		
<b>Total revenues</b>	<b>75,913,742</b>	<b>75,913,742</b>	<b>78,774,204</b>	<b>2,860,462</b>	<b>3,470,000</b>	<b>3,724,891</b>	<b>254,891</b>		
<b>Expenditures:</b>									
<b>Current:</b>									
General government	9,453,780	9,329,630	9,010,041	319,589	159,586	116,599	42,987		
Public safety	10,245,979	10,356,029	10,330,345	25,684	-	-	-		
Public works	4,529,317	4,689,317	4,685,198	4,119	166,446	162,858	3,588		
Culture and recreation	3,170,728	3,170,728	3,065,075	105,653	-	-	-		
Transportation and waterfront	1,128,088	1,147,388	1,140,051	7,337	20,000	-	20,000		
Health, welfare and social services	353,249	370,249	369,616	633	-	-	-		
Education	44,364,796	44,364,796	44,007,322	357,474	-	-	-		
Intergovernmental	2,327,942	2,327,942	2,327,942	-	-	-	-		
Other	112,000	89,800	79,143	10,657	1,513,750	1,201,653	312,097		
Debt service (excluding education)	940,792	940,792	937,791	3,001	-	-	-		
Capital expenditures	-	-	-	-	1,515,976	-	-		
<b>Total expenditures</b>	<b>76,626,671</b>	<b>76,786,671</b>	<b>75,952,524</b>	<b>834,147</b>	<b>3,375,758</b>	<b>1,481,110</b>	<b>378,672</b>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(712,929)</b>	<b>(872,929)</b>	<b>2,821,680</b>	<b>3,694,609</b>	<b>94,242</b>	<b>2,243,781</b>	<b>633,563</b>		
<b>Other financing sources (uses):</b>									
Budgeted use of surplus - City	-	1,051,146	-	(1,051,146)	79,394	616,375	(616,375)		
Budgeted use of surplus - School	677,117	677,117	-	(677,117)	-	-	-		
Transfer in	769,499	929,499	929,499	-	-	-	-		
Transfers out	(733,687)	(1,784,833)	(1,973,499)	(188,666)	(173,636)	(2,226,593)	(616,375)		
<b>Total other financing sources (uses)</b>	<b>712,929</b>	<b>872,929</b>	<b>(1,044,000)</b>	<b>(1,916,929)</b>	<b>(94,242)</b>	<b>(2,226,593)</b>	<b>(616,375)</b>		
<b>Net change in fund balance - budgetary basis</b>	<b>-</b>	<b>-</b>	<b>1,777,680</b>	<b>1,777,680</b>	<b>-</b>	<b>17,188</b>	<b>17,188</b>		
<b>Reconciliation to GAAP basis:</b>									
Change in encumbrances - City			29,356	29,356					
Change in encumbrances - School			61,014	61,014					
Unbudgeted teacher summer benefits			(268,502)	(268,502)					
Change in reserves			(1,395,384)	(1,395,384)					
<b>Net change in fund balance - GAAP basis</b>			<b>204,164</b>	<b>204,164</b>			<b>17,188</b>		
<b>Fund balance, beginning of year</b>			<b>22,132,372</b>	<b>22,132,372</b>			<b>6,499,564</b>		
<b>Fund balance, end of year</b>	<b>\$</b>		<b>22,336,536</b>	<b>22,336,536</b>			<b>6,516,752</b>		

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE  
 Statements of Net Position  
 Proprietary Funds  
 June 30, 2015 and 2014

	Business-type Activities - Enterprise Funds	
	Sewer	
	2015	2014
<b>ASSETS</b>		
Current assets:		
Receivables, net of allowance of \$87,500 and \$87,153, respectively	\$ 511,547	548,274
Sewer liens	6,704	2,457
Prepaid expenses	-	10,434
Interfund loans receivable	10,603,254	11,555,308
Total current assets	11,121,505	12,116,473
Noncurrent assets:		
Capital assets, not being depreciated	2,761,865	3,557,604
Capital assets	92,713,726	88,904,121
Accumulated depreciation	(44,115,170)	(42,143,042)
Total noncurrent assets	51,360,421	50,318,683
<b>Total assets</b>	<b>62,481,926</b>	<b>62,435,156</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	616,110	481,461
Accrued wages	13,933	8,940
Current portion of noncurrent liabilities:		
Compensated absences	93,756	75,950
Bonds payable	27,102	27,102
Total current liabilities	750,901	593,453
Noncurrent liabilities:		
Compensated absences	161,044	161,655
Bonds payable	365,881	392,983
Total noncurrent liabilities	526,925	554,638
<b>Total liabilities</b>	<b>1,277,826</b>	<b>1,148,091</b>
<b>NET POSITION</b>		
Net investment in capital assets	50,967,438	49,898,598
Restricted for capital projects	2,152,583	4,060,384
Unrestricted	8,084,079	7,328,083
<b>Total net position</b>	<b>\$ 61,204,100</b>	<b>61,287,065</b>

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the years ended June 30, 2015 and 2014**

<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating revenues:</b>		
Charges for services	\$ 5,758,245	5,864,629
Interest and penalties	995	1,148
Licenses	61,089	61,907
<b>Total operating revenues</b>	<b>5,820,329</b>	<b>5,927,684</b>
<b>Operating expenses:</b>		
Personnel services	2,159,046	2,070,935
Contractual services	1,234,062	1,433,022
Supplies and materials	640,095	504,084
Fixed charges	79,372	66,354
Capital outlay	61,255	104,699
Depreciation	1,972,128	1,956,648
<b>Total operating expenses</b>	<b>6,145,958</b>	<b>6,135,742</b>
<b>Operating loss</b>	<b>(325,629)</b>	<b>(208,058)</b>
<b>Nonoperating revenues (expenses):</b>		
Interest revenue	48,777	30,101
Gain (loss) on disposal of capital assets	-	3,290
Interest expense	(1,355)	(1,355)
<b>Total nonoperating revenues (expenses)</b>	<b>47,422</b>	<b>32,036</b>
<b>Loss before transfers</b>	<b>(278,207)</b>	<b>(176,022)</b>
Transfers in	201,076	307,083
Transfer out	(5,834)	(1,008)
<b>Total transfers</b>	<b>195,242</b>	<b>306,075</b>
<b>Change in net position</b>	<b>(82,965)</b>	<b>130,053</b>
Net position, beginning of year	61,287,065	61,157,012
<b>Net position, end of year</b>	<b>\$ 61,204,100</b>	<b>61,287,065</b>

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**For the years ended June 30, 2015 and 2014**

	Sewer	
	2015	2014
<b>Business-type Activities - Enterprise Funds</b>		
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,852,809	5,810,826
Payments to suppliers	(1,869,701)	(1,758,258)
Payments to employees	(2,136,858)	(2,062,905)
Net cash provided by operating activities	1,846,250	1,989,663
Cash flows from noncapital financing activities:		
Transfer in from other funds	201,076	307,083
Interfund loan	952,054	(162,974)
Transfers to other funds	(5,834)	(1,008)
Net cash provided by noncapital financing activities	1,147,296	143,101
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,013,866)	(2,137,698)
Proceeds from sale of capital assets	-	3,290
Interest paid on bonds	(1,355)	(1,355)
Principal payments on bonds	(27,102)	(27,102)
Net cash used in capital and related financing activities	(3,042,323)	(2,162,865)
Cash flows from investing activities:		
Interest revenue	48,777	30,101
Net cash provided by investing activities	48,777	30,101
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
<b>Cash, end of year</b>	<b>\$ -</b>	<b>-</b>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (325,629)	(208,058)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,972,128	1,956,648
(Increase) decrease in receivables	36,727	(121,314)
(Increase) decrease in liens	(4,247)	4,456
(Increase) decrease in prepaid expenses	10,434	(1,773)
Increase in accounts payable	134,649	351,674
Increase in accrued wages	4,993	7,279
Increase in compensated absences	17,195	751
Net cash provided by operating activities	\$ 1,846,250	1,989,663

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

		Private- purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$	77,040	137,151
Investments		2,176,115	-
<b>Total assets</b>		<b>2,253,155</b>	<b>137,151</b>
<b>LIABILITIES</b>			
Accounts payable		2,218	-
Due to others		5,111	137,151
<b>Total liabilities</b>		<b>7,329</b>	<b>137,151</b>
<b>NET POSITION</b>			
Held in trust	\$	<b>2,245,826</b>	-

*See accompanying notes to basic financial statements.*

**CITY OF SOUTH PORTLAND, MAINE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2015**

	<b>Private- purpose Trust Funds</b>
<b>Additions:</b>	
Donations	\$ 5,295
Investment earnings:	
Interest	73,791
Unrealized loss	(36,812)
<b>Total additions</b>	<b>42,274</b>
<b>Deductions:</b>	
Scholarships and other	55,583
<b>Total deductions</b>	<b>55,583</b>
Change in net position	(13,309)
Net position, beginning of year	2,259,135
<b>Net position, end of year</b>	<b>\$ 2,245,826</b>

*See accompanying notes to basic financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

This report includes all funds of the City of South Portland, Maine. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the 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.

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

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

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

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

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

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

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

**E. Interfund Loans**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**F. Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 position.

**K. Fund Equity**

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

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner. The City Council is the highest level of decision making authority, and has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments by passage of an order.
- *Assigned* – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's Finance Director based on prescribed policies previously established by the City Council.
- *Unassigned* – resources which have not been assigned to other funds and that 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's fund balance policy states when both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed. The City Council approved the fund balance policy and fund classifications on June 20, 2012, in order #166-10/11.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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.

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**P. Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows relate to the net pension liability, which include the differences between expected and actual experience and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

The governmental funds have only one type of item which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Q. Net Position**

Net position represents the assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net investment in capital assets was calculated as follows at June 30, 2015:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 217,489,229	95,475,591
Accumulated depreciation	(91,112,398)	(44,115,170)
Bonds payable and premiums	(50,772,746)	(392,983)
Add back bonds payable pertaining to Maine PERS	1,260,000	-
Add back bond proceeds unexpended	1,040,699	-
Capital leases	(2,491,412)	-
<b><u>Net investment in capital assets</u></b>	<b><u>\$ 75,413,372</u></b>	<b><u>50,967,438</u></b>

**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. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$3,476,379.

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

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

These amounts have been included as an intergovernmental revenue and as an education expense/expenditure on Statement 2 and 4 (GAAP basis). There is no effect on the net position/fund balance at the end of the year. The Sewer Use Fund budgets for debt service principal and interest payments as an expense and does not budget for depreciation expense. In addition, capital contributions from other funds are not budgeted. The legal level of budgetary control is at the department level.

The City employs encumbrance accounting in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$504,009 in the General Fund.

**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, 2015, all departments were within their charter level budget limits.

**C. Deficit Fund Balances**

At June 30, 2015, the following funds had deficit fund balances:

<u>Special Revenue Funds:</u>		<u>Private-purpose Trust Funds:</u>	
Bug Light Beautification	941	A Varanelli Scholarship	87
Title V	2		
Learning Results	405		
Memorial Tech Grant - Koelker	1,237		
National Semiconductor - Brown	3,683		
Dyer Friends	894		
Staff Computer Training	476		
Small Friends	625		

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

**DEPOSITS AND INVESTMENTS**

As of June 30, 2015, 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	\$ 13,027,074	13,027,074	-	-
U.S. Treasury Notes	2,247,329	-	1,478,855	768,474
Federal Home Loan Bank	1,993,311	-	1,498,793	494,518
Federal National Mortgage	7,307,538	1,162,174	2,422,242	3,723,122
Certificates of Deposit	33,176,621	6,162,467	27,014,154	-
Stock Mutual Fund	61,949	Not applicable		

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

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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*Custodial credit risk- deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2015, the City had bank balances of \$46,203,695. 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, 2015, the City had no deposits which were subject to custodial credit risk because all amounts were insured or collateralized.

*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, 2015, the City had fair value investment balances of \$11,610,127 of which only the stock mutual fund was subject to custodial credit risk. In accordance with its investment policy, the City minimizes custodial credit risk by doing business with authorized institutions, depositories, and broker/dealers, and that funds should be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 102% of market value of the principal and accrued interest, and must be marked to market daily.

*Credit risk* – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. U.S. Treasury Notes are not rated. As of June 30, 2015, 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.

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**PROPERTY TAX**

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Property taxes for the current period were committed on July 15, 2014 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 \$554,624 for the year ended June 30, 2015.

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.

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

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PROPERTY TAX, CONTINUED

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

The following summarizes the levy:

	<u>2015</u>	<u>2014</u>
Assessed value	\$ 3,601,160,000	3,562,696,800
<u>Tax rate (per \$1,000)</u>	<u>17.10</u>	<u>16.70</u>
Commitment	61,579,836	59,497,037
Add:		
Supplementals	-	1,603
Total commitment	61,579,836	59,498,640
Less:		
Abatements	32,960	49,171
<u>Collections</u>	<u>60,720,014</u>	<u>58,468,581</u>
Current year taxes receivable at end of year	826,862	980,888
<u>Taxes and liens receivable - prior years</u>	<u>888,767</u>	<u>826,578</u>
<b><u>Total taxes and liens receivable</u></b>	<b><u>\$ 1,715,629</u></b>	<b><u>1,807,466</u></b>

Due dates:	1st quarter	August 21, 2014	August 15, 2013
	2nd quarter	November 20, 2014	November 21, 2013
	3rd quarter	February 12, 2015	February 13, 2014
	4th quarter	May 7, 2015	May 8, 2014

	<u>2015</u>	<u>2014</u>
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	98.66%	98.35%

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

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**CAPITAL ASSETS**

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Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

	Balance June 30, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2015</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,448,819	-	75,770	9,373,049
<u>Construction in progress</u>	<u>3,314,315</u>	<u>1,531,316</u>	<u>3,085,823</u>	<u>1,759,808</u>
Total capital assets not being depreciated	12,763,134	1,531,316	3,161,593	11,132,857
Capital assets, being depreciated:				
Buildings	121,461,599	8,886,844	292,549	130,055,894
Improvements other than buildings	4,599,969	-	-	4,599,969
Machinery and equipment	14,354,328	1,214,210	207,036	15,361,502
Vehicles	14,351,172	439,379	763,271	14,027,280
<u>Infrastructure</u>	<u>41,393,212</u>	<u>918,515</u>	<u>-</u>	<u>42,311,727</u>
Total capital assets being depreciated	196,160,280	11,458,948	1,262,856	206,356,372
Less accumulated depreciation for:				
Buildings	35,090,957	2,451,389	180,892	37,361,454
Improvements other than buildings	2,938,479	174,967	-	3,113,446
Machinery and equipment	9,434,289	699,407	207,036	9,926,660
Vehicles	9,530,425	980,777	743,252	9,767,950
<u>Infrastructure</u>	<u>29,814,223</u>	<u>1,128,665</u>	<u>-</u>	<u>30,942,888</u>
Total accumulated depreciation	86,808,373	5,435,205	1,131,180	91,112,398
<u>Total capital assets being depreciated, net</u>	<u>109,351,907</u>	<u>6,023,743</u>	<u>131,676</u>	<u>115,243,974</u>
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 122,115,041</u></b>	<b><u>7,555,059</u></b>	<b><u>3,293,269</u></b>	<b><u>126,376,831</u></b>

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

Governmental activities:	
General government	\$ 140,977
Public safety	707,416
Public works	1,330,249
Culture and recreation	592,309
Transportation and waterfront	305,105
Education	2,359,149
<b><u>Total depreciation expense – governmental activities</u></b>	<b><u>\$ 5,435,205</u></b>

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

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**CAPITAL ASSETS, CONTINUED**

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Capital asset activity for business-type activities for the year ended June 30, 2015 was as follows:

	Balance June 30, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2015</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,221,558	-	-	1,221,558
<u>Construction in progress</u>	<u>2,336,046</u>	<u>1,017,598</u>	<u>1,813,337</u>	<u>1,540,307</u>
Total capital assets not being depreciated	3,557,604	1,017,598	1,813,337	2,761,865
Capital assets, being depreciated:				
Buildings	34,049,419	516,332	-	34,565,751
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	15,382,711	48,982	-	15,431,693
Vehicles	1,229,177	-	-	1,229,177
<u>Infrastructure</u>	<u>38,162,483</u>	<u>3,244,291</u>	<u>-</u>	<u>41,406,774</u>
Total capital assets being depreciated	88,904,121	3,809,605	-	92,713,726
Less accumulated depreciation for:				
Buildings	18,084,067	708,700	-	18,792,767
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	9,554,747	539,673	-	10,094,420
Vehicles	937,480	93,065	-	1,030,545
<u>Infrastructure</u>	<u>13,486,417</u>	<u>630,690</u>	<u>-</u>	<u>14,117,107</u>
Total accumulated depreciation	42,143,042	1,972,128	-	44,115,170
<u>Total capital assets being depreciated, net</u>	<u>46,761,079</u>	<u>1,837,477</u>	<u>-</u>	<u>48,598,556</u>
<b><u>Business-type activities capital assets, net</u></b>	<b><u>\$ 50,318,683</u></b>	<b><u>2,855,075</u></b>	<b><u>1,813,337</u></b>	<b><u>51,360,421</u></b>

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**LONG-TERM DEBT**

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Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 52,780,115	-	4,301,512	48,478,603	4,176,512
Bond premiums	2,555,573	-	261,430	2,294,143	247,577
Capital leases	2,870,232	-	378,820	2,491,412	332,401
Landfill closure	108,270	-	12,030	96,240	12,030
Other post employment benefits	1,331,472	338,462	114,380	1,555,554	-
Net pension liability	9,621,450	-	4,799,667	4,821,783	-
<u>Compensated absences</u>	<u>3,090,000</u>	<u>1,793,211</u>	<u>1,459,911</u>	<u>3,423,300</u>	<u>1,036,582</u>
<b>Governmental activity</b>					
<b><u>long-term liabilities</u></b>	<b><u>\$ 72,357,112</u></b>	<b><u>2,131,673</u></b>	<b><u>11,327,750</u></b>	<b><u>63,161,035</u></b>	<b><u>5,805,102</u></b>

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

**LONG-TERM DEBT, CONTINUED**

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 420,085	-	27,102	392,983	27,102
Compensated absences	237,605	178,218	161,023	254,800	93,756
<b>Business-type activities</b>					
<b>long-term liabilities</b>	<b>\$ 657,690</b>	<b>178,218</b>	<b>188,125</b>	<b>647,783</b>	<b>120,858</b>

Long-term debt payable at June 30, 2015 is comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2015</u>
<b>Governmental activities:</b>					
2007 Paving and Refinancing (1)	5/15/2007	\$ 2,075,000	9/1/2016	4.00-5.00%	275,000
2010 1999 Community Center – City	1/26/2010	1,890,000	11/1/2018	2.00-3.00%	840,000
2010 HS & MS Renovations - School	1/26/2010	4,613,000	11/1/2029	2.00-4.00%	3,450,000
2011 Refund 2002 & 2003 Elem-Sch.	10/26/2011	8,905,000	7/15/2023	2.00-4.375%	6,830,000
2012 HS Construction – School	5/30/2012	30,000,000	7/15/2032	2.00-4.00%	27,000,000
2013 HS SRRF – School	12/1/2013	664,450	12/1/2023	0.00%	418,603
2014 MSRS	4/10/2014	1,890,000	3/1/2017	2.00%	1,260,000
2014 HS Construction – School	4/10/2014	8,850,000	4/15/2034	2.25-3.25%	8,405,000
Total governmental activities					48,478,603
<b>Business-type activities:</b>					
2009 SRF (Long creek)	10/7/2009	749,716	10/1/2029	N/A	392,983
Total business-type activities					392,983
<b>Total bonds payable</b>					<b>\$ 48,871,586</b>

(1) Of the outstanding bond principal, (\$100,000) is for City and (\$175,000) is for School.

In November of 2013, the voters approved a \$14,000,000 bond referendum for the construction of a new Municipal Services Facility providing a new garage and administrative offices for the Public Works, Parks and Recreation, and Transportation Departments of the City. At June 30, 2015, \$14,000,000 was authorized but unissued for this project.

Additionally, in November of 2014, the voters approved a \$3,500,000 bond referendum for the construction of the Thornton Heights/Pleasantdale Phases 2, 3 and 4 projects, including sewer and stormwater system improvements and related streetscape improvements. At June 30, 2015, \$3,500,000 was authorized but unissued for this project. Subsequent to year end the City issued the \$3,500,000 of bonds through the State of Maine's Clean Water State Revolving Loan Fund at an interest rate of 0.35% with \$100,000 forgiven.

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

**LONG-TERM DEBT, CONTINUED**

All governmental activity debt service payments, including capital leases and compensated absences, were made within the General Fund with the exception of \$510,638 which was paid out of the High School premium reserve which was accounted for in the School Capital Projects funds. Other post employment benefits and the net pension liability are not currently being funded on a budgetary level. If and when such funding would occur, it would be funded within the General Fund.

The annual requirements to amortize long-term debt outstanding as of June 30, 2015 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>
2016	\$ 4,176,512	1,553,837	5,730,349	27,102	-	27,102
2017	4,001,511	1,419,713	5,421,224	27,102	-	27,102
2018	3,321,511	1,290,388	4,611,899	27,102	-	27,102
2019	3,321,511	1,196,588	4,518,099	27,102	-	27,102
2020	3,111,511	1,111,212	4,222,723	27,102	-	27,102
2021-2025	13,436,047	4,113,000	17,549,047	135,511	-	135,511
2026-2030	10,850,000	1,954,300	12,804,300	121,962	-	121,962
2031-2034	6,260,000	345,500	6,605,500	-	-	-
<b>Total</b>	<b>\$ 48,478,603</b>	<b>12,984,538</b>	<b>61,463,141</b>	<b>392,983</b>	<b>-</b>	<b>392,983</b>

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. At June 30, 2015, the statutory limit for the City was \$537,015,500. The City's outstanding long-term debt of \$48,871,586 at June 30, 2015 was \$488,143,914 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, 2015:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to South Portland</u>	<u>City of South Portland's share of debt</u>
Cumberland County	\$ 37,125,000	9.09%	\$ 3,375,128
Portland Water District	45,698,839	13.79%	6,300,406

**JOINTLY GOVERNED ORGANIZATION**

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

Ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford and York counties in Maine. Owned and controlled by 21 member communities, Ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The City is a member community in Ecomaine. Interlocal (waste handling) agreements between Ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to Ecomaine for processing and to make service payments and pay tipping fees for such processing. The City has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in Ecomaine.

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

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JOINTLY GOVERNED ORGANIZATION, CONTINUED

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Selected balance sheet information for Ecomaine for the year ended June 30, 2015 includes total assets of \$63,710,335, and total liabilities of \$19,069,573 and unrestricted net position of \$13,562,006. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,451,511. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2015 and a projected closing date. The separate audited financial statements of Ecomaine may be obtained at their administrative office: Ecomaine, 64 Blueberry Road, Portland, Maine 04102.

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CAPITAL LEASES

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The City has entered into lease agreements as lessee for financing the acquisition of equipment and has also entered into an energy performance lease arrangement. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2015 was \$3,682,973.

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, 2015.

	Governmental <u>activities</u>
2016	\$ 404,547
2017	364,818
2018	371,093
2019	377,621
2020	384,413
<u>2021-2023</u>	<u>891,462</u>
Total minimum lease payments	2,793,954
<u>Less: amount representing interest</u>	<u>302,542</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$ 2,491,412</u></b>

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LANDFILL

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The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities. State and federal laws and regulations require the City to place a final cover on its Highland Avenue landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill ceased accepting waste, effective January 1, 1993, as required by State regulations. Since that time, the twenty-five acre landfill has remained inactive. Although it was not at capacity, its useful life was over. The City completed the landfill closure process in fiscal year 2000. At June 30, 2015, the City had recorded approximately \$96,240 of estimated cost remaining related to postclosure care of the landfill. The City has amounts available in the general fund to fund these estimated costs. The actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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**INTERFUND BALANCES AND TRANSFERS**

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As of June 30, 2015, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	12,457,092
Sewer Fund	10,603,254	-
Nonmajor Special Revenue Funds:		
City Special Revenues	2,957,734	-
School Grant Funds	-	1,112,090
School Adult Education	9,592	-
School Lunch Fund	3,713	-
<u>Private-purpose Trust Funds</u>	<u>-</u>	<u>5,111</u>
<b><u>Total interfund balances</u></b>	<b><u>\$ 13,574,293</u></b>	<b><u>13,574,293</u></b>

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

As of June 30, 2015, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 675,101	2,725,491
Sewer Fund	201,076	5,834
Tax Increment Financing	-	2,226,593
Capital Projects	4,093,605	-
Nonmajor Special Revenue Funds:		
City Special Revenues	141,857	560,521
School Grant Funds	6,800	-
School Lunch Fund	400,000	-
<b><u>Total interfund transfers</u></b>	<b><u>\$ 5,518,439</u></b>	<b><u>5,518,439</u></b>

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

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

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**FUND BALANCES**

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**Minimum fund balance policy.** The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The minimum target level is set at 9% of general fund budgeted expenditures. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan, implemented through the annual budgetary process, to bring the balance back to the target level over a period of no more than three (3) fiscal years. Amounts in excess of the targeted maximum of 12% of general fund measured on a GAAP basis shall be used for capital improvements or other one-time expenditures as identified by the City Council. The policy was adopted by the City to recognize the financial importance of a stable and sufficient level of unassigned fund balance. However, the City Council reserves the right to appropriate funds from the unassigned fund balance for emergencies and other requirements the City Council believes to be in the best interest of the City of South Portland. At June 30, 2015, the City maintained an unassigned general fund balance of \$12,827,588 which is 16.05% of the fiscal year 2016 budget of \$79,907,849.

**Stabilization arrangement.** In the periods of economic decline where valuation assessments are flat or decreasing, and/or periods of significant estimated revenue loss or periods of high increases in budgeted expenditures, the City Council may set aside funds in the tax rate stabilization reserve to be used to reduce the needs from taxation for the coming year(s). Funds set aside in the tax rate stabilization reserve should have a planned exit strategy to reduce the use of such reserves in subsequent budgets and should be fully funded to the extent necessary to properly provide a declining (tiered) use of this reserve for a period no greater than 5 years. The objective of this tiered approach is to lessen the impact in subsequent years for the lower estimated revenues from the tax rate stabilization reserve. The committed general fund balances include a \$1,229,585 tax rate stabilization reserve at June 30, 2015 with \$425,000 anticipated to be used in the funding of fiscal year ending June 30, 2016 budget.

As of June 30, 2015, fund balance components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Education – prepaid expenditures	\$ 100,382	-	100,382
Inventory	-	29,610	29,610
Principal for permanent funds	-	198,949	198,949
Total nonspendable	100,382	228,559	328,941
Restricted:			
Education	2,715,462	556,914	3,272,376
TIF funds	-	6,516,752	6,516,752
Capital projects	-	1,040,699	1,040,699
Grants - Housing and Business Development	-	215,271	215,271
Grants - Other planning and general government	-	149,649	149,649
Grants - Fire Hazardous Materials	-	98,532	98,532
Grants – FEMA equipment	-	198,967	198,967
Grants - State Highway Block	-	472,810	472,810
Donations – Parks and recreation operations	-	106,246	106,246
Other grants and donations	-	90,045	90,045
Permanent funds	-	132,159	132,159
Total restricted	2,715,462	9,578,044	12,293,506

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

**FUND BALANCES, CONTINUED**

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>Committed:</b>			
General government:			
Tax stabilization reserve	\$ 1,229,585	-	1,229,585
Climate action plan	89,313	-	89,313
Equipment replacement reserve	129,351	-	129,351
Unemployment reserve	30,084	-	30,084
Self-Insurance reserve	2,708	-	2,708
Safety reserve	157,159	-	157,159
Computerization reserve	80,210	-	80,210
Litigation legal reserve	178,080	-	178,080
Municipal buildings and land acquisition	168,253	-	168,253
Other reserves	39,316	-	39,316
South Portland Community TV	-	408,573	408,573
Freshwater Wetland Fund	-	172,513	172,513
Land Bank Trust	-	683,199	683,199
Public safety:			
Fire equipment and vehicle reserve	488,010	-	488,010
Police equipment reserves	78,818	-	78,818
Call company retirement reserve	64,698	-	64,698
Hazardous materials fund	-	81,166	81,166
Public works:			
Snow removal reserve	264,042	-	264,042
Cummings road sewer reserve	209,864	-	209,864
Solid waste reserve	87,131	-	87,131
Other reserves	45,315	4,440	49,755
Street openings and recycling funds	-	338,382	338,382
Sewer impact fund	-	447,544	447,544
Transit and waterfront:			
Bus reserve	116,773	-	116,773
Portland Street Pier	-	190,628	190,628
Culture and recreation:			
Golf Course	-	113,792	113,792
Other	-	27,817	27,817
Capital projects	-	5,692,734	5,692,734
Total committed	3,458,710	8,160,788	11,619,498
<b>Assigned:</b>			
Compensated absences reserve	2,679,319	-	2,679,319
Phone system reserve	98,329	-	98,329
Public safety vehicle reserve	4,919	-	4,919
Public works fuel distribution	98,557	-	98,557
Encumbrances	353,270	-	353,270
Total assigned	3,234,394	-	3,234,394
Unassigned	12,827,588	(8,263)	12,819,325
<b>Total fund balance</b>	<b>\$ 22,336,536</b>	<b>17,959,128</b>	<b>40,295,664</b>

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

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**CONSTRUCTION COMMITMENTS**

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The City has entered into contracts in connection with the Public Services Facility construction project and the Thornton Heights Phase II construction project. The following is a summary of the commitments at June 30, 2015:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Balance Remaining</u>
Public Services Facility:				
Construction contract	\$ 1,772,965	0.00%	-	1,772,965
Thornton Heights Phase II:				
Construction contract	\$ 3,658,603	49.20%	1,800,709	1,857,894

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**TAX INCREMENT FINANCING DISTRICTS**

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

	<u>Original value</u>	<u>Increase in value</u>	<u>TIF cap</u>	<u>Captured value</u>	<u>Captured tax</u>
Fairchild TIF	\$ 33,512,500	9,462,300	100%	9,462,300	161,805
Texas Instruments TIF	20,509,000	154,597,100	50%	77,298,550	1,321,805
Cummings TIF	1,697,200	25,184,200	0%	-	-
One Wallace TIF	2,178,200	3,711,200	100%	3,711,200	63,462
Long Creek TIF	1,066,300	11,782,500	100%	11,782,500	201,481
Brick Hill TIF	-	24,003,800	100%	24,003,800	410,465
Jared TIF	957,500	1,144,600	100%	1,144,600	19,573
Hannaford TIF	343,000	8,800,300	100%	8,800,300	150,485
Downtown TIF	96,881,900	48,843,500	100%	6,042,830	103,332
Transit TIF	18,373,000	1,202,000	100%	1,202,000	20,554

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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***General Information about the Pension Plan***

**Plan Description** - Employees of the City are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD) and teaching-certified employees of the City are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SETP), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at [www.maineopers.org](http://www.maineopers.org).

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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**Benefits Provided** - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SETP members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD) or by statute (SETP).

**Contributions** - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**PLD Plan** - Employees are required to contribute 7.0% to 8.5% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 7.8% of annual payroll for the regular plan and 11.0% of annual payroll for the special plan. Contributions to the pension plan from the City were \$1,027,150 for the year ended June 30, 2015.

**SET Plan** - Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 15.68% of annual payroll of which 2.65% of payroll was required from the City and 13.03% was required from the State. Contributions to the pension plan from the City were \$606,477 for the year ended June 30, 2015.

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

***Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SETP), actuarially determined.

**PLD Plan** - At June 30, 2015, the City reported a liability of \$4,082,632 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion of the PLD Plan was 2.6531%.

**SETP Plan** - At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 739,151
State's proportionate share of the net pension liability associated with the City	20,178,883
<b>Total</b>	<b>\$ 20,918,034</b>

At June 30, 2014, the City's proportion of the SETP was 0.0684%.

For the year ended June 30, 2015, the City recognized pension expense (gain) of (\$278,275) for the PLD Plan and \$3,150,130 for the SETP with revenue of \$2,982,042 for support provided by the State. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 384,493	2,464
Changes of assumptions	33,937	-
Net difference between projected and actual earnings on pension plan investments	-	3,721,859
Changes in proportion and differences between City contributions and proportionate share of contributions	251,992	208,257
City contributions subsequent to the measurement date	1,633,627	-
<b>Total</b>	<b>\$ 2,304,049</b>	<b>\$ 3,932,580</b>

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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\$1,633,627 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (729,987)
2017	(729,987)
2018	(871,719)
2019	(930,465)

**Actuarial Assumptions** - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SETP</u>
Inflation	3.5%	3.5%
Salary Increases, per year	3.5% to 9.5%	3.5% to 13.5%
Investment return, per annum, compounded annually	7.25%	7.125%
Cost of living benefit increases, per annum	3.12%	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	2.5%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.0%
<b>Total</b>	<b>100%</b>	

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25% for the PLD Plan and 7.125% for the SETP. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

**Sensitivity of the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate** - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25% for the PLD Plan and 7.125% for the SETP, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% for PLD Plan and 6.125% for SETP) or 1 percentage-point higher (8.25% for PLD Plan and 8.125% for SETP) than the current rate:

<u>PLD</u>	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability	\$ 12,736,608	\$ 4,082,632	(\$ 3,151,017)
<u>SETP</u>	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
City's proportionate share of the net pension liability	\$ 1,415,780	\$ 739,151	\$ 172,967

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

**Payables to the Pension Plan** - None as of June 30, 2015.

**NEW PRONOUNCEMENTS AND RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2015, the City has elected to implement Statement No. 68 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. As a result of implementing GASB Statement No. 68, the City has restated beginning net position in the government-wide statement of net position to account for the addition of the City's proportionate share of the net pension liability of \$9,621,450 and deferred outflows for the City's contributions subsequent to the measurement date of \$1,427,322, which effectively decreased the City's net position as of July 1, 2014 by \$8,194,128.

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

**OTHER POST EMPLOYMENT BENEFITS**

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 July 2015 based on an actuarial valuation date of January 1, 2015.

**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 annual required contribution and annual OPEB costs:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Normal cost	\$ 119,164	104,974	104,974
UAL amortization	236,004	228,327	228,327
Interest	7,034	6,601	6,601
Annual required contribution (ARC)	362,202	339,902	339,902
Interest on net OPEB obligation	53,259	41,238	28,999
Adjustment to ARC	(76,999)	(59,620)	(41,925)
Annual OPEB costs (AOC)	\$ 338,462	321,520	326,976

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net OPEB obligation, July 1, 2014	\$ 1,331,472	1,030,952	724,976
Annual OPEB costs	338,462	321,520	326,976
Less: Actual contributions	(114,380)	(21,000)	(21,000)
Net OPEB obligation, June 30, 2015	\$ 1,555,554	1,331,472	1,030,952

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

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB cost (AOC)	\$ 338,462	321,520	326,976
Actual contribution	114,380	21,000	21,000
Percent contributed	33.79%	6.53%	6.42%
Actuarial accrued liability	\$ 4,244,221	4,106,163	4,106,163
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 4,244,221	4,106,163	4,106,163
Covered payroll	13,519,980	13,126,194	12,399,860
Unfunded actuarial accrued liability as a percentage of covered payroll	31.39%	31.28%	33.11%

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	1/1/15
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.0%
Healthcare cost trend rate	4.25%

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**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 MPERS plan or 401(a) plans may also participate in the 457 Deferred Compensation Plan without a City contribution. The employees' accounts are not available until termination, retirement, death or an unforeseeable emergency. The City contributed approximately \$371,729 to the plans during the year ended June 30, 2015.

**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 2015, 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, 2015. 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 2015:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 57,710</u>	<u>-</u>
Provision for current year events	-	26,310
<u>Increase in provision for prior year events</u>	<u>-</u>	<u>-</u>
Total incurred claims	-	26,310
Payments:		
Claims attributable to current year	-	26,310
<u>Claims attributable to prior year</u>	<u>16,155</u>	<u>-</u>
Total payments	16,155	26,310
<b><u>Unpaid claims, end of year</u></b>	<b><u>\$ 41,555</u></b>	<b><u>-</u></b>

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

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RISK MANAGEMENT, CONTINUED

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The following summarizes the claims activity with respect to the City's self-insurance programs during 2014:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 97,530</u>	<u>-</u>
Provision for current year events	-	45,097
Increase in provision for prior year events	-	-
Total incurred claims	-	45,097
Payments:		
Claims attributable to current year	-	45,097
Claims attributable to prior year	39,820	-
Total payments	39,820	45,097
 <u>Unpaid claims, end of year</u>	 <u>\$ 57,710</u>	 <u>-</u>

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

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CONTINGENT LIABILITIES

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

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

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

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$12,367,933	33.22%
2010	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$11,048,641	37.18%
2011	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$11,964,142	34.34%
2012	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$12,376,330	33.19%
2013	1/1/13	\$ -	\$4,106,163	\$4,106,163	0.00%	\$12,399,860	33.11%
2014	1/1/13	\$ -	\$4,106,163	\$4,106,163	0.00%	\$13,126,194	31.28%
2015	1/1/15	\$ -	\$4,244,221	\$4,244,221	0.00%	\$13,519,980	31.39%

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

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**Schedule of City's Proportionate Share of the Net Pension Liability**  
**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan**  
**(SETP)**

Last 10 Fiscal Years  
(Only one year of information available)

	<u>2015*</u>
<b><u>PLD</u></b>	
City's proportion of the net pension liability	2.6531%
City's proportionate share of the net pension liability	\$ 4,082,632
City's covered-employee payroll	10,562,181
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	38.65%
Plan fiduciary net position as a percentage of of the total pension liability	94.10%
<b><u>SETP</u></b>	
City's proportion of the net pension liability	0.0684%
City's proportionate share of the net pension liability	\$ 739,151
State's proportionate share of the net pension liability associated with the City	<u>20,178,883</u>
Total	\$ <u>20,918,034</u>
City's covered-employee payroll	\$ 22,885,971
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	3.23%
Plan fiduciary net position as a percentage of of the total pension liability	83.91%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year.

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

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**Schedule of City Contributions**  
**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SETP)**

Last 10 Fiscal Years  
(Only one year of information available)

	<u>2015</u>
<b><u>PLD</u></b>	
Contractually required contribution	\$ 1,027,150
Contributions in relation to the contractually required contribution	<u>(1,027,150)</u>
Contribution deficiency (excess)	<u>          -</u>
City's covered-employee payroll	10,562,181
Contributions as a percentage of covered-Employee payroll	9.72%
<b><u>SETP</u></b>	
Contractually required contribution	\$ 606,477
Contributions in relation to the contractually required contribution	<u>(606,477)</u>
Contribution deficiency (excess)	<u>          -</u>
City's covered-employee payroll	22,885,971
Contributions as a percentage of covered-Employee payroll	2.65%

**Notes to Required Supplementary Information**

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**Changes of benefit terms** - None

**Changes of assumptions** - The SETP changed the discount rate from 7.25% in the 2013 valuation to 7.125% in the 2014 valuation.

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## **GENERAL FUND**

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

**CITY OF SOUTH PORTLAND, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,128,579	32,417,052
Investments	8,470,978	8,678,748
Due from other governments	306,638	264,520
Receivables, net of allowance of \$538,697 and \$872,606	400,594	292,181
Taxes receivable	1,302,531	1,316,969
Tax liens and tax acquired property	413,098	490,497
Prepaid expenditures	100,382	-
Restricted assets, cash	50,000	50,000
<b>Total assets</b>	<b>\$ 42,172,800</b>	<b>43,509,967</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	1,988,968	1,062,053
Accrued liabilities	582,346	594,044
Interfund loans payable	12,457,092	14,443,987
Accrued teachers' summer salaries and benefits	3,912,858	3,663,511
<b>Total liabilities</b>	<b>18,941,264</b>	<b>19,763,595</b>
Deferred inflows of resources:		
Unavailable revenue - property taxes	895,000	1,614,000
<b>Total deferred inflows of resources</b>	<b>895,000</b>	<b>1,614,000</b>
Fund balances:		
Nonspendable	100,382	-
Restricted	2,715,462	3,693,988
Committed	3,458,710	4,482,037
Assigned	3,234,394	3,117,547
Unassigned	12,827,588	10,838,800
<b>Total fund balances</b>	<b>22,336,536</b>	<b>22,132,372</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 42,172,800</b>	<b>43,509,967</b>

CITY OF SOUTH PORTLAND, MAINE  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Budget and Actual  
 For the year ended June 30, 2015  
 (with comparative actual amounts for the year ended June 30, 2014)

	2015		Variance positive (negative)	2014 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property	\$ 58,710,418	59,761,351	1,050,933	56,817,797
Excise	5,125,000	6,374,595	1,249,595	5,829,497
Interest and penalties	105,000	118,502	13,502	109,784
Payments in lieu of taxes	240,250	240,662	412	241,011
Total taxes	64,180,668	66,495,110	2,314,442	62,998,089
Intergovernmental:				
State revenue sharing	1,190,000	1,264,320	74,320	1,315,198
State BETE Revenue	1,100,000	1,259,322	159,322	1,135,762
Homestead reimbursement	478,000	477,176	(824)	478,706
State education subsidy	5,275,585	5,275,585	-	5,460,824
State agency client	25,000	33,459	8,459	20,726
MaineCare	50,000	47,791	(2,209)	103,103
Section 5307	434,673	430,425	(4,248)	339,743
General assistance	115,000	124,747	9,747	125,937
Other State revenue	85,000	114,636	29,636	101,166
Total intergovernmental	8,753,258	9,027,461	274,203	9,081,165
Licenses, permits, fees, and fines:				
Cable franchise fee	155,000	151,779	(3,221)	166,543
City clerk	149,500	158,497	8,997	159,223
Planning	7,150	19,675	12,525	12,108
Police	92,000	92,484	484	80,405
Code enforcement	385,000	453,938	68,938	529,022
Public library	19,000	16,813	(2,187)	18,902
Total licenses, permits, fees, and fines	807,650	893,186	85,536	966,203
Charges for services:				
Rent and leases	64,800	75,364	10,564	76,160
Finance and information technology	140,400	144,381	3,981	142,652
Fire	817,000	811,824	(5,176)	839,105
Public works - transfer facility	90,000	103,254	13,254	97,560
Parks and recreation	181,500	194,656	13,156	188,006
Bus service	312,000	313,611	1,611	336,627
Other	3,400	3,991	591	3,596
Education	78,666	78,666	-	78,666
Total charges for services	1,687,766	1,725,747	37,981	1,762,372
Unclassified:				
City clerk	19,000	21,362	2,362	20,127
Finance	16,000	14,428	(1,572)	13,095
Police	8,000	11,218	3,218	10,051
Fire	3,000	4,064	1,064	8,280
Planning and code enforcement	2,700	11,245	8,545	6,012
Public works	33,000	31,678	(1,322)	34,803
Other	7,900	14,305	6,405	11,211
Education	44,800	89,850	45,050	65,091
Total unclassified	134,400	198,150	63,750	168,670
Interest earned	350,000	434,550	84,550	479,985
Total revenues	75,913,742	78,774,204	2,860,462	75,456,484

**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, 2015**  
**(with comparative actual amounts for the year ended June 30, 2014)**

	Budget	Actual	Variance positive (negative)	2014 Actual
Expenditures:				
Current:				
General government:				
City council	\$ 153,355	132,384	20,971	178,133
Executive	207,118	202,723	4,395	195,568
City clerk	234,483	234,316	167	224,179
Corporation council	183,273	163,311	19,962	174,206
Finance	980,225	978,238	1,987	953,307
Information technology	362,676	357,885	4,791	334,126
Planning	224,950	223,583	1,367	216,681
Human resources	321,156	320,336	820	299,067
City building	187,544	175,210	12,334	191,282
Citywide insurance and benefit costs	6,474,850	6,222,055	252,795	5,912,535
Total general government	9,329,630	9,010,041	319,589	8,679,084
Public safety:				
Police department	4,121,544	4,101,705	19,839	3,972,314
Fire department	4,777,572	4,776,614	958	4,639,280
Communications	777,700	775,973	1,727	715,312
Code enforcement	670,343	670,293	50	638,431
Civil service	8,870	5,760	3,110	10,621
Total public safety	10,356,029	10,330,345	25,684	9,975,958
Public works:				
Administration	207,197	218,609	(11,412)	201,956
Streets and sidewalks	2,567,646	2,637,555	(69,909)	1,803,442
Rubbish disposal	1,376,065	1,286,579	89,486	1,644,386
Public works garage	282,277	281,460	817	265,085
Transfer facility	256,132	260,995	(4,863)	251,926
Total public works	4,689,317	4,685,198	4,119	4,166,795
Culture:				
Main library	584,235	561,160	23,075	568,008
Branch library	76,115	60,517	15,598	66,534
Total culture	660,350	621,677	38,673	634,542
Parks and recreation:				
Administration	156,134	155,944	190	151,350
Parks	1,203,303	1,147,281	56,022	1,096,809
Pool	361,129	350,413	10,716	346,524
Recreation	789,812	789,760	52	774,592
Total parks and recreation	2,510,378	2,443,398	66,980	2,369,275
Total culture, parks, and recreation	3,170,728	3,065,075	105,653	3,003,817
Transportation and waterfront:				
Bus service	1,108,131	1,101,551	6,580	1,081,931
Waterfront	39,257	38,500	757	38,500
Total transportation and waterfront	1,147,388	1,140,051	7,337	1,120,431

**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, 2015**  
**(with comparative actual amounts for the year ended June 30, 2014)**

	Budget	Actual	Variance positive (negative)	2014 Actual
Expenditures, continued:				
Current, continued:				
Health, welfare and social services:				
Welfare:				
Administration	\$ 90,599	87,253	3,346	83,730
General assistance	261,950	265,113	(3,163)	237,136
Total	352,549	352,366	183	320,866
Health	17,700	17,250	450	15,000
Total health, welfare and social services	370,249	369,616	633	335,866
Intergovernmental - County tax	2,327,942	2,327,942	-	2,215,084
Other:				
Contingency and abatement reserve	89,800	79,143	10,657	77,178
Total other	89,800	79,143	10,657	77,178
Education	44,364,796	44,007,322	357,474	41,919,427
Debt service (excluding education):				
Administration	3,000	-	3,000	3,000
Principal	855,850	855,849	1	853,204
Interest	81,942	81,942	-	165,026
Total debt service	940,792	937,791	3,001	1,021,230
Total expenditures	76,786,671	75,952,524	834,147	72,514,870
Excess (deficiency) of revenues over (under) expenditures	(872,929)	2,821,680	3,694,609	2,941,614
Other financing sources (uses):				
Budgeted use of surplus - City	1,051,146	-	(1,051,146)	-
Budgeted use of surplus - School	677,117	-	(677,117)	-
Refunding bonds issued	-	-	-	1,890,000
Bond premiums	-	-	-	38,405
Payment to refunded bonds escrow agent	-	-	-	(1,927,910)
Transfers in	929,499	929,499	-	218,221
Transfers out	(1,784,833)	(1,973,499)	(188,666)	(2,093,517)
Total other financing sources (uses)	872,929	(1,044,000)	(1,916,929)	(1,874,801)
Net change in fund balance - budgetary basis	-	1,777,680	1,777,680	1,066,813
Reconciliation to GAAP basis:				
Change in encumbrances - City		29,356		27,250
Change in encumbrances - School		61,014		42,078
Unbudgeted teacher summer benefits		(268,502)		(534,857)
Change in reserves		(1,395,384)		(140,094)
Net change in fund balance - GAAP basis		204,164		461,190
Fund balance, beginning of year		22,132,372		21,671,182
<b>Fund balance, end of year</b>	<b>\$</b>	<b>22,336,536</b>		<b>22,132,372</b>

**CITY OF SOUTH PORTLAND, MAINE**  
**General Fund - Education**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2015**  
**(with comparative actual amounts for the year ended June 30, 2014)**

	2015		Variance positive (negative)	2014 Actual
	Budget	Actual		
<b>Revenues:</b>				
Local assessment	\$ 38,375,017	38,375,017	-	37,091,895
State education subsidy	5,275,585	5,275,585	-	5,460,824
State agency client	25,000	33,459	8,459	20,726
MaineCare	50,000	47,791	(2,209)	103,103
Charges for services	78,666	78,666	-	78,666
Other	44,800	89,850	45,050	65,091
<b>Total revenues</b>	<b>43,849,068</b>	<b>43,900,368</b>	<b>51,300</b>	<b>42,820,305</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Brown Elementary	1,756,733	1,764,192	(7,459)	1,742,277
Dyer Elementary	1,526,254	1,529,155	(2,901)	1,602,979
Kaler Elementary	1,333,106	1,401,921	(68,815)	1,237,671
Skillin Elementary	2,388,235	2,371,598	16,637	2,357,782
Small Elementary	1,921,104	1,887,171	33,933	1,973,828
Mahoney Middle School	2,284,680	2,239,896	44,784	2,165,195
Memorial Middle School	2,752,593	2,672,073	80,520	2,515,425
South Portland High School	6,405,391	6,323,152	82,239	6,026,417
K-12 instrumental music	115,640	113,289	2,351	114,259
6-12 athletics	702,437	694,918	7,519	669,365
Special education	7,889,884	7,878,724	11,160	7,356,402
Health	352,328	358,671	(6,343)	324,040
Board of education	220,720	130,304	90,416	117,085
Superintendent of schools	439,449	418,594	20,855	354,168
Assistant superintendent	1,692,396	1,630,342	62,054	1,678,137
Curriculum	430,258	396,676	33,582	397,353
Technology	490,005	491,277	(1,272)	510,861
Business office	1,146,417	1,105,941	40,476	888,565
Operations/maintenance	4,080,350	4,131,040	(50,690)	3,811,429
Transportation	1,653,119	1,684,693	(31,574)	1,593,750
<b>Debt service:</b>				
Principal	3,609,903	3,609,902	1	3,224,652
Interest	1,173,794	1,173,793	1	1,257,787
<b>Total expenditures</b>	<b>44,364,796</b>	<b>44,007,322</b>	<b>357,474</b>	<b>41,919,427</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(515,728)</b>	<b>(106,954)</b>	<b>408,774</b>	<b>900,878</b>
<b>Other financing sources (uses):</b>				
Transfers in	258,611	258,611	-	207,433
Transfers out	(420,000)	(420,000)	-	(736,258)
Budgeted use of surplus	677,117	-	(677,117)	-
<b>Total other financing sources (uses)</b>	<b>515,728</b>	<b>(161,389)</b>	<b>(677,117)</b>	<b>(528,825)</b>
<b>Net change in fund balances - budgetary basis</b>	<b>-</b>	<b>(268,343)</b>	<b>(268,343)</b>	<b>372,053</b>
<b>Reconciliation to GAAP basis:</b>				
Change in encumbrances		61,014		42,078
Unbudgeted teacher summer benefits		(268,502)		(534,857)
Change in reserves		(402,313)		(257,512)
<b>Net change in fund balance - GAAP basis</b>		<b>(878,144)</b>		<b>(378,238)</b>
<b>Fund balance, beginning of year</b>		<b>3,693,988</b>		<b>4,072,226</b>
<b>Fund balance, end of year</b>	<b>\$</b>	<b>2,815,844</b>		<b>3,693,988</b>

**CITY OF SOUTH PORTLAND, MAINE**  
**Reserves - General Fund**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2015**

	Fund balance beginning of year	Revenues			Expenditures	Other financing sources (uses)	Fund balance end of year
		Other	Investment earnings	Transfers			
<u>City committed reserves:</u>							
1801 Equipment replacement	\$ 110,041	-	864	6,314	24,760		129,351
1803 Unemployment - City	26,271	-	123	26,310	30,000		30,084
1804 Self-Insurance - City	40,495	57,973	391	108,651	12,500		2,708
1805 Municipal facilities	16,548	-	59	16,643	20,000		19,964
1806 Safety reserve	151,709	9,717	898	5,165	-		157,159
1807 Computerization project	83,327	185	437	63,739	60,000		80,210
1809 Litigation - legal	98,883	5,949	669	146,111	218,690		178,080
1822 Communication equipment - police	65,517	-	521	-	2,600		68,638
1824 Body armor - police	5,180	-	-	-	5,000		10,180
1830 Fire	460,912	27,067	3,676	3,645	-		488,010
1834 Traffic improvements	23,052	-	183	-	-		23,235
1836 Public works equipment	21,907	-	173	-	-		22,080
1840 Snow removal	420,706	-	3,336	-	(160,000)		264,042
1842 Library	3,440	-	-	-	-		3,440
1845 Cummings Road sewer	208,213	-	1,651	-	-		209,864
1847 Bus	128,547	-	984	40,758	28,000		116,773
1850 Senior Property Tax Program	-	-	-	-	13,951		13,951
1858 Climate Action Plan	-	127,194	-	37,881	-		89,313
1861 Tax stabilization	1,715,980	-	13,605	-	(500,000)		1,229,585
1864 Call company retirement	64,698	-	-	-	-		64,698
1869 Energy efficient	6,844	10,000	-	14,883	-		1,961
1871 Solid waste	116,181	-	950	-	(30,000)		87,131
1872 Municipal buildings & land acq.	173,454	10,967	1,430	7,598	(10,000)		168,253
1873 Municipal services facility	540,132	206,322	5,538	-	(751,992)		-
Subtotal City committed reserves	4,482,037	455,374	35,488	477,698	(1,036,491)		3,458,710
<u>City assigned reserves:</u>							
1828 Vehicle replacement - police	47,837	27,250	-	117,322	(15,000)		(57,235)
1867 Phone system	131,581	-	-	4,716	(28,536)		98,329
1868 Compensated absences	2,529,819	-	-	-	149,500		2,679,319
2172 Outside OT - Police	1,691	130,173	-	131,850	-		14
2173 Outside OT - Fire	981	3,961	-	37	-		4,905
2176 Fuel distribution	81,724	16,833	-	-	-		98,557
Subtotal City assigned reserves	2,793,633	178,217	-	253,925	105,964		2,823,889
Total City reserves	7,275,670	633,591	35,488	731,623	(930,527)		6,282,599
<u>School reserves:</u>							
0202 Restricted school reserve funds:							
School consolidation	323,618	-	-	-	-		323,618
School tech upgrade	600,849	2,320	-	198,967	-		404,202
Unemployment - School	60,514	-	-	10,796	20,000		69,718
School bus	294,923	-	-	-	(87,113)		207,810
School resource officer	31,002	-	-	-	(8,750)		22,252
School elementary	19,511	-	-	-	-		19,511
Self-insurance - School	10,008	-	-	-	-		10,008
Musical program	139,128	-	-	-	-		139,128
Maintenance	482,497	-	-	113,182	-		369,315
Adult education	20,000	-	-	3,007	-		16,993
Student educational support	186	14,417	-	23,136	-		(8,533)
Laptop repair	80,985	31,454	-	26,225	-		86,214
Special Education	200,000	-	-	-	-		200,000
0456 School facility	84,760	-	672	-	-		85,432
Total School reserves	2,347,981	48,191	672	375,313	(75,863)		1,945,668
<b>Total reserves</b>	<b>\$ 9,623,651</b>	<b>681,782</b>	<b>36,160</b>	<b>1,106,936</b>	<b>(1,006,390)</b>		<b>8,228,267</b>

## City of South Portland Budget History

Fiscal Year	Municipal Approp.	Dollar Change	Percent Change	County Approp.	Dollar Change	Percent Change	Capital Reserve	Dollar Change	Percent Change
1992	\$15,116,220	\$360,670	2.44%	\$836,267	\$17,282	2.11%			
1993	\$15,202,397	\$86,177	0.57%	\$830,893	(\$5,374)	-0.64%			
1994	\$15,560,194	\$357,797	2.35%	\$1,038,188	\$207,295	24.95%			
1995	\$16,355,458	\$795,264	5.11%	\$1,017,821	(\$20,367)	-1.96%			
1996	\$17,407,363	\$1,051,905	6.43%	\$1,243,624	\$225,803	22.18%			
1997	\$17,850,133	\$442,770	2.54%	\$1,244,899	\$1,275	0.10%			
1998	\$18,452,186	\$602,053	3.37%	\$1,265,514	\$20,615	1.66%	\$500,000	\$500,000	na
1999	\$19,219,213	\$767,027	4.16%	\$1,289,523	\$24,009	1.90%	\$689,443	\$189,443	37.89%
2000	\$20,368,695	\$1,149,482	5.98%	\$1,244,518	(\$45,005)	-3.49%	\$565,000	(\$124,443)	-18.05%
2001	\$21,591,755	\$1,223,060	6.00%	\$1,335,095	\$90,577	7.28%	\$1,140,101	\$575,101	101.79%
2002	\$22,910,032	\$1,318,277	6.11%	\$1,486,495	\$151,400	11.34%	\$1,046,900	(\$93,201)	-8.17%
2003	\$22,687,422	(\$222,610)	-0.97%	\$1,769,580	\$283,085	19.04%	\$347,120	(\$699,780)	-66.84%
2004	\$22,748,043	\$60,621	0.27%	\$1,884,150	\$114,570	6.47%	\$788,330	\$441,210	127.11%
2005	\$23,765,228	\$1,017,185	4.47%	\$1,888,324	\$4,174	0.22%	\$550,670	(\$237,660)	-30.15%
2006	\$24,610,020	\$844,792	3.55%	\$1,916,839	\$28,515	1.51%	\$0	(\$550,670)	-100.00%
2007	\$25,773,697	\$1,163,677	4.73%	\$1,916,991	\$152	0.01%	\$0	\$0	na
2008	\$26,964,280	\$1,190,583	4.62%	\$1,941,542	\$24,551	1.28%	\$0	\$0	na
2009	\$27,802,987	\$838,707	3.11%	\$1,999,427	\$57,885	2.98%	\$0	\$0	na
2010	\$27,463,860	(\$339,127)	-1.22%	\$2,034,423	\$34,996	1.75%	\$0	\$0	na
2011	\$27,174,401	(\$289,459)	-1.05%	\$2,058,577	\$24,154	1.19%	\$506,623	\$506,623	na
2012	\$28,082,534	\$908,133	3.34%	\$2,072,476	\$13,899	0.68%	\$1,050,000	\$543,377	107.25%
2013	\$28,585,977	\$503,443	1.79%	\$2,075,037	\$2,561	0.12%	\$1,350,000	\$300,000	28.57%
2014	\$29,082,149	\$496,172	1.74%	\$2,215,084	\$140,047	6.75%	\$300,000	(\$1,050,000)	-77.78%
2015	\$30,247,620	\$1,165,471	4.01%	\$2,327,942	\$112,858	5.09%	\$0	(\$300,000)	-100.00%
2016	\$31,359,989	\$1,112,369	3.68%	\$2,434,056	\$106,114	4.56%	\$0	\$0	na
2017	\$32,604,547	\$1,244,558	3.97%	\$2,504,088	\$70,032	2.88%	\$0	\$0	na

Fiscal Year	School Dept. Appropriation	Dollar Change	Percent Change	Total School App.	Dollar Change	Percent Change	Total Appropriation	Dollar Change	Percent Change
1992	\$18,104,054	\$965,578	5.63%	\$18,104,054	\$965,578	5.63%	\$34,056,541	\$1,343,530	4.11%
1993	\$17,999,451	(\$104,603)	-0.58%	\$17,999,451	(\$104,603)	-0.58%	\$34,032,741	(\$23,800)	-0.07%
1994	\$18,829,433	\$829,982	4.61%	\$18,829,433	\$829,982	4.61%	\$35,427,815	\$1,395,074	4.10%
1995	\$19,708,768	\$879,335	4.67%	\$19,708,768	\$879,335	4.67%	\$37,082,047	\$1,654,232	4.67%
1996	\$21,109,302	\$1,400,534	7.11%	\$21,109,302	\$1,400,534	7.11%	\$39,760,289	\$2,678,242	7.22%
1997	\$22,425,146	\$1,315,844	6.23%	\$22,425,146	\$1,315,844	6.23%	\$41,520,178	\$1,759,889	4.43%
1998	\$23,048,107	\$622,961	2.78%	\$23,548,107	\$1,122,961	5.01%	\$43,265,807	\$1,745,629	4.20%
1999	\$24,298,651	\$1,250,544	5.43%	\$24,988,094	\$1,439,987	6.12%	\$45,496,830	\$2,231,023	5.16%
2000	\$25,662,344	\$1,363,693	5.61%	\$26,227,344	\$1,239,250	4.96%	\$47,840,557	\$2,343,727	5.15%
2001	\$27,037,126	\$1,374,782	5.36%	\$28,177,227	\$1,949,883	7.43%	\$51,104,077	\$3,263,520	6.82%
2002	\$29,716,921	\$2,679,795	9.91%	\$30,763,821	\$2,586,594	9.18%	\$55,160,348	\$4,056,271	7.94%
2003	\$32,176,592	\$2,459,671	8.28%	\$32,523,712	\$1,759,891	5.72%	\$56,980,714	\$1,820,366	3.30%
2004	\$32,646,082	\$469,490	1.46%	\$33,434,412	\$910,700	2.80%	\$58,066,605	\$1,085,891	1.91%
2005	\$35,189,016	\$2,542,934	7.79%	\$35,739,686	\$2,305,274	6.89%	\$61,393,238	\$3,326,633	5.73%
2006	\$36,205,662	\$1,016,646	2.89%	\$36,205,662	\$465,976	1.30%	\$62,732,521	\$1,339,283	2.18%
2007	\$37,542,545	\$1,336,883	3.69%	\$37,542,545	\$1,336,883	3.69%	\$65,233,233	\$2,500,712	3.99%
2008	\$39,061,628	\$1,519,083	4.05%	\$39,061,628	\$1,519,083	4.05%	\$67,967,450	\$2,734,217	4.19%
2009	\$39,952,991	\$891,363	2.28%	\$39,952,991	\$891,363	2.28%	\$69,755,405	\$1,787,955	2.63%
2010	\$39,455,123	(\$497,868)	-1.25%	\$39,455,123	(\$497,868)	-1.25%	\$68,953,406	(\$801,999)	-1.15%
2011	\$37,374,164	(\$2,080,959)	-5.27%	\$37,880,787	(\$1,574,336)	-3.99%	\$67,113,765	(\$1,839,641)	-2.67%
2012	\$38,067,412	\$693,248	1.85%	\$39,117,412	\$1,236,625	3.26%	\$69,272,422	\$2,158,657	3.22%
2013	\$40,016,741	\$1,949,329	5.12%	\$41,366,741	\$2,249,329	5.75%	\$72,027,755	\$2,755,333	3.98%
2014	\$43,002,556	\$2,985,815	7.46%	\$43,302,556	\$1,935,815	4.68%	\$74,599,789	\$2,572,034	3.57%
2015	\$44,804,796	\$1,802,240	4.19%	\$44,804,796	\$1,502,240	3.47%	\$77,380,358	\$2,780,569	3.73%
2016	\$46,113,804	\$1,309,008	2.92%	\$46,113,804	\$1,309,008	2.92%	\$79,907,849	\$2,527,491	3.27%
2017	\$47,679,294	\$1,565,490	3.39%	\$47,679,294	\$1,565,490	3.39%	\$82,787,929	\$2,880,080	3.60%

## City of South Portland Budget History

Fiscal Year	Total Need From Taxes	Dollar Change	Percent Change	Tax Rate	Percent Increase
1992	\$26,387,825	\$1,676,346	6.78%	\$26.80	7.20%
1993	\$26,523,838	\$136,013	0.52%	\$27.60	2.99%
1994	\$27,372,928	\$849,090	3.20%	\$19.60	Revaluation
1995	\$27,951,835	\$578,907	2.11%	\$19.60	0.00%
1996	\$29,298,844	\$1,347,009	4.82%	\$20.24	3.27%
1997	\$30,507,851	\$1,209,007	4.13%	\$19.94	-1.48%
1998	\$32,206,901	\$1,699,050	5.57%	\$19.44	-2.51%
1999	\$33,138,864	\$931,963	2.89%	\$19.44	0.00%
2000	\$35,343,425	\$2,204,561	6.65%	\$20.43	5.09%
2001	\$37,851,329	\$2,507,904	7.10%	\$21.55	5.48%
2002	\$42,535,670	\$4,684,341	12.38%	\$23.30	8.12%
2003	\$43,354,908	\$819,238	1.93%	\$17.06	Revaluation
2004	\$44,479,305	\$1,124,397	2.59%	\$17.49	2.52%
2005	\$46,546,474	\$2,067,169	4.65%	\$18.10	3.49%
2006	\$46,971,257	\$424,783	0.91%	\$18.27	0.94%
2007	\$48,809,321	\$1,838,064	3.91%	\$13.10	Revaluation
2008	\$50,977,823	\$2,168,502	4.44%	\$13.69	4.50%
2009	\$51,630,233	\$652,410	1.28%	\$14.00	2.26%
2010	\$52,148,676	\$518,443	1.00%	\$14.70	Revaluation
2011	\$52,699,426	\$550,750	1.06%	\$15.70	Revaluation
2012	\$54,041,790	\$1,342,364	2.55%	\$16.10	2.55%
2013	\$55,926,955	\$1,885,165	3.49%	\$16.50	2.48%
2014	\$56,799,997	\$873,042	1.56%	\$16.70	1.56%
2015	\$58,730,418	\$1,930,421	3.40%	\$17.10	2.40%
2016	\$59,938,234	\$1,207,816	2.06%	\$17.40	1.78%
2017	\$60,951,539	\$1,013,305	1.69%	\$17.70	1.72% Homestead adjustment

**City of South Portland**  
**FY2017 LD 1 Worksheet (with Comparison FY16)**  
**PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A**

	<u>FY17</u>	<u>FY16</u>
1. Prior Year Property Tax Levy/Limit for Municipal Services	<u>22,662,275</u>	<u>21,604,440</u>
2. Income Growth Factor (State Planning Office calculation)	<u>0.0267</u>	<u>0.0086</u>
3. Property Growth Factor (see property growth sheet)	<u>0.0214</u>	<u>0.0211</u>
4. LD 1 Growth Limit Factor (Line 2 + Line 3)	<u>0.0481</u>	<u>0.0297</u>
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.)	<u>1.0481</u>	<u>1.0297</u>
6. Net New State Funding (see instruction sheet)		
6A. Net New Revenue Sharing	<u>134,634</u>	
6B. Loss of Revenue Sharing		<u>416,183</u>
7. Multiply Line 1 by Line 5	<u>23,752,330</u>	<u>22,246,092</u>
8. FY2017 Property Tax Levy Limit		
8A. Line 7 <i>less</i> Line 6A (complete only if data is reported in 6A)		
8B. Line 7 <i>plus</i> Line 6B (complete only if data is reported in 6B)	<u>23,617,696</u>	<u>22,662,275</u>
9. FY2017 Approved Municipal Appropriations (Do not include any school appropriations.)	<u>32,604,547</u>	<u>31,359,989</u>
10. FY2017 Approved Total Deductions (Do not include any school revenues.)	<u>14,308,115</u>	<u>13,114,002</u>
11. 2017 Municipal Property Tax Levy (Line 9 less Line 10)	<u>18,296,432</u>	<u>18,245,987</u>
12. Over/(Under) Limit (Line 11 less Line 8 )*	<u>(5,321,264)</u>	<u>(4,416,288)</u>

\* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2017.

CITY OF SOUTH PORTLAND  
 2017 MUNICIPAL PROPERTY TAX GROWTH FACTOR  
 PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A.1.C.

2015/16 Total Valuation	+	\$	3,620,634,600
Abatements	-	\$	-
Supplements	+	\$	-
BETE increases		\$	28,197,300
Adjust 2014 Valuation	=	\$	3,648,831,900
Real Estate Growth		\$	35,233,700
Personal Property Growth		\$	15,339,100
BETE increases		\$	28,197,300
Total		\$	78,770,100
Property Tax Growth			2.14%

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

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



**Director**  
**Jonathan P. LaBonté**

TO: Municipal and County Officials  
 FROM: Amanda Rector, State Economist  
 DATE: September 30, 2015  
 RE: **Next Year's LD 1 Average Personal Income Growth is 2.67%**

With the passage of "LD 1" in 2005, towns and counties are required to calculate a property tax levy limit each year based on local property growth and statewide average personal income growth. Each town and county is responsible for calculating its property growth using the most recent valuation data available. The Office of Policy and Management (OPM) is responsible for calculating income growth. For the purpose of calculating municipal property tax levy limits for next year's municipal budgets (the 1/1/2016 - 12/31/2016 budget year for municipalities on a calendar-year budget or the 7/1/2016 - 6/30/2017 budget year for municipalities on a fiscal-year budget), OPM has determined average personal income growth to be 2.67%. The table below shows how this figure was calculated.

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

Calendar Year	Nominal Personal Income (thousands)	% Change
2004	\$41,725,742	
2005	\$42,605,863	2.11%
2006	\$45,028,851	5.69%
2007	\$46,910,810	4.18%
2008	\$48,823,635	4.08%
2009	\$48,644,160	-0.37%
2010	\$49,248,076	1.24%
2011	\$51,254,592	4.07%
2012	\$52,597,944	2.62%
2013	\$52,565,709	-0.06%
2014	\$54,195,046	3.10%
<b>AVERAGE</b>		<b>2.67%</b>

Source: U.S. Bureau of Economic Analysis

This calculation reflects the revised methodology described in 5 MRSA §1531 as amended by P.L. 2015 Chapter 267, Part L: ""Average 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. The average personal income growth is determined by October 1st, annually, by the Governor's Office of Policy and Management." 2014 is currently the most recent year for which data is available.

**SOUTH PORTLAND SCHOOL DEPARTMENT**

**BOARD OF EDUCATION**

**FISCAL YEAR 2016-2017**

**BUDGET SUMMARY**

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

	<b>FY16 Budget</b>	<b>FY17 Budget</b>	<b>% Change</b>
<b>REGULAR INSTRUCTION</b>	<b>17,710,943</b>	<b>18,397,844</b>	<b>3.9%</b>
<b>SPECIAL EDUCATION</b>	<b>8,493,047</b>	<b>8,892,384</b>	<b>4.7%</b>
<b>CAREER &amp; TECHNICAL ED</b>	<b>319,217</b>	<b>290,559</b>	<b>-9.0%</b>
<b>OTHER INSTRUCTION</b>	<b>806,112</b>	<b>913,774</b>	<b>13.4%</b>
<b>STUDENT &amp; STAFF SUPPORT</b>	<b>3,687,869</b>	<b>3,842,182</b>	<b>4.2%</b>
<b>SYSTEM ADMINISTRATION</b>	<b>1,344,265</b>	<b>1,398,085</b>	<b>4.0%</b>
<b>SCHOOL ADMINISTRATION</b>	<b>2,387,484</b>	<b>2,410,127</b>	<b>0.9%</b>
<b>TRANSPORTATION &amp; BUSES</b>	<b>1,859,452</b>	<b>1,947,029</b>	<b>4.7%</b>
<b>FACILITIES MAINTENANCE</b>	<b>4,143,326</b>	<b>4,247,233</b>	<b>2.5%</b>
<b>DEBT SERVICE</b>	<b>4,918,980</b>	<b>4,881,765</b>	<b>-0.8%</b>
<b>ALL OTHER EXPENDITURES</b>	<b>423,109</b>	<b>438,312</b>	<b>3.6%</b>
<b>                    SUBTOTAL</b>	<b><u>46,093,804</u></b>	<b><u>47,659,294</u></b>	
<b>ADULT EDUCATION</b>	<b>20,000</b>	<b>20,000</b>	<b>0.0%</b>
<b>                    TOTAL</b>	<b><u>\$46,113,804</u></b>	<b><u>\$47,679,294</u></b>	<b>3.4%</b>

SOUTH PORTLAND SCHOOL DEPARTMENT REVENUE COMPARISONS - PART I BUDGET						
DESCRIPTION	FY13 BUDGETED REVENUES	FY14 BUDGETED REVENUES	FY15 BUDGETED REVENUES	FY16 BUDGETED REVENUES	FY17 ESTIMATED REVENUES	
USE OF FUND BALANCE	\$1,050,000	\$875,000	\$677,117	\$500,000	\$500,000	
TUITION FOR STATE AGENCY CLIENTS	75,000	25,000	25,000	25,000	35,000	
STUDENT ADM.	20,000	25,000	25,000	35,000	41,000	
ATHLETIC SPONSORSHIPS	-	-	-	-	30,000	
OTHER REVENUE	18,000	15,840	19,800	19,800	19,800	
STATE SUBSIDY	3,103,278	4,613,723	5,275,585	5,662,701	6,278,169 est.	
MAINE CARE	120,000	50,000	50,000	100,000	100,000	
PORTLAND TRANSPORTATION AGRMT	77,350	78,666	78,666	117,713	126,000	
TRANSFER IN FROM BRICKHILL TIF	145,046	153,683	162,748	197,384	201,849	
TRANSFER IN SRO/BUS/TECH RESERVES	175,419	53,750	95,863	198,015	196,457	
SUB TOTAL REVENUE	4,784,093	5,890,662	6,409,779	6,855,613	7,528,275	
LOCAL EFFORT - OPERATING	36,582,648	37,111,894	38,395,017	39,258,191	40,151,019	
<b>TOTAL REVENUE</b>	<b>\$41,366,741</b>	<b>\$43,002,556</b>	<b>\$44,804,796</b>	<b>\$46,113,804</b>	<b>\$47,679,294</b>	

**SOUTH PORTLAND SCHOOL DEPARTMENT  
TAX CALCULATION**

	FY13	FY14	FY15	FY16	FY17
PART I Local Operating Budget	\$39,996,741	\$42,982,556	\$44,784,796	\$46,093,804	\$47,659,294
Adult Education Local Contribution	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Total School Operating Budget	<u>\$40,016,741</u>	<u>\$43,002,556</u>	<u>\$44,804,796</u>	<u>\$46,113,804</u>	<u>\$47,679,294</u>
SPHS Debt Reserve Funds Attributable to the School Department	\$1,350,000	\$0	\$0	\$0	\$0
Total School Operating/Debt Reserve Expense	<u>\$41,366,741</u>	<u>\$43,002,556</u>	<u>\$44,804,796</u>	<u>\$46,113,804</u>	<u>\$47,679,294</u>
<b>Revenue and Adjustments:</b>					
Non-Tax Revenue (e.g., GPA, SAC, MaineCare, etc.)	\$3,734,093	\$5,015,662	\$5,732,662	\$6,355,613	\$7,028,275
Use of Starting Fund Balance	1,050,000	875,000	677,117	500,000	500,000
Total School Funds Available	<u>\$4,784,093</u>	<u>\$5,890,662</u>	<u>\$6,409,779</u>	<u>\$6,855,613</u>	<u>\$7,528,275</u>
<b>Total Amount to Be Raised by Taxes</b> (Total School Operating Budget Less Funds Available)	<b><u>\$36,582,648</u></b>	<b><u>\$37,111,894</u></b>	<b><u>\$38,395,017</u></b>	<b><u>\$39,258,191</u></b>	<b><u>\$40,151,019</u></b>
Assessed Valuation (in thousands)	\$3,383,000	\$3,410,000	\$3,425,000	est. \$3,422,000	est. \$3,422,000
<b>Change in School Mil Rate - Total:</b>					
Total Mil Rate	\$10.81	\$10.88	\$11.21	\$11.47	\$11.73
Tax Increase in Dollars	\$1,449,392	\$529,246	\$1,283,122	\$863,174	\$892,828
Tax Increase as Percentage	4.13%	1.45%	3.46%	2.25%	2.27%
Change in Mil Rate from Prior Year	<u>\$0.35</u>	<u>\$0.07</u>	<u>\$0.33</u>	<u>\$0.262</u>	<u>\$0.26</u>
<b>Change in School Mil Rate - Operating Budget:</b>					
Total Mil Rate	\$9.61	\$9.57	\$9.78	\$10.03	\$10.31
Tax Increase in Dollars	\$1,044,573	\$104,489	\$859,409	\$850,347	\$930,043
Change in Mil Rate from Prior Year	<u>\$0.24</u>	<u>-\$0.05</u>	<u>\$0.21</u>	<u>\$0.257</u>	<u>\$0.27</u>
<b>Change in School Mil Rate - Debt/Municipal Leases:</b>					
Total Mil Rate	\$1.20	\$1.31	\$1.43	\$1.44	\$1.43
Tax Increase in Dollars	\$404,819	\$424,757	\$423,713	\$12,827	-\$37,215
Change in Mil Rate from Prior Year	<u>\$0.11</u>	<u>\$0.12</u>	<u>\$0.12</u>	<u>\$0.005</u>	<u>-\$0.01</u>

## Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

**Debt** - an obligation resulting from the borrowing of money.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Surplus** – See **Fund Balance**.

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

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