

APPENDIX TO THE FY 2016 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2014

South Portland Budget History

Municipal Property Tax Levy Limit

School Department Budget

Glossary of Terms

South Portland Budget Process

[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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIF Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial 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 January 19, 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.



January 19, 2015
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis
June 30, 2014

As management of the City of South Portland, we offer readers of the City of South Portland's financial statements this narrative overview and analysis of the financial activities of the City of South Portland for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City of South Portland exceeded its liabilities at the close of the most recent fiscal year by \$167,147,834 (*net position*). Of this amount, \$26,945,768 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,789,366.
- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net position of \$105,860,769, an increase of \$3,659,313 in comparison with the prior year. Approximately 18.5% of this total amount, \$19,617,685, is *available for spending* at the City's discretion (*unrestricted net position*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,838,800, or 14.95% of total general fund expenditures (budget basis).
- The City's total bonded debt increased by \$5,505,115 during the current fiscal year as a result of new bond issues of \$8,850,000 and \$664,450 for financing the balance of previously approved High School Renovations bonds. Repayments on existing bonds totaled \$3,810,000.
- Voters 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.
- The High School Construction project completed phase 1 with the grand opening of the new space in January of 2014. The remaining phase 2 of this renovation project is ongoing with an anticipated January 2015 completion date.

Overview of the Financial Statements

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of South Portland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Portland include general government, public safety, public works, culture and recreation, transportation and waterfront, health, welfare and social services, and education. The business-type activities of the City of South Portland include water resource protection (sewage treatment) activities. The government-wide financial statements can be found on pages 31-32 of this report.

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 95 of this report.

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

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

The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

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

The notes to the financial statements can be found on pages 42-63 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Portland, assets exceeded liabilities by \$167,147,834 at the close of the most recent fiscal year.

City of South Portland's Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 54,199,617	\$ 55,980,875	\$ 12,116,473	\$ 11,834,868	\$ 66,316,090	\$ 67,815,743
Capital assets	122,115,041	111,601,253	50,318,683	50,137,633	172,433,724	161,738,886
Total assets	176,314,658	167,582,128	62,435,156	61,972,501	238,749,814	229,554,629
Long-term liabilities	62,735,662	57,251,311	657,690	684,041	63,393,352	57,935,352
Other liabilities	7,718,227	8,129,361	490,401	131,448	8,208,628	8,260,809
Total liabilities	70,453,889	65,380,672	1,148,091	815,489	71,601,980	66,196,161
Net investment						
in capital assets	73,600,630	72,207,636	49,898,598	49,690,446	123,499,228	121,898,082
Restricted	12,642,454	11,601,604	4,060,384	4,543,966	16,702,838	16,145,570
Unrestricted	19,617,685	18,392,216	7,328,083	6,922,600	26,945,768	25,314,816
Total net position	\$ 105,860,769	\$ 102,201,456	\$ 61,287,065	\$ 61,157,012	\$ 167,147,834	\$ 163,358,468

By far, the largest portion of the City of South Portland's net position (73.9% or \$123,499,228) 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 (10% or \$16,702,838) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (16.1% or \$26,945,768) may be used to meet the City's on-going obligation to citizens and creditors. At the end of the current fiscal year, the City of South Portland is able to report a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

The City's total net position increased by \$3,789,366 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

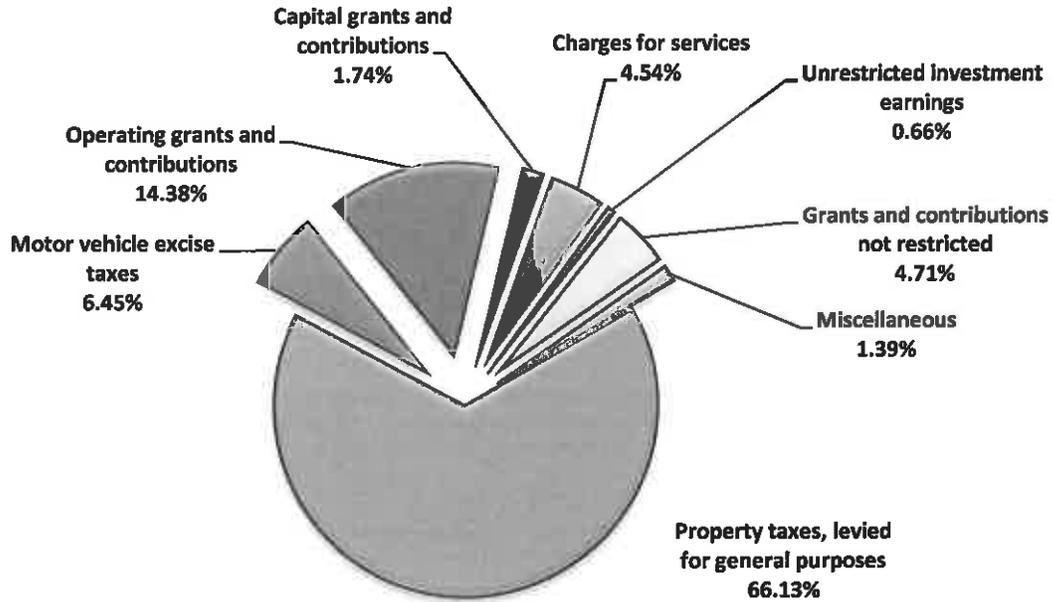
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,108,338	\$ 4,310,410	\$ 5,927,684	\$ 5,637,193	\$ 10,036,022	\$ 9,947,603
Operating grants and contributions	12,995,004	10,382,263	-	-	12,995,004	10,382,263
Capital grants and contributions	1,574,695	518,319	-	138,232	1,574,695	656,551
General revenues:						
Property and other taxes	65,608,432	64,392,887	-	-	65,608,432	64,392,887
Grants and contributions not restricted to specific programs	4,259,604	4,391,399	-	-	4,259,604	4,391,399
Other	1,847,442	1,832,641	30,101	27,079	1,877,543	1,859,720
Total revenues	90,393,515	85,827,919	5,957,785	5,802,504	96,351,300	91,630,423
Expenses:						
General government	11,234,446	10,512,718	-	-	11,234,446	10,512,718
Public safety	12,553,773	12,030,128	-	-	12,553,773	12,030,128
Public works	7,519,818	7,282,274	-	-	7,519,818	7,282,274
Culture and recreation	4,431,468	4,333,705	-	-	4,431,468	4,333,705
Transportation and waterfront	1,381,048	1,218,546	-	-	1,381,048	1,218,546
Health, wealth and social services	335,866	329,143	-	-	335,866	329,143
Interest on debt service	1,470,118	1,761,281	-	-	1,470,118	1,761,281
Education	47,501,590	44,402,127	-	-	47,501,590	44,402,127
Sewer	-	-	6,133,807	5,885,557	6,133,807	5,885,557
Total expenses	86,428,127	81,869,922	6,133,807	5,885,557	92,561,934	87,755,479
Increase (decrease) in net position before transfers	3,965,388	3,957,997	(176,022)	(83,053)	3,789,366	3,874,944
Transfers	(306,075)	(298,992)	306,075	298,992	-	-
Increase (decrease) in net position	3,659,313	3,659,005	130,053	215,939	3,789,366	3,874,944
Net position - beginning of year	102,201,456	98,542,451	61,157,012	60,941,073	163,358,468	159,483,524
Net position - end of year	\$ 105,860,769	\$ 102,201,456	\$ 61,287,065	\$ 61,157,012	\$ 167,147,834	\$ 163,358,468

Governmental activities. During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net position of \$3.659 million. This amount represented an increase in the net position of 3.58%. Key elements of this increase are as follows:

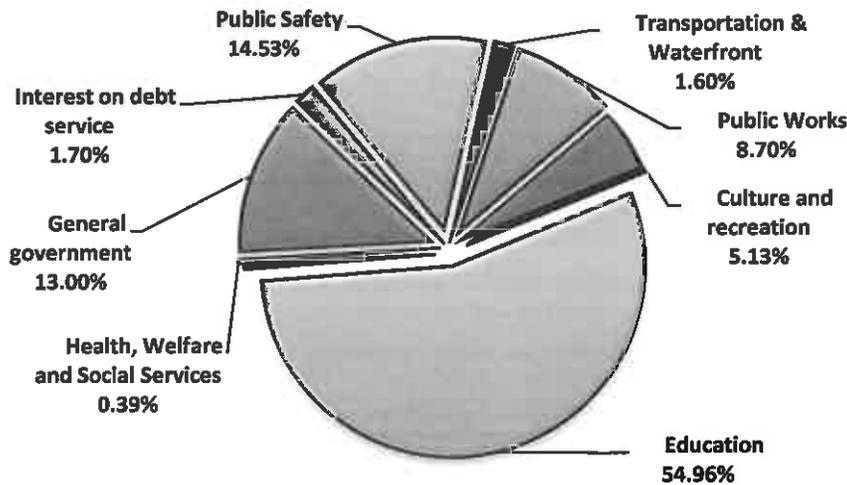
- Property and other taxes increased by \$1.22 million (1.9%). This was primary due to an increase in taxes to support the School and City budgets. Included in this tax increase was an increase to support the High School renovation project which the funding for is being phased in over several years.
- Operating grants for education increased significantly by \$2.77 million as a result of improved funding formula factors while unrestricted general grants and contributions decreased slightly. Capital grants increased as a result of federal funding received for the transit hub and two new transit buses and state funds for a road project.
- Total expenses increased by \$4.56 million (5.6%). The largest increase in expenses was for education which increased by \$3.1 million with increases in general government of \$.7 million and public safety of \$.5 million.

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

Government-wide
Revenues by Source -Governmental Activities
Fiscal Year 2014



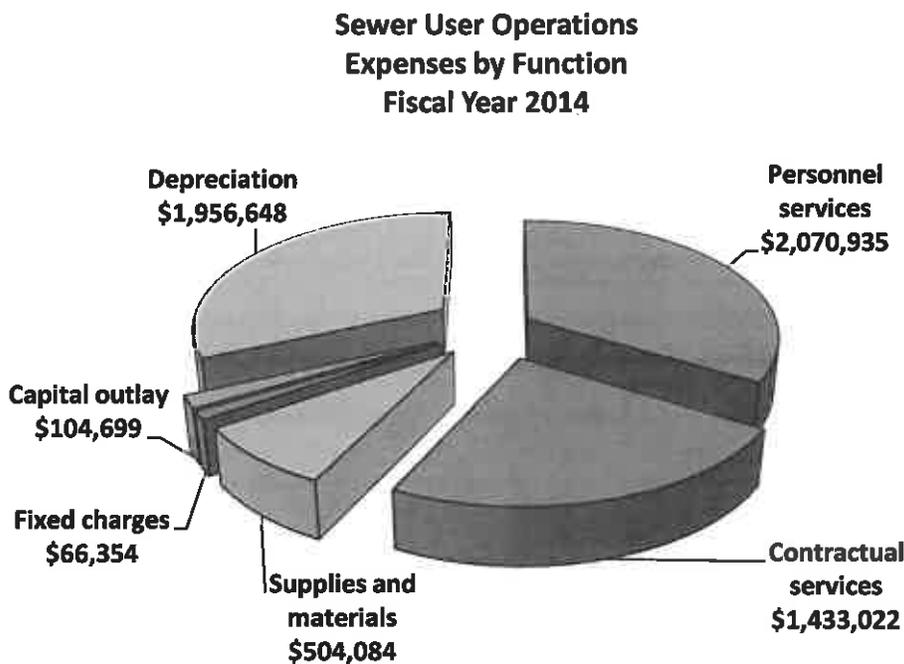
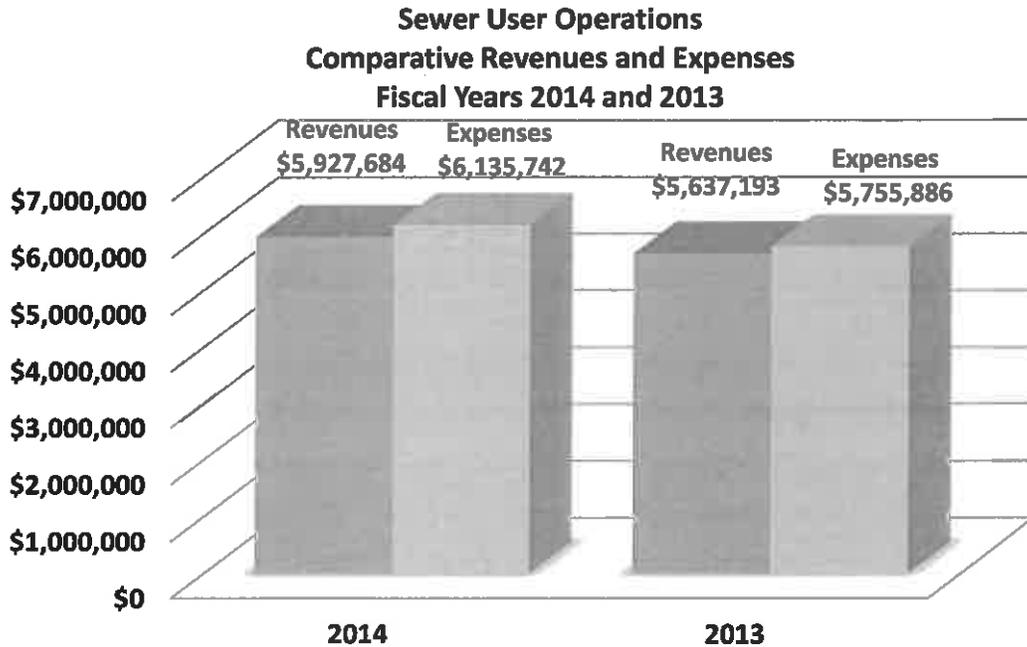
Government-wide
Expenses by Function -Governmental Activities
Fiscal Year 2014



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

Business-type activities. The City's business-type activities, which consist of sewer user operations, increased the City of South Portland's net position by \$130K. A large portion of this was the result of the City's TIF districts transferring \$300K towards the sewer capital projects.

Revenues for business-type activities increased by \$290K due to an increase in user rates which were somewhat offset by lower residential consumption during the year. Total operating expenses for business-type activities increased in total \$380K or 6.6% due primarily to an increase in contractual services for engineering related to the update to the facility plan and related projects (\$180K), sludge disposal cost increases (\$36K), manhole and other ongoing road maintenance cost increases (\$55K) and depreciation (\$34K).



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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of South Portland's governmental funds reported combined ending fund balances of \$45.56 million, a decrease of \$1.6 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 \$22,132,372. 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 28.61% of total general fund expenditures (\$77,347,783). Under the breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2014, general fund restricted balance for education totaled \$3,693,988, a decrease of \$378,238. Additionally, the City maintains various reserve balances for various future needs. These balances are now reported as either committed or assigned and in total increased by \$144,668 during the year, primarily as a result of additional funds being set aside.

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, 2014, the unassigned fund balance was \$10,838,800 or 14.0% of the City's FY 2015, budget (\$77,380,358).

The total fund balance of the City of South Portland's general fund increased by \$461,190 during the current fiscal year. Key factors in this change are as follows:

- Total actual revenues collected exceeded budgeted by approximately \$2,520,016. The largest budgetary surplus resulted from excise taxes collected in excess of budget totaling approximately \$1.3 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 \$38K. State education subsidy changes were made late in the process at the state level and after the school budget was approved an additional \$847K was received. \$300K of that additional education subsidy was then used to reduce the amount of taxes raised for the High School project reserve. Additionally, estimated budgets for various revenues were exceeded; State BETE revenue (\$135K), building permits (\$176K), rescue billing (\$35K) and interest income (\$80K). For more detailed information on actual revenues to budget, please refer to the General Fund Highlights and Exhibit A-2.
- Total actual expenditures were less than budgeted by approximately \$1.167 million. The major discrepancies included: unexpended education appropriations (\$655K), Citywide insurance and benefit costs (\$293K), various public safety departments totaling \$43K, and public works (\$109K) 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 2014-15 capital improvement budget, the City appropriated \$1 million from unassigned fund balance to fund certain City capital projects.

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 \$6,499,564, 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 \$533K towards sewer, storm water and public works capital improvement projects.

Capital Projects - The capital projects fund has a total fund balance of \$12,240,069. During the year, the fund balance decreased as a result of the expenditure of approximately \$12.9 million for completion of the first phase and the start of the second phase of the High School Renovation project that was approved by the voters in November of 2010. Additionally, the City issued the remaining bonds (\$9.315 million) for the second phase of the High School project.

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 \$7,328,083, an increase of \$405K. 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 \$621K, of which revenues came in greater than anticipated by \$469K and expenditures came in approximately \$153K under budget.

Budgetary Highlights

General Fund:

Revenue for the general fund totaled \$75,456,484 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2014. Actual revenues exceeded estimates by \$2,520,016.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 61,656,648	62,998,089	1,341,441
Intergovernmental	8,292,724	9,081,165	788,441
Licenses, permits, fees and fines	815,150	966,203	151,053
Charges for services	1,643,506	1,762,372	118,866
Unclassified	128,440	168,670	40,230
Interest earned	400,000	479,985	79,985
Total revenues	\$ 72,936,468	75,456,484	2,520,016

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$1.341 million of which \$1.304 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 \$38K.
- A surplus in State education subsidy of \$547K, State BETE revenue of \$136K.
- Building permit licenses came in with a surplus of \$162K.
- A surplus in charges for services relating to ambulance billings and bus service ridership which exceed anticipated revenues by \$36K and \$35K respectively.
- An investment earnings surplus of \$80K 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 \$72,514,870 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2014.

General Fund Expenditures Budget to Actual Summary

	Budget	Actual	Variance
Expenditures:			
General government	\$ 2,787,847	2,766,549	21,298
Public safety	10,019,278	9,975,958	43,320
Public works	4,276,061	4,166,795	109,266
Culture and recreation	3,019,889	3,003,817	16,072
Transportation and waterfront	1,133,726	1,120,431	13,295
Health, welfare and social services	339,488	335,866	3,622
Insurance and fringe benefits	6,205,742	5,912,535	293,207
Education	42,574,298	41,919,427	654,871
Intergovernmental (county tax)	2,215,084	2,215,084	-
Other	88,800	77,178	11,622
Debt Service	1,021,231	1,021,230	1
Total expenditures	\$ 73,681,444	72,514,870	1,166,574

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 \$21K with surpluses of \$8K in legal fees and \$5K in human resources expenditures.
- Public safety expenditures were under budget with police (surplus of \$3K), fire (surplus of \$4K) and communications (surplus of \$33K) making up the larger components.
- Public works was under budget because of lower tonnage for rubbish disposal (surplus of \$93K), streets and sidewalks (surplus of \$23K) and the garage (surplus of \$10K).
- Citywide insurance and benefits cost surplus of \$293K, with the largest surplus coming from health insurance coming in under budget by \$254K.
- Education surplus of \$655K attributable to lower than anticipated, High School (surplus of \$118K), Middle Schools (surpluses of \$116K), special education costs (surplus of \$312K), and board of education (surplus of \$95).

**General Fund
Expenditure Components
Fiscal Year 2014**



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, 2014 amounts to \$172,433,724 (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 6.61% (a 9.42% increase for governmental activities and a 0.36% increase for business-type activities).

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

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2014	2013	2014	2013	2014	2013
Land	\$ 9,448,819	9,391,119	1,221,558	1,221,558	10,670,377	10,612,677
Buildings	86,370,643	50,670,634	15,965,352	16,660,283	102,335,995	67,330,917
Improvements other than buildings	1,661,490	1,836,458	-	-	1,661,490	1,836,458
Machinery and equipment	4,920,038	3,809,592	5,827,963	6,377,580	10,748,001	10,187,172
Infrastructure	11,578,988	12,152,780	24,676,067	24,893,928	36,255,055	37,046,708
Construction in progress	3,314,315	29,179,795	2,336,046	588,433	5,650,361	29,768,228
Vehicles	4,820,748	4,560,875	291,697	395,851	5,112,445	4,956,726
Total	\$122,115,041	111,601,253	50,318,683	50,137,633	172,433,724	161,738,886

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

- City hall improvements to siding totaling \$101,000.
- High School Renovation project and related equipment and furniture totaling \$12.6 million.
- Various vehicles purchased included (2) Gillig transit buses totaling \$790,000, a new ambulance totaling \$192,000, and various other City vehicles totaling \$195,000.
- Various paving and sidewalk projects totaling \$537,000.
- Completion of the Mussey combined sewer overflow work totaling \$382,000, the start of Phase 1 of the Thornton Heights sewer separation and storm water project totaling \$1,150,000, Maine Mall road sewer replacement project totaling \$264,000, and the Treatment plant expansion studies totaling \$265,000.
- Restoration of various school roof projects totaling \$199,000.
- Millcreek Transit HUB shelter building for \$337,000.
- New HVAC system for Redbank community center for \$35,000, dugouts at Wainwright field for \$21,000, Community Center new Aquabond pool decking for \$45,000 and Shelter building at Wilkinson Park.

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

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

Long-term debt. The State allows municipalities to borrow up to 15% of their total valuation. With the City's State Valuation at \$3,537,700,000 for 2014, the debt limit would be over \$530,000,000. Our current debt is \$53,200,200 or about 1.5% of State Valuation or approximately 10.02% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2014, the City of South Portland's debt per capita (including lease obligations) was \$2,243 as compared to the prior year of \$2,034.

The following is a summary of bond and note transactions of the City for the year ended June 30, 2014:

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds payable at June 30, 2013	\$ 47,275,000	447,187	47,722,187
Principal additions	9,315,115	-	9,315,115
Principal payments	(3,810,000)	(27,102)	(3,837,102)
General Obligation Bonds payable at June 30, 2014	\$ 52,780,115	420,085	53,200,200

The City of South Portland's total bonded debt increased by \$5,478,013 during the current fiscal year as a result of the new borrowings for the High School project of \$9,315,115 which exceeded repayments of \$3,837,102.

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 52-54 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The November 2014 unemployment rate for the Portland/South Portland area is currently at 4.2% which is .6% less from the rate a year ago of 4.8%. This rate compares favorably to the state's average unemployment rate of 5.7% and the national average rate of 5.8%.
- As of December 2013, the vacancy rate for Class A office space in the mall area was 13.53% down from 15.56% in December 2012 and the vacancy rate for Class B office space in the mall area was 13.61% up from 8.95% in December 2012. We believe that more recent activity would conclude that that the office space has improved since that time.

In adopting the budget for the ensuing fiscal year 2015, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic City services to the citizens while attempting to keep the property tax rate low.

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

During the upcoming fiscal year (2015), 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 FY15, the City expects to experience a decrease in both school aide and state revenue sharing. 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.
- 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 employer cost for funding the City's defined benefit retirement plan has increased 25% each year for the 3 years and approximately 12% per year for the for the present and future year.
- The costs of maintaining our facilities, vehicles and infrastructure including expanding paving streets.
- Electrical costs have seen a significant increase. City will be looking at ways to reduce usage and has completed feasibility study looking at the construction of a solar farm on the City's closed landfill.

The fiscal year 2015 budget was approved in June 2014, with a \$2,780,569 (3.73%) increase in the overall general fund expenditure budget. Due to increases in various revenues, the impact to property taxes was an increase of \$1,930,421 (3.4%). Overall the tax rate increased (2.4%) to 17.10 per thousand from the prior year 16.70.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 52,317,376	-	52,317,376
Investments	9,523,502	-	9,523,502
Receivables, net of allow. of \$876,086 and \$87,153	2,026,971	550,731	2,577,702
Taxes receivable	1,316,969	-	1,316,969
Tax liens and acquired property	490,497	-	490,497
Prepaid expenses	-	10,434	10,434
Inventory	29,610	-	29,610
Internal balances	(11,555,308)	11,555,308	-
Restricted assets, cash	50,000	-	50,000
Capital assets, not being depreciated	12,763,134	3,557,604	16,320,738
Capital assets, net of accumulated depreciation	109,351,907	46,761,079	156,112,986
Total assets	176,314,658	62,435,156	238,749,814
LIABILITIES			
Accounts payable	2,540,240	481,461	3,021,701
Accrued liabilities	636,200	8,940	645,140
Accrued interest	690,873	-	690,873
Accrued teachers' summer salaries	3,850,914	-	3,850,914
Non-current liabilities:			
Due within one year	5,820,830	103,052	5,923,882
Due in more than one year	56,914,832	554,638	57,469,470
Total liabilities	70,453,889	1,148,091	71,601,980
NET POSITION			
Net investment in capital assets	73,600,630	49,898,598	123,499,228
Restricted for:			
Permanent Funds - Nonexpendable principal	198,949	-	198,949
Permanent Funds - Expendable	128,146	-	128,146
Education	3,693,988	-	3,693,988
Other grants	2,121,807	-	2,121,807
Tax Increment Financing	6,499,564	-	6,499,564
Capital	-	4,060,384	4,060,384
Unrestricted	19,617,685	7,328,083	26,945,768
Total net position	\$ 105,860,769	61,287,065	167,147,834

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Activities
For the year ended June 30, 2014

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 11,234,446	417,451	643,717	-	(10,173,278)	-	(10,173,278)
Public safety	12,553,773	1,448,532	567,073	-	(10,538,168)	-	(10,538,168)
Public works	7,519,818	283,953	-	603,688	(6,632,177)	-	(6,632,177)
Culture and recreation	4,431,468	922,321	-	-	(3,509,147)	-	(3,509,147)
Transportation and waterfront	1,381,048	439,386	349,745	771,672	179,755	-	179,755
Health, welfare and social services	335,866	-	125,937	-	(209,929)	-	(209,929)
Education	47,506,758	596,695	11,308,532	199,335	(35,402,196)	-	(35,402,196)
Interest on debt service	1,464,950	-	-	-	(1,464,950)	-	(1,464,950)
Total governmental activities	86,428,127	4,108,338	12,995,004	1,574,695	(67,750,090)	-	(67,750,090)
Business-type activities:							
Sewer	6,133,807	5,927,684	-	-	-	(206,123)	(206,123)
Total business-type activities	6,133,807	5,927,684	-	-	-	(206,123)	(206,123)
Total primary government	\$ 92,561,934	10,036,022	12,995,004	1,574,695	(67,750,090)	(206,123)	(67,956,213)
General revenues:							
Property taxes, levied for general purposes					59,778,935	-	59,778,935
Motor vehicle excise taxes					5,829,497	-	5,829,497
Cable television franchise					166,543	-	166,543
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					1,315,198	-	1,315,198
Homestead exemption					478,706	-	478,706
Other State aid					2,465,700	-	2,465,700
Unrestricted investment earnings					592,776	30,101	622,877
Miscellaneous					1,088,123	-	1,088,123
Transfers					(306,075)	306,075	-
Total general revenues and transfers					71,409,403	336,176	71,745,579
Change in net position					3,659,313	130,053	3,789,366
Net position - beginning					102,201,456	61,157,012	163,358,468
Net position - ending					\$ 105,860,769	61,287,065	167,147,834

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2014

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 32,417,052	6,483,688	13,416,636	-	52,317,376
Investments	8,678,748	-	-	844,754	9,523,502
Due from other governments	264,520	-	212,931	1,147,066	1,624,517
Accounts receivable, net of allowance of \$876,086	292,181	22,679	-	87,594	402,454
Taxes receivable	1,316,969	-	-	-	1,316,969
Tax liens and tax acquired property	490,497	-	-	-	490,497
Interfund loans receivable	-	-	-	3,019,127	3,019,127
Inventory	-	-	-	29,610	29,610
Restricted assets, cash	50,000	-	-	-	50,000
Total assets	\$ 43,509,967	6,506,367	13,629,567	5,128,151	68,774,052
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	1,062,053	6,803	1,389,498	78,382	2,536,736
Accrued liabilities	594,044	-	-	42,156	636,200
Interfund loans payable	14,443,987	-	-	133,952	14,577,939
Accrued teachers' summer salaries	3,663,511	-	-	187,403	3,850,914
Total liabilities	19,763,595	6,803	1,389,498	441,893	21,601,789
Deferred inflows of resources:					
Unavailable revenue - property taxes	1,614,000	-	-	-	1,614,000
Total deferred inflows of resources	1,614,000	-	-	-	1,614,000
Fund balances:					
Nonspendable	-	-	-	228,559	228,559
Restricted	3,693,988	6,499,564	7,801,509	2,249,953	20,245,014
Committed	4,482,037	-	4,438,560	2,277,290	11,197,887
Assigned	3,117,547	-	-	-	3,117,547
Unassigned	10,838,800	-	-	(69,544)	10,769,256
Total fund balances	22,132,372	6,499,564	12,240,069	4,686,258	45,558,263
Total liabilities, deferred inflows of resources, and fund balances	\$ 43,509,967	6,506,367	13,629,567	5,128,151	

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.	122,115,041
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,614,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Bond premiums	(2,555,573)
Accrued compensated absences	(3,090,000)
Other postemployment benefits liability	(1,331,472)
Accrued interest	(690,873)
Landfill closure	(108,270)
Capital leases	(2,870,232)
Bonds payable	(52,780,115)

Net position of governmental activities

\$ 105,860,769

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, 2014

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 62,998,089	2,334,343	-	20,000	65,352,432
Intergovernmental	12,414,831	1,279,995	1,042,137	3,893,005	18,629,968
Licenses, permits, fees and fines	966,203	-	-	-	966,203
Charges for services	1,762,372	-	-	1,546,306	3,308,678
Unclassified	699,563	-	3,284	424,214	1,127,061
Interest earned	504,786	31,155	31,826	25,009	592,776
Total revenues	79,345,844	3,645,493	1,077,247	5,908,534	89,977,118
Expenditures:					
Current:					
General government	8,967,965	95,650	-	887,808	9,951,423
Public safety	10,204,366	-	-	526,892	10,731,258
Public works	4,304,702	122,147	-	166,335	4,593,184
Culture and recreation	3,028,849	-	-	790,157	3,819,006
Transportation and waterfront	1,129,059	-	-	18,822	1,147,881
Health, welfare and social services	335,866	-	-	-	335,866
Education	46,065,146	-	-	1,989,734	48,054,880
School lunch program	-	-	-	1,681,737	1,681,737
Intergovernmental	2,215,084	-	-	-	2,215,084
Other	75,516	1,397,465	-	1,681	1,474,662
Debt service (excluding education)	1,021,230	-	282,900	-	1,304,130
Capital expenditures	-	-	15,811,139	-	15,811,139
Total expenditures	77,347,783	1,615,262	16,094,039	6,063,166	101,120,250
Excess (deficiency) of revenues over (under) expenditures	1,998,061	2,030,231	(15,016,792)	(154,632)	(11,143,132)
Other financing sources (uses):					
Transfers in	473,151	-	1,749,163	564,475	2,786,789
Transfers out	(2,093,517)	(686,716)	(66,850)	(245,781)	(3,092,864)
Refunding bonds issued	1,928,405	-	-	-	1,928,405
Payment to refunded bonds escrow agent	(1,927,910)	-	-	-	(1,927,910)
Issuance of debt	83,000	-	9,747,306	-	9,830,306
Total other financing sources (uses)	(1,536,871)	(686,716)	11,429,619	318,694	9,524,726
Net change in fund balances	461,190	1,343,515	(3,587,173)	164,062	(1,618,406)
Fund balances, beginning of year	21,671,182	5,156,049	15,827,242	4,522,196	47,176,669
Fund balances, end of year	\$ 22,132,372	6,499,564	12,240,069	4,686,258	45,558,263

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, 2014

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,618,406)
 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 (\$15,815,164) exceed book value of disposed assets (\$360,792) and depreciation (\$4,940,584).		10,513,788
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.		256,000
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (\$83,000) are less than repayments (\$346,109).		263,109
Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - accrued compensated absences (-\$34,656), accrued interest (\$7,718), and other postemployment benefits liability (\$300,520).		(273,582)
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.		3,230
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 issued bonds in the amount of \$9,514,450 and premiums totaling \$232,856. 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 \$253,145 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 \$3,810,000 and had debt forgiveness of \$199,335.		(5,484,826)
Change in net position of governmental activities (see Statement 2)	\$	3,659,313

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, 2014

	General Fund				TIF Funds			
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 61,656,648	61,656,648	62,998,089	1,341,441	2,296,800	2,296,800	2,334,343	37,543
Intergovernmental	8,292,724	8,292,724	9,081,165	788,441	850,000	850,000	1,279,995	429,995
Licenses, permits, fees and fines	815,150	815,150	966,203	151,053	-	-	-	-
Charges for services	1,643,506	1,643,506	1,762,372	118,866	-	-	-	-
Unclassified	128,440	128,440	168,670	40,230	-	-	-	-
Interest earned	400,000	400,000	479,985	79,985	-	-	31,155	31,155
Total revenues	72,936,468	72,936,468	75,456,484	2,520,016	3,146,800	3,146,800	3,645,493	498,693
Expenditures:								
Current:								
General government	9,035,247	8,993,589	8,679,084	314,505	128,718	128,718	95,650	33,068
Public safety	9,985,027	10,019,278	9,975,958	43,320	-	-	-	-
Public works	4,243,352	4,276,061	4,166,795	109,266	162,808	162,808	122,147	40,661
Culture and recreation	3,006,834	3,019,889	3,003,817	16,072	-	-	-	-
Transportation and waterfront	1,132,083	1,133,726	1,120,431	13,295	-	-	-	-
Health, welfare and social services	339,488	339,488	335,866	3,622	-	-	-	-
Education	42,574,298	42,574,298	41,919,427	654,871	-	-	-	-
Intergovernmental	2,215,084	2,215,084	2,215,084	-	-	-	-	-
Other	103,800	88,800	77,178	11,622	1,425,956	1,425,956	1,397,465	28,491
Debt service (excluding education)	1,021,231	1,021,231	1,021,230	1	-	-	-	-
Capital expenditures	-	-	-	-	1,342,658	785,575	-	785,575
Total expenditures	73,656,444	73,681,444	72,514,870	1,166,574	3,060,140	2,503,057	1,615,262	887,795
Excess (deficiency) of revenues over (under) expenditures	(719,976)	(744,976)	2,941,614	3,686,590	86,660	643,743	2,030,231	1,386,488
Other financing sources (uses):								
Budgeted use of surplus - City	-	1,075,172	-	(1,075,172)	77,911	77,911	-	(77,911)
Budgeted use of surplus - School	875,000	875,000	-	(875,000)	-	-	-	-
Refunding bonds issued	-	-	1,928,405	1,928,405	-	-	-	-
Payment to refunded bonds escrow agent	-	-	(1,927,910)	(1,927,910)	-	-	-	-
Transfer in	768,321	768,321	218,221	(550,100)	-	-	-	-
Transfers out	(923,345)	(1,973,517)	(2,093,517)	(120,000)	(164,571)	(721,654)	(686,716)	34,938
Total other financing sources (uses)	719,976	744,976	(1,874,801)	(2,619,777)	(86,660)	(643,743)	(686,716)	(42,973)
Net change in fund balance - budgetary basis			1,066,813	1,066,813			1,343,515	1,343,515
Reconciliation to GAAP basis:								
Change in encumbrances - City			27,250					
Change in encumbrances - School			42,078					
Unbudgeted teacher summer benefits			(534,857)					
Change in reserves			(140,094)					
Net change in fund balance - GAAP basis			461,190				1,343,515	
Fund balance, beginning of year			21,671,182				5,156,049	
Fund balance, end of year	\$		22,132,372				6,499,564	

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2014 and 2013

	Business-type Activities - Enterprise Funds	
	Sewer	
	2014	2013
ASSETS		
Current assets:		
Receivables, net of allowance of \$87,153 and \$87,225, respectively	\$ 548,274	426,960
Sewer liens	2,457	6,913
Prepaid expenses	10,434	8,661
Interfund loan receivables	11,555,308	11,392,334
Total current assets	12,116,473	11,834,868
Noncurrent assets:		
Capital assets, not being depreciated	3,557,604	1,809,991
Capital assets	88,904,121	88,514,036
Accumulated depreciation	(42,143,042)	(40,186,394)
Total noncurrent assets	50,318,683	50,137,633
Total assets	62,435,156	61,972,501
LIABILITIES		
Current liabilities:		
Accounts payable	481,461	129,787
Accrued wages	8,940	1,661
Current portion of noncurrent liabilities:		
Compensated absences	75,950	85,248
Bonds payable	27,102	27,102
Total current liabilities	593,453	243,798
Noncurrent liabilities:		
Compensated absences	161,655	151,606
Bonds payable	392,983	420,085
Total noncurrent liabilities	554,638	571,691
Total liabilities	1,148,091	815,489
NET POSITION		
Net investment in capital assets	49,898,598	49,690,446
Restricted for capital projects	4,060,384	4,543,966
Unrestricted	7,328,083	6,922,600
Total net position	\$ 61,287,065	61,157,012

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the years ended June 30, 2014 and 2013

Business-type Activities - Enterprise Funds		
	Sewer	
	2014	2013
Operating revenues:		
Charges for services	\$ 5,864,629	5,590,721
Interest and penalties	1,148	442
Licenses	61,907	46,030
Total operating revenues	5,927,684	5,637,193
Operating expenses:		
Personnel services	2,070,935	2,040,722
Contractual services	1,433,022	1,156,395
Supplies and materials	504,084	526,777
Fixed charges	66,354	60,855
Capital outlay	104,699	48,141
Depreciation	1,956,648	1,922,996
Total operating expenses	6,135,742	5,755,886
Operating loss	(208,058)	(118,693)
Nonoperating revenues (expenses):		
Interest revenue	30,101	27,079
Gain (loss) on disposal of capital assets	3,290	(128,316)
Interest and other debt issuance expense	(1,355)	(1,355)
Total nonoperating revenues (expenses)	32,036	(102,592)
Loss before transfers and capital contributions	(176,022)	(221,285)
Capital contributions	-	138,232
Transfers in	307,083	300,000
Transfer out	(1,008)	(1,008)
Total transfers and capital contributions	306,075	437,224
Change in net position	130,053	215,939
Net position, beginning of year	61,157,012	60,941,073
Net position, end of year	\$ 61,287,065	61,157,012

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2014 and 2013

Business-type Activities - Enterprise Funds		
	Sewer	
	2014	2013
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,810,826	5,721,746
Payments to suppliers	(1,758,258)	(2,480,639)
Payments to employees	(2,062,905)	(2,037,140)
Net cash provided by operating activities	1,989,663	1,203,967
Cash flows from noncapital financing activities:		
Transfer in from other funds	307,083	300,000
Interfund loan	(162,974)	573,595
Transfers to other funds	(1,008)	(1,008)
Net cash provided by noncapital financing activities	143,101	872,587
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,137,698)	(2,075,176)
Proceeds from sale of capital assets	3,290	-
Interest and debt issuance costs paid on bonds	(1,355)	(1,355)
Principal payments on bonds	(27,102)	(27,102)
Net cash (used in) provided by capital and related financing activities	(2,162,865)	(2,103,633)
Cash flows from investing activities:		
Interest revenue	30,101	27,079
Net cash provided by investing activities	30,101	27,079
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	-
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (208,058)	(118,693)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,956,648	1,922,996
(Increase) decrease in receivables	(121,314)	(5,677)
(Increase) decrease in liens	4,456	90,230
(Increase) decrease in prepaid expenses	(1,773)	(768)
Increase (decrease) in accounts payable	351,674	(687,703)
Increase (decrease) in accrued wages	7,279	(203)
Increase (decrease) in compensated absences	751	3,785
Net cash provided by operating activities	\$ 1,989,663	1,203,967
Noncash investing, capital, and financing activities:		
Capital contributions	\$ -	138,232

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

		Private- purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$	74,360	110,078
Investments		2,183,771	-
Due from others		3,504	-
Total assets		2,261,635	110,078
LIABILITIES			
Accounts payable		2,500	-
Due to others		-	110,078
Total liabilities		2,500	110,078
NET POSITION			
Held in trust	\$	2,259,135	-

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, 2014

	Private- purpose Trust Funds
Additions:	
Donations	\$ 2,115
Investment earnings:	
Interest	71,653
Unrealized gain (loss)	(33,343)
Total additions	40,425
Deductions:	
Scholarships and other	62,549
Total deductions	62,549
Change in net position	(22,124)
Net position, beginning of year	2,281,259
Net position, end of year	\$ 2,259,135

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The Capital Project Fund accounts for the resources accumulated and payments made for the acquisition 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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".

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Inventories

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

G. Restricted Assets

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Comparative Data

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

N. Use of Estimates

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

O. Deferred Inflows of Resources

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

P. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net investment in capital assets was calculated as follows at June 30, 2014:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 208,923,414	92,461,725
Accumulated depreciation	(86,808,373)	(42,143,042)
Bonds payable and premiums	(55,335,688)	(420,085)
Add back bonds payable pertaining to Maine PERS	1,890,000	-
Add back bond proceeds unexpended	7,801,509	-
Capital leases	(2,870,232)	-
<u>Net investment in capital assets</u>	<u>\$ 73,600,630</u>	<u>49,898,598</u>

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The City employs encumbrance accounting in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were in the general fund in the amount of \$323,914.

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, 2014, all departments were within their charter level budget limits.

C. Deficit Fund Balances

At June 30, 2014, the following funds had deficit fund balances:

<u>Special Revenue Funds:</u>		<u>Private-purpose Trust Funds:</u>	
Long Creek Watershed Plan	\$ 2,608	A Varanelli Scholarship	55
LID Manual	4,826		
Officer Friendly	39		
Bug Light Beautification	941		
Recreation	37,896		
Supplemental Homeland Security	11,580		
Maine Investigative Agent	4,518		
City Hall Water & Soda	309		
Wellness Committee	80		
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	50		

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

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

DEPOSITS AND INVESTMENTS

As of June 30, 2014, 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	\$ 20,985,339	20,985,339	-	-
U.S. Treasury Notes	2,115,353	91,400	1,556,905	467,048
Federal Home Loan Bank	3,554,682	259,984	1,397,139	1,897,559
Federal National Mortgage	5,901,529	-	3,500,078	2,401,451
Certificates of Deposit	33,249,707	8,464,800	24,784,907	-
Stock Mutual Fund	59,456		Not applicable	

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2014, the City had bank balances of \$54,235,046. 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, 2014, the City had \$61,543 of deposits which were subject to custodial credit risk because they were not insured and not collateralized. This occurred as the result of an agency bond pending investment settlement.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2014, the City had fair value investment balances of \$11,631,020 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, 2014, the City’s investments in Federal Home Loan Banks and Federal National Mortgage Associations were rated AAA by Standard & Poor’s. In accordance with its investment policy, the City minimizes credit risk by limiting the types of investments to be purchased and diversifying the investment portfolio so that the impact of potential losses will be minimized.

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

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

PROPERTY TAX

Property taxes for the current period were committed on July 15, 2013 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 \$501,852 for the year ended June 30, 2014.

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

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

The following summarizes the levy:

	<u>2014</u>	<u>2013</u>
Assessed value	\$ 3,562,696,800	3,553,378,500
Tax rate (per \$1,000)	16.70	16.50
Commitment	59,497,037	58,630,745
Add:		
Supplementals	1,603	-
Total commitment	59,498,640	58,630,745
Less:		
Abatements	49,171	22,225
Collections	58,468,581	57,515,651
Current year taxes receivable at end of year	980,888	1,092,869
<u>Taxes and liens receivable - prior years</u>	<u>826,578</u>	<u>634,185</u>
<u>Total taxes and liens receivable</u>	<u>\$ 1,807,466</u>	<u>1,727,054</u>

Due dates:	1st quarter	August 15, 2013	August 16, 2012
	2nd quarter	November 21, 2013	November 15, 2012
	3rd quarter	February 13, 2014	February 14, 2013
	4th quarter	May 8, 2014	May 9, 2013

	<u>2014</u>	<u>2013</u>
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	98.27%	98.14%

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

CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Balance June 30, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2014</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,391,119	131,100	73,400	9,448,819
<u>Construction in progress</u>	<u>29,179,795</u>	<u>3,089,636</u>	<u>28,955,116</u>	<u>3,314,315</u>
Total capital assets not being depreciated	38,570,914	3,220,736	29,028,516	12,763,134
Capital assets, being depreciated:				
Buildings	84,311,336	38,081,925	931,662	121,461,599
Improvements other than buildings	4,599,969	-	-	4,599,969
Machinery and equipment	12,568,880	1,785,448	-	14,354,328
Vehicles	13,556,217	1,144,706	349,751	14,351,172
<u>Infrastructure</u>	<u>40,855,747</u>	<u>537,465</u>	<u>-</u>	<u>41,393,212</u>
Total capital assets being depreciated	155,892,149	41,549,544	1,281,413	196,160,280
Less accumulated depreciation for:				
Buildings	33,640,705	2,094,522	644,270	35,090,957
Improvements other than buildings	2,763,512	174,967	-	2,938,479
Machinery and equipment	8,759,286	675,003	-	9,434,289
Vehicles	8,995,343	884,833	349,751	9,530,425
<u>Infrastructure</u>	<u>28,702,964</u>	<u>1,111,259</u>	<u>-</u>	<u>29,814,223</u>
Total accumulated depreciation	82,861,810	4,940,584	994,021	86,808,373
Total capital assets being depreciated, net	73,030,339	36,608,960	287,392	109,351,907
Governmental activities capital assets, net	\$ 111,601,253	39,829,696	29,315,908	122,115,041

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

Governmental activities:	
General government	\$ 175,263
Public safety	708,977
Public works	1,306,990
Culture and recreation	585,462
Transportation and waterfront	233,167
<u>Education</u>	<u>1,930,725</u>
Total depreciation expense – governmental activities	\$ 4,940,584

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

CAPITAL ASSETS, CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Balance June 30, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2014</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,221,558	-	-	1,221,558
<u>Construction in progress</u>	<u>588,433</u>	<u>1,775,163</u>	<u>27,550</u>	<u>2,336,046</u>
Total capital assets not being depreciated	1,809,991	1,775,163	27,550	3,557,604
Capital assets, being depreciated:				
Buildings	34,049,419	-	-	34,049,419
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	15,343,321	39,390	-	15,382,711
Vehicles	1,229,177	-	-	1,229,177
<u>Infrastructure</u>	<u>37,811,788</u>	<u>350,695</u>	<u>-</u>	<u>38,162,483</u>
Total capital assets being depreciated	88,514,036	390,085	-	88,904,121
Less accumulated depreciation for:				
Buildings	17,389,136	694,931	-	18,084,067
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	8,965,741	589,006	-	9,554,747
Vehicles	833,325	104,155	-	937,480
<u>Infrastructure</u>	<u>12,917,861</u>	<u>568,556</u>	<u>-</u>	<u>13,486,417</u>
Total accumulated depreciation	40,186,394	1,956,648	-	42,143,042
<u>Total capital assets being depreciated, net</u>	<u>48,327,642</u>	<u>(1,566,563)</u>	<u>-</u>	<u>46,761,079</u>
<u>Business-type activities capital assets, net</u>	<u>\$ 50,137,633</u>	<u>208,600</u>	<u>27,550</u>	<u>50,318,683</u>

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 47,275,000	11,404,450	5,899,335	52,780,115	4,301,512
Bond premiums	2,575,862	232,856	253,145	2,555,573	251,202
Capital leases	3,133,341	83,000	346,109	2,870,232	378,819
Landfill closure	111,500	5,026	8,256	108,270	12,030
Other post employment benefits	1,030,952	321,520	21,000	1,331,472	-
<u>Compensated absences</u>	<u>3,124,656</u>	<u>1,250,682</u>	<u>1,285,338</u>	<u>3,090,000</u>	<u>877,267</u>
Governmental activity					
<u>long-term liabilities</u>	<u>\$ 57,251,311</u>	<u>13,297,534</u>	<u>7,813,183</u>	<u>62,735,662</u>	<u>5,820,830</u>

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>
Business-type activities:					
General obligation bonds	\$ 447,187	-	27,102	420,085	27,102
Compensated absences	236,854	162,405	161,654	237,605	75,950
Business-type activities					
long-term liabilities	\$ 684,041	162,405	188,756	657,690	103,052

Long-term debt payable at June 30, 2014 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, 2014</u>
Governmental activities:					
1994 Series B - School	12/1/1994	\$ 3,250,000	9/1/2014	5.70-6.50%	125,000
2004 MSRS (1) – City & School	1/15/2004	8,200,000	3/1/2017	3.00-5.10%	-
2007 Paving and Refinancing (2)	5/15/2009	2,075,000	9/1/2016	4.00-5.00%	500,000
2010 1999 Community Center – City	2/1/2010	1,890,000	11/1/2018	2.00-3.00%	1,050,000
2010 HS & MS Renovations - School	2/1/2010	4,613,000	11/1/2029	2.00-4.00%	3,680,000
2011 Refund 2002 & 2003 Elem-Sch.	10/27/2011	8,905,000	7/15/2023	2.00-4.375%	7,720,000
2012 HS Construction – School	5/30/2012	30,000,000	7/15/2032	2.00-4.00%	28,500,000
2013 HS SRRF – School	12/1/2013	664,450	12/1/2023	0%	465,115
2014 MSRS (1) – City & School	4/10/2014	1,890,000	3/1/2017	2.00%	1,890,000
2014 HS Construction – School	4/10/2014	8,850,000	4/15/2034	2.25-3.25%	8,850,000
Total governmental activities					52,780,115
Business-type activities:					
2009 SRF (Long creek)	10/7/2009	749,716	10/1/2029	N/A	420,085
Total business-type activities					420,085
Total bonds payable					\$ 53,200,200

(1) The City refunded these bonds during the year. Of the outstanding bond principal, 81.55% is City (\$1,541,295) and 18.45% is School (\$348,705).

(2) Of the outstanding bond principal, (\$150,000) is for City and (\$350,000) is for School.

In November of 2010, the voters approved a bond referendum for the High School Renovation and Addition project totaling \$41,500,000. During the year ended June 30, 2014, the City issued bonds of \$8,850,000 at a net interest cost (NIC) of 2.76% and \$664,450 at no interest.

During the year, the City did a current refunding of \$1,890,000 on the 2004 MSRS pension obligation bonds. The bonds were issued over the remaining 3 year term of the original bonds and provided the City a present value savings of \$112,694.

Additionally, 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, 2014, \$14,000,000 was authorized but unissued for this project.

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 \$282,900 which was paid out of the High School premium reserve which was accounted for in the School Capital Projects funds. Other post employment benefits are not currently being funded on a budgetary level. If and when such funding would occur, it would be funded within the General Fund. Capital lease proceeds have been recorded in the vehicle replacement city reserve fund.

The annual requirements to amortize long-term debt outstanding as of June 30, 2014 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>
2015	\$ 4,301,512	1,692,621	5,994,133	27,102	-	27,102
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
2020-2024	14,377,558	4,591,612	18,969,170	135,511	-	135,511
2025-2029	10,850,000	2,354,400	13,204,400	135,511	-	135,511
2030-2034	8,430,000	578,000	9,008,000	13,553	-	13,553
Total	\$ 52,780,115	14,677,159	67,457,274	420,085	-	420,085

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, 2014, the statutory limit for the City was \$530,655,000. The City's outstanding long-term debt of \$53,200,200 at June 30, 2014 was \$477,454,800 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, 2014:

<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	\$ 38,325,000	9.16%	3,510,695
Portland Water District	42,514,891	13.93%	5,924,237

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

JOINTLY GOVERNED ORGANIZATION, CONTINUED

Selected balance sheet information for Ecomaine for the year ended June 30, 2014 includes total assets of \$64,568,980, and total liabilities of \$18,893,073 and unrestricted net position of \$16,593,731. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,191,575. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2014 and a projected closing date. The separate audited financial statements of Ecomaine may be obtained at their administrative office: Ecomaine, 64 Blueberry Road, Portland, Maine 04102.

CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment and has also entered into an energy performance lease arrangement. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The value of assets capitalized under these leases as of June 30, 2014 was \$3,900,197.

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, 2014.

	<u>Governmental activities</u>
2015	\$ 461,063
2016	404,547
2017	364,818
2018	371,093
2019	377,621
<u>2020-2024</u>	<u>1,275,875</u>
Total minimum lease payments	3,255,017
<u>Less: amount representing interest</u>	<u>384,785</u>
Present value of future minimum lease payments	<u>\$ 2,870,232</u>

LANDFILL

The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities. State and federal laws and regulations require the City to place a final cover on its Highland Avenue landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill ceased accepting waste, effective January 1, 1993, as required by State regulations. Since that time, the twenty-five acre landfill has remained inactive. Although it was not at capacity, its useful life was over. The City completed the landfill closure process in fiscal year 2000. At June 30, 2014, the City had recorded approximately \$108,270 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.

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

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2014, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	14,443,987
Sewer Fund	11,555,308	-
Nonmajor Special Revenue Funds:		
City Special Revenues	2,997,038	-
School Grant Funds	-	133,952
School Adult Education	8,440	-
School Lunch Fund	13,649	-
Private-purpose Trust Funds	3,504	-
Total interfund balances	\$ 14,577,939	14,577,939

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, 2014, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 473,151	2,093,517
Sewer Fund	307,083	1,008
Tax Increment Financing	-	686,716
Capital Projects	1,749,163	66,850
Nonmajor Special Revenue Funds:		
City Special Revenues	106,836	189,475
School Grant Funds	22,133	800
School Lunch Fund	380,000	-
Total interfund transfers	\$ 3,038,366	3,038,366

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

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

FUND BALANCES

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The minimum target level is set at 9% of general fund budgeted expenditures. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan, implemented through the annual budgetary process, to bring the balance back to the target level over a period of no more than three (3) fiscal years. Amounts in excess of the targeted maximum of 12% of general fund measured on a GAAP basis shall be used for capital improvements or other one-time expenditures as identified by the City Council. The policy was adopted by the City to recognize the financial importance of a stable and sufficient level of unassigned fund balance. However, the City Council reserves the right to appropriate funds from the unassigned fund balance for emergencies and other requirements the City Council believes to be in the best interest of the City of South Portland. At June 30, 2014, the City maintained an unassigned general fund balance of \$10,838,800 which is 14.01 percent of the fiscal year 2015 budget of \$77,380,358.

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 \$1,715,980 tax rate stabilization reserve at June 30, 2014 with \$500,000 anticipated to be used in the funding of fiscal year ending June 30, 2015 budget.

As of June 30, 2014, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Inventory	\$ -	29,610	29,610
Principal for permanent funds	-	198,949	198,949
Total nonspendable	-	228,559	228,559
Restricted:			
Education	3,693,988	578,681	4,272,669
TIF funds	-	6,499,564	6,499,564
Capital projects	-	7,801,509	7,801,509
Grants - General government	-	330,218	330,218
Grants - Public safety	-	122,104	122,104
Grants - Public works	-	906,354	906,354
Grants - Culture and recreation	-	155,837	155,837
Grants - Transit and waterfront	-	28,613	28,613
Permanent funds	-	128,146	128,146
Total restricted	3,693,988	16,551,026	20,245,014

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

FUND BALANCES, CONTINUED

Committed:

General government:

Tax stabilization reserve	\$ 1,715,980	-	1,715,980
Municipal services facility reserve	540,132	-	540,132
Equipment replacement reserve	110,041	-	110,041
Unemployment reserve	26,271	-	26,271
Self-Insurance reserve	40,495	-	40,495
Safety reserve	151,709	-	151,709
Computerization reserve	83,327	-	83,327
Litigation legal reserve	98,883	-	98,883
Municipal buildings and land acquisition	173,454	-	173,454
Other reserves	26,832	-	26,832
South Portland Community TV	-	435,912	435,912
Freshwater Wetland Fund	-	185,674	185,674
Land Bank Trust	-	552,735	552,735

Public safety:

Fire equipment and vehicle reserve	460,912	-	460,912
Police equipment reserves	70,697	-	70,697
Call company retirement reserve	64,698	-	64,698
Hazardous materials fund	-	80,123	80,123

Public works:

Snow removal reserve	420,706	-	420,706
Cummings road sewer reserve	208,213	-	208,213
Solid waste reserve	116,181	-	116,181
Other reserves	44,959	-	44,959
Street openings and recycling funds	-	312,602	312,602
Sewer impact fund	-	408,282	408,282

Transit and waterfront:

Bus reserve	128,547	-	128,547
Portland Street Pier	-	175,220	175,220

Culture and recreation:

Golf Course	-	99,995	99,995
Other	-	26,747	26,747

Capital projects

	-	4,438,560	4,438,560
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Total committed	4,482,037	6,715,850	11,197,887
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Assigned:

Compensated absences reserve	2,529,819	-	2,529,819
Phone system reserve	131,581	-	131,581
Public safety vehicle reserve	50,509	-	50,509
Public works fuel distribution	81,724	-	81,724
Encumbrances	323,914	-	323,914
Total assigned	3,117,547	-	3,117,547

Unassigned	10,838,800	(69,544)	10,769,256
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Total fund balance	\$ 22,132,372	23,425,891	45,558,263
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CITY OF SOUTH PORTLAND, MAINE
Notes to Basic Financial Statements, Continued

CONSTRUCTION COMMITMENTS

The School Department has entered into contracts in connection with the High School construction project. The following is a summary of the commitments at June 30, 2014:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Balance Remaining</u>
High School Project:				
Construction contract (1)	\$ 40,545,490	88.62%	35,935,041	4,610,449
Construction contract (2)	501,077	55.08%	276,028	225,049
Engineering contract	2,409,994	95.88%	2,310,703	99,291

The High School project is anticipated to be substantially completed in December of 2014.

TAX INCREMENT FINANCING DISTRICTS

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	11,212,200	100%	11,212,200	187,244
Texas Instruments TIF	20,509,000	153,630,200	50%	76,815,100	1,282,812
Cummings TIF	1,697,200	25,184,200	30%	-	-
One Wallace TIF	2,178,200	3,711,200	100%	3,711,200	61,977
Long Creek TIF	1,066,300	10,805,500	100%	10,805,500	180,452
Brick Hill TIF	-	20,423,500	100%	20,423,500	341,072
Jared TIF	957,500	1,141,200	100%	1,141,200	19,058
Hannaford TIF	343,000	8,800,300	100%	8,800,300	146,965
Downtown TIF	96,881,900	48,480,600	100%	5,679,930	94,855
Transit TIF	18,373,000	1,192,100	100%	1,192,100	19,908

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

Maine Public Employees Retirement System - Consolidated Plan

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

Funding Policy - Plan members are required to contribute 2.8% to 6.5% of their annual covered salary and the City of South Portland is required to contribute an actuarially determined rate. The current rate is 6.5% of covered payroll for the regular plan and 10.5% of covered payroll for the special plan. The contribution rates of plan members and the City of South Portland are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2014, 2013 and 2012 were \$895,201, \$796,790, and \$639,328, respectively, and were equal to the required contribution for each year.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS), CONTINUED

Maine Public Employees Retirement System – Teachers Group

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required to contribute the unfunded actuarial liability portion of the employer contribution rate (13.03%) and the health and benefits component (2.33%) for a total of 15.36%. This amounted to \$3,333,666 for the fiscal year 2014. This amount has been reported as an intergovernmental revenue and education expense/expenditure in the GAAP basis financial statements (Statements 2 and 4). The School Department is required to contribute the normal cost of the employer contribution which amounts to 2.65% of their compensation. The School Department is required to contribute the entire amount of the employer contribution for federally funded teachers, for which the School Department contributed 18.48%. This cost is charged to the applicable grant.

OTHER POST EMPLOYMENT BENEFITS

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

The City is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in October 2013 based on an actuarial valuation date of January 1, 2013.

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

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis primarily from the general fund. No assets have been segregated and restricted to provide postemployment

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal cost	\$ 104,974	104,974	90,618
Amortization of unfunded	228,327	228,327	228,444
Adjustment to ARC	(59,620)	(41,925)	(29,511)
Interest	47,839	35,600	26,731
Annual required contribution	\$ 321,520	326,976	316,282

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPEB liability, July 1, 2013	\$ 1,030,952	724,976	510,306
Annual required contribution	321,520	326,976	316,282
Less: Actual contributions	(21,000)	(21,000)	(101,612)
OPEB liability, June 30, 2014	\$ 1,331,472	1,030,952	724,976

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>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 321,520	326,976	316,282
Actual contribution	21,000	21,000	101,612
Percent contributed	6.53%	6.42%	32.13%
Actuarial accrued liability	\$ 4,106,163	4,106,163	4,108,269
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 4,106,163	4,106,163	4,108,269
Covered payroll	13,126,194	12,399,860	12,376,330
Unfunded actuarial accrued liability as a percentage of covered payroll	31.28%	33.11%	33.19%

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

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

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

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 \$386,186 to the plans during the year ended June 30, 2014.

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 2014, 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, 2014. 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.

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

RISK MANAGEMENT, CONTINUED

The following summarizes the claims activity with respect to the City's self-insurance programs during 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
<u>Increase in provision for prior year events</u>	<u>-</u>	<u>-</u>
Total incurred claims	-	45,097
Payments:		
Claims attributable to current year	-	45,097
<u>Claims attributable to prior year</u>	<u>39,820</u>	<u>-</u>
Total payments	39,820	45,097
<u>Unpaid claims, end of year</u>	<u>\$ 57,710</u>	<u>-</u>

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

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

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

CONTINGENT LIABILITIES

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

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

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

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, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 32,417,052	31,973,811
Investments	8,678,748	7,342,079
Due from other governments	264,520	247,261
Receivables, net of allowance of \$872,606 and \$801,100	292,181	162,032
Taxes receivable	1,316,969	1,349,203
Tax liens and tax acquired property	490,497	377,851
Restricted assets, cash	50,000	50,000
Total assets	\$ 43,509,967	41,502,237
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	1,062,053	1,189,887
Accrued liabilities	594,044	429,196
Interfund loans payable	14,443,987	13,946,527
Accrued teachers' summer salaries and benefits	3,663,511	2,907,445
Total liabilities	19,763,595	18,473,055
Deferred inflows of resources:		
Unavailable revenue - property taxes	1,614,000	1,358,000
Total deferred inflows of resources	1,614,000	1,358,000
Fund balances:		
Restricted	3,693,988	4,072,226
Committed	4,482,037	4,419,099
Assigned	3,117,547	3,035,817
Unassigned	10,838,800	10,144,040
Total fund balances	22,132,372	21,671,182
Total liabilities, deferred inflows of resources and fund balances	\$ 43,509,967	41,502,237

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, 2014

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

	2014		Variance positive (negative)	2013 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property	\$ 56,779,998	56,817,797	37,799	54,639,082
Excise	4,525,000	5,829,497	1,304,497	5,453,056
Interest and penalties	115,000	109,784	(5,216)	105,898
Payments in lieu of taxes	236,650	241,011	4,361	235,542
Total taxes	61,656,648	62,998,089	1,341,441	60,433,578
Intergovernmental:				
State Revenue Sharing	1,290,000	1,315,198	25,198	1,901,233
State BETE Revenue	1,000,000	1,135,762	135,762	1,071,126
Homestead reimbursement	475,000	478,706	3,706	475,200
State education subsidy	4,913,722	5,460,824	547,102	2,691,993
State agency client	25,000	20,726	(4,274)	49,925
Medicaid	50,000	103,103	53,103	60,573
Section 9	339,000	339,743	743	178,127
General assistance	115,000	125,937	10,937	113,648
Other State revenue	85,002	101,166	16,164	83,628
Total intergovernmental	8,292,724	9,081,165	788,441	6,625,453
Licenses, permits, fees, and fines:				
Cable franchise fee	188,000	166,543	(21,457)	176,253
City clerk	149,500	159,223	9,723	152,476
Planning	6,150	12,108	5,958	11,274
Police	99,000	80,405	(18,595)	91,808
Code enforcement	353,000	529,022	176,022	572,472
Public library	19,500	18,902	(598)	21,032
Total licenses, permits, fees, and fines	815,150	966,203	151,053	1,025,315
Charges for services:				
Rent and leases	64,800	76,160	11,360	77,083
Finance and information technology	144,400	142,652	(1,748)	144,543
Fire	803,400	839,105	35,705	842,672
Public works - transfer facility	85,000	97,560	12,560	98,693
Parks and recreation	160,500	188,006	27,506	184,339
Bus service	302,040	336,627	34,587	320,059
Other	4,700	3,596	(1,104)	3,375
Education	78,666	78,666	-	77,350
Total charges for services	1,643,506	1,762,372	118,866	1,748,114
Unclassified:				
City clerk	19,000	20,127	1,127	21,467
Finance	16,000	13,095	(2,905)	15,816
Police	8,000	10,051	2,051	10,591
Fire	3,000	8,280	5,280	3,430
Planning and code enforcement	2,700	6,012	3,312	4,435
Public works	31,000	34,803	3,803	38,223
Other	7,900	11,211	3,311	10,953
Education	40,840	65,091	24,251	55,774
Total unclassified	128,440	168,670	40,230	160,689
Interest earned	400,000	479,985	79,985	261,798
Total revenues	72,936,468	75,456,484	2,520,016	70,254,947

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, 2014
(with comparative actual amounts for the year ended June 30, 2013)

	Budget	Actual	Variance positive (negative)	2013 Actual
Expenditures:				
Current:				
General government:				
City Council	\$ 178,383	178,133	250	147,155
Executive	196,981	195,568	1,413	187,214
City clerk	224,766	224,179	587	215,474
Corporation council	182,412	174,206	8,206	153,161
Finance	954,029	953,307	722	931,483
Information technology	338,644	334,126	4,518	332,092
Planning	216,704	216,681	23	213,122
Human resources	304,463	299,067	5,396	305,350
City building	191,465	191,282	183	188,959
Citywide insurance and benefit costs	6,205,742	5,912,535	293,207	5,552,005
Total general government	8,993,589	8,679,084	314,505	8,226,015
Public safety:				
Police department	3,975,797	3,972,314	3,483	3,864,695
Fire department	4,643,615	4,639,280	4,335	4,527,965
Communications	748,048	715,312	32,736	708,837
Code enforcement	639,718	638,431	1,287	616,326
Civil service	12,100	10,621	1,479	8,361
Total public safety	10,019,278	9,975,958	43,320	9,726,184
Public works:				
Administration	198,136	201,956	(3,820)	162,365
Streets and sidewalks	1,826,982	1,803,442	23,540	1,749,190
Rubbish disposal	1,737,574	1,644,386	93,188	1,817,289
Public works garage	274,984	265,085	9,899	233,626
Transfer facility	238,385	251,926	(13,541)	255,614
Total public works	4,276,061	4,166,795	109,266	4,218,084
Culture:				
Main library	568,760	568,008	752	540,652
Branch library	73,325	66,534	6,791	135,657
Total culture	642,085	634,542	7,543	676,309
Parks and recreation:				
Administration	151,636	151,350	286	145,016
Parks	1,091,756	1,096,809	(5,053)	1,058,555
Pool	358,167	346,524	11,643	336,368
Recreation	776,245	774,592	1,653	783,759
Total parks and recreation	2,377,804	2,369,275	8,529	2,323,698
Total culture, parks, and recreation	3,019,889	3,003,817	16,072	3,000,007
Transportation and waterfront:				
Bus service	1,094,476	1,081,931	12,545	960,157
Waterfront	39,250	38,500	750	37,426
Total transportation and waterfront	1,133,726	1,120,431	13,295	997,583

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, 2014
(with comparative actual amounts for the year ended June 30, 2013)

	Budget	Actual	Variance positive (negative)	2013 Actual
Expenditures, continued:				
Current, continued:				
Health, welfare and social services:				
Welfare:				
Administration	\$ 84,638	83,730	908	77,521
General assistance	237,150	237,136	14	206,794
Total welfare	321,788	320,866	922	284,315
Health	17,700	15,000	2,700	42,578
Total health, welfare and social services	339,488	335,866	3,622	326,893
Intergovernmental - County tax	2,215,084	2,215,084	-	2,075,037
Other:				
Contingency and abatement reserve	88,800	77,178	11,622	82,568
Total other	88,800	77,178	11,622	82,568
Education	42,574,298	41,919,427	654,871	38,788,570
Debt service (excluding education):				
Administration	3,000	3,000	-	1,300
Principal	853,204	853,204	-	850,644
Interest	165,027	165,026	1	196,905
Total debt service	1,021,231	1,021,230	1	1,048,849
Total expenditures	73,681,444	72,514,870	1,166,574	68,489,790
Excess (deficiency) of revenues over (under) expenditures	(744,976)	2,941,614	3,686,590	1,765,157
Other financing sources (uses):				
Budgeted use of surplus - City	1,075,172	-	(1,075,172)	-
Budgeted use of surplus - School	875,000	-	(875,000)	-
Refunding bonds issued	-	1,928,405	1,928,405	-
Payment to refunded bonds escrow agent	-	(1,927,910)	(1,927,910)	-
Transfers in	768,321	218,221	(550,100)	731,353
Transfers out	(1,973,517)	(2,093,517)	(120,000)	(3,664,540)
Total other financing sources (uses)	744,976	(1,874,801)	(2,619,777)	(2,933,187)
Net change in fund balance - budgetary basis		1,066,813	1,066,813	(1,168,030)
Reconciliation to GAAP basis:				
Change in encumbrances - City		27,250		73,943
Change in encumbrances - School		42,078		(216,938)
Unbudgeted teacher summer benefits		(534,857)		-
Change in reserves		(140,094)		945,986
Net change in fund balance - GAAP basis		461,190		(365,039)
Fund balance, beginning of year		21,671,182		22,036,221
Fund balance, end of year	\$	22,132,372		21,671,182

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, 2014
(with comparative actual amounts for the year ended June 30, 2013)

	2014		Variance positive (negative)	2013 Actual
	Budget	Actual		
Revenues:				
Local assessment	\$ 37,091,895	37,091,895	-	35,212,648
State education subsidy	4,913,722	5,460,824	547,102	2,691,993
State agency client	25,000	20,726	(4,274)	49,925
Medicaid	50,000	103,103	53,103	60,573
Charges for services	78,666	78,666	-	77,350
Other	40,840	65,091	24,251	55,774
Total revenues	42,200,123	42,820,305	620,182	38,148,263
Expenditures:				
Current:				
Brown Elementary	1,727,973	1,742,277	(14,304)	1,676,440
Dyer Elementary	1,607,156	1,602,979	4,177	1,569,656
Kaler Elementary	1,209,693	1,237,671	(27,978)	1,067,569
Skillin Elementary	2,421,518	2,357,782	63,736	2,239,433
Small Elementary	1,927,798	1,973,828	(46,030)	1,838,693
Mahoney Middle School	2,223,899	2,165,195	58,704	2,201,843
Memorial Middle School	2,572,605	2,515,425	57,180	2,407,302
South Portland High School	6,144,428	6,026,417	118,011	5,835,810
K-12 instrumental music	113,280	114,259	(979)	105,305
6-12 athletics	677,983	669,365	8,618	640,715
Special education	7,668,263	7,356,402	311,861	7,247,230
Health	349,544	324,040	25,504	333,830
Board of education	212,291	117,085	95,206	97,293
Superintendent of schools	380,998	354,168	26,830	369,943
Assistant superintendent	1,655,134	1,678,137	(23,003)	1,769,355
Curriculum	423,862	397,353	26,509	-
Technology	486,589	510,861	(24,272)	554,464
Business office	859,470	888,565	(29,095)	813,362
Operations/maintenance	3,843,895	3,811,429	32,466	3,727,524
Transportation	1,585,479	1,593,750	(8,271)	1,585,119
Debt service:				
Principal	3,224,652	3,224,652	-	1,628,188
Interest	1,257,788	1,257,787	1	1,079,496
Total expenditures	42,574,298	41,919,427	654,871	38,788,570
Excess (deficiency) of revenues over (under) expenditures	(374,175)	900,878	1,275,053	(640,307)
Other financing sources (uses):				
Transfers in	207,433	207,433	-	320,465
Transfers out	(708,258)	(736,258)	(28,000)	(405,938)
Budgeted use of surplus	875,000	-	(875,000)	-
Total other financing sources (uses)	374,175	(528,825)	(903,000)	(85,473)
Net change in fund balances - budgetary basis	-	372,053	372,053	(725,780)
Reconciliation to GAAP basis:				
Change in encumbrances		42,078		(216,938)
Unbudgeted teacher summer benefits		(534,857)		
Change in reserves		(257,512)		(269,080)
Net change in fund balance - GAAP basis		(378,238)		(1,211,798)
Fund balance, beginning of year		4,072,226		5,284,024
Fund balance, end of year	\$	3,693,988		4,072,226

CITY OF SOUTH PORTLAND, MAINE
Reserves - General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	Fund balance beginning of year	Revenues		Expenditures	Other financing sources (uses)		Fund balance end of year
		Other	Investment earnings		Issuance of debt	Transfers	
<u>City committed reserves:</u>							
1801 Equipment replacement	\$ 103,122	-	581	16,822	-	23,160	110,041
1803 Unemployment - City	38,261	-	107	45,097	-	33,000	26,271
1804 Self-Insurance - City	42,269	103,984	279	118,537	-	12,500	40,495
1805 Municipal facilities	6,052	-	17	9,521	-	20,000	16,548
1806 Safety reserve	151,205	10,653	649	10,798	-	-	151,709
1807 Computerization project	114,198	135	497	50,503	-	19,000	83,327
1809 Litigation - legal	145,388	-	766	55,271	-	8,000	98,883
1822 Communication equipment - police	62,559	-	358	-	-	2,600	65,517
1824 Body armor - police	2,145	-	-	-	-	3,035	5,180
1830 Fire	266,013	19,200	1,730	1,031	-	175,000	460,912
1834 Traffic improvements	22,921	-	131	-	-	-	23,052
1836 Public works equipment	21,782	-	125	-	-	-	21,907
1840 Snow removal	418,315	-	2,391	-	-	-	420,706
1842 Library	-	3,440	-	-	-	-	3,440
1845 Cummings Road sewer	207,030	-	1,183	-	-	-	208,213
1847 Bus	271,277	7,685	1,592	19,928	-	(132,079)	128,547
1850 Senior Property Tax Program	2,735	-	-	2,735	-	-	-
1861 Tax stabilization	1,706,229	-	9,751	-	-	-	1,715,980
1864 Call company retirement	64,698	-	-	-	-	-	64,698
1869 Energy efficient	14,913	-	-	8,069	-	-	6,844
1871 Solid waste	36,181	-	-	-	-	80,000	116,181
1872 Municipal buildings & land acq.	193,350	3,774	1,082	24,752	-	-	173,454
1873 Municipal services facility	528,456	18,156	3,081	9,561	-	-	540,132
Subtotal City committed reserves	4,419,099	167,027	24,320	372,625	-	244,216	4,482,037
<u>City assigned reserves:</u>							
1828 Vehicle replacement - police	49,261	63,549	-	147,973	83,000	-	47,837
1867 Phone system	124,607	-	-	9,490	-	16,464	131,581
1868 Compensated absences	2,529,819	-	-	-	-	-	2,529,819
2172 Outside OT - Police	111	184,766	-	183,186	-	-	1,691
2173 Outside OT - Fire	81	2,070	-	1,170	-	-	981
2176 Fuel Distribution	35,274	46,450	-	-	-	-	81,724
Subtotal City assigned reserves	2,739,153	296,835	-	341,819	83,000	16,464	2,793,633
Total City reserves	7,158,252	463,862	24,320	714,444	83,000	260,680	7,275,670
<u>School reserves:</u>							
0202 Restricted school reserve funds:							
School consolidation	323,618	-	-	-	-	-	323,618
School tech upgrade	795,092	20,115	-	214,358	-	-	600,849
Unemployment - School	66,098	-	-	25,584	-	20,000	60,514
School bus	339,923	-	-	-	-	(45,000)	294,923
School resource officer	39,752	-	-	-	-	(8,750)	31,002
School elementary	19,511	-	-	-	-	-	19,511
Self-insurance - School	10,008	-	-	-	-	-	10,008
Musical program	139,128	-	-	-	-	-	139,128
Maintenance	533,747	315	-	51,565	-	-	482,497
Adult education	20,000	-	-	-	-	-	20,000
Student educational support	(14,374)	13,877	-	27,317	-	28,000	186
Laptop repair	48,711	32,724	-	450	-	-	80,985
Special Education	200,000	-	-	-	-	-	200,000
0456 School facility	84,279	-	481	-	-	-	84,760
Total School reserves	2,605,493	67,031	481	319,274	-	(5,750)	2,347,981
Total reserves	\$ 9,763,745	530,893	24,801	1,033,718	83,000	254,930	9,623,651

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
1991	\$14,755,550	\$965,148	7.00%	\$818,985	\$206,085	33.62%			
1992	\$15,116,220	\$360,670	2.44%	\$836,267	\$17,282	2.11%			
1993	\$15,202,397	\$86,177	0.57%	\$830,893	(\$5,374)	-0.64%			
1994	\$15,560,194	\$357,797	2.35%	\$1,038,188	\$207,295	24.95%			
1995	\$16,355,458	\$795,264	5.11%	\$1,017,821	(\$20,367)	-1.96%			
1996	\$17,407,363	\$1,051,905	6.43%	\$1,243,624	\$225,803	22.18%			
1997	\$17,850,133	\$442,770	2.54%	\$1,244,899	\$1,275	0.10%			
1998	\$18,452,186	\$602,053	3.37%	\$1,265,514	\$20,615	1.66%	\$500,000	\$500,000	na
1999	\$19,219,213	\$767,027	4.16%	\$1,289,523	\$24,009	1.90%	\$689,443	\$189,443	37.89%
2000	\$20,368,695	\$1,149,482	5.98%	\$1,244,518	(\$45,005)	-3.49%	\$565,000	(\$124,443)	-18.05%
2001	\$21,591,755	\$1,223,060	6.00%	\$1,335,095	\$90,577	7.28%	\$1,140,101	\$575,101	101.79%
2002	\$22,910,032	\$1,318,277	6.11%	\$1,486,495	\$151,400	11.34%	\$1,046,900	(\$93,201)	-8.17%
2003	\$22,687,422	(\$222,610)	-0.97%	\$1,769,580	\$283,085	19.04%	\$347,120	(\$699,780)	-66.84%
2004	\$22,748,043	\$60,621	0.27%	\$1,884,150	\$114,570	6.47%	\$788,330	\$441,210	127.11%
2005	\$23,765,228	\$1,017,185	4.47%	\$1,888,324	\$4,174	0.22%	\$550,670	(\$237,660)	-30.15%
2006	\$24,610,020	\$844,792	3.55%	\$1,916,839	\$28,515	1.51%	\$0	(\$550,670)	-100.00%
2007	\$25,773,697	\$1,163,677	4.73%	\$1,916,991	\$152	0.01%	\$0	\$0	na
2008	\$26,964,280	\$1,190,583	4.62%	\$1,941,542	\$24,551	1.28%	\$0	\$0	na
2009	\$27,802,987	\$838,707	3.11%	\$1,999,427	\$57,885	2.98%	\$0	\$0	na
2010	\$27,463,860	(\$339,127)	-1.22%	\$2,034,423	\$34,996	1.75%	\$0	\$0	na
2011	\$27,174,401	(\$289,459)	-1.05%	\$2,058,577	\$24,154	1.19%	\$506,623	\$506,623	na
2012	\$28,082,534	\$908,133	3.34%	\$2,072,476	\$13,899	0.68%	\$1,050,000	\$543,377	107.25%
2013	\$28,585,977	\$503,443	1.79%	\$2,075,037	\$2,561	0.12%	\$1,350,000	\$300,000	28.57%
2014	\$29,082,149	\$496,172	1.74%	\$2,215,084	\$140,047	6.75%	\$300,000	(\$1,050,000)	-77.78%
2015	\$30,247,620	\$1,165,471	4.01%	\$2,327,942	\$112,858	5.09%	\$0	(\$300,000)	-100.00%
2016	\$31,359,989	\$1,112,369	3.68%	\$2,434,056	\$106,114	4.56%	\$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
1991	\$17,138,476	\$1,315,353	8.31%	\$17,138,476	\$1,315,353	8.31%	\$32,713,011	\$2,486,586	8.23%
1992	\$18,104,054	\$965,578	5.63%	\$18,104,054	\$965,578	5.63%	\$34,056,541	\$1,343,530	4.11%
1993	\$17,999,451	(\$104,603)	-0.58%	\$17,999,451	(\$104,603)	-0.58%	\$34,032,741	(\$23,800)	-0.07%
1994	\$18,829,433	\$829,982	4.61%	\$18,829,433	\$829,982	4.61%	\$35,427,815	\$1,395,074	4.10%
1995	\$19,708,768	\$879,335	4.67%	\$19,708,768	\$879,335	4.67%	\$37,082,047	\$1,654,232	4.67%
1996	\$21,109,302	\$1,400,534	7.11%	\$21,109,302	\$1,400,534	7.11%	\$39,760,289	\$2,678,242	7.22%
1997	\$22,425,146	\$1,315,844	6.23%	\$22,425,146	\$1,315,844	6.23%	\$41,520,178	\$1,759,889	4.43%
1998	\$23,048,107	\$622,961	2.78%	\$23,548,107	\$1,122,961	5.01%	\$43,265,807	\$1,745,629	4.20%
1999	\$24,298,651	\$1,250,544	5.43%	\$24,988,094	\$1,439,987	6.12%	\$45,496,830	\$2,231,023	5.16%
2000	\$25,662,344	\$1,363,693	5.61%	\$26,227,344	\$1,239,250	4.96%	\$47,840,557	\$2,343,727	5.15%
2001	\$27,037,126	\$1,374,782	5.36%	\$28,177,227	\$1,949,883	7.43%	\$51,104,077	\$3,263,520	6.82%
2002	\$29,716,921	\$2,679,795	9.91%	\$30,763,821	\$2,586,594	9.18%	\$55,160,348	\$4,056,271	7.94%
2003	\$32,176,592	\$2,459,671	8.28%	\$32,523,712	\$1,759,891	5.72%	\$56,980,714	\$1,820,366	3.30%
2004	\$32,646,082	\$469,490	1.46%	\$33,434,412	\$910,700	2.80%	\$58,066,605	\$1,085,891	1.91%
2005	\$35,189,016	\$2,542,934	7.79%	\$35,739,686	\$2,305,274	6.89%	\$61,393,238	\$3,326,633	5.73%
2006	\$36,205,662	\$1,016,646	2.89%	\$36,205,662	\$465,976	1.30%	\$62,732,521	\$1,339,283	2.18%
2007	\$37,542,545	\$1,336,883	3.69%	\$37,542,545	\$1,336,883	3.69%	\$65,233,233	\$2,500,712	3.99%
2008	\$39,061,628	\$1,519,083	4.05%	\$39,061,628	\$1,519,083	4.05%	\$67,967,450	\$2,734,217	4.19%
2009	\$39,952,991	\$891,363	2.28%	\$39,952,991	\$891,363	2.28%	\$69,755,405	\$1,787,955	2.63%
2010	\$39,455,123	(\$497,868)	-1.25%	\$39,455,123	(\$497,868)	-1.25%	\$68,953,406	(\$801,999)	-1.15%
2011	\$37,374,164	(\$2,080,959)	-5.27%	\$37,880,787	(\$1,574,336)	-3.99%	\$67,113,765	(\$1,839,641)	-2.67%
2012	\$38,067,412	\$693,248	1.85%	\$39,117,412	\$1,236,625	3.26%	\$69,272,422	\$2,158,657	3.22%
2013	\$40,016,741	\$1,949,329	5.12%	\$41,366,741	\$2,249,329	5.75%	\$72,027,755	\$2,755,333	3.98%
2014	\$43,002,556	\$2,985,815	7.46%	\$43,302,556	\$1,935,815	4.68%	\$74,599,789	\$2,572,034	3.57%
2015	\$44,804,796	\$1,802,240	4.19%	\$44,804,796	\$1,502,240	3.47%	\$77,380,358	\$2,780,569	3.73%
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%

City of South Portland Budget History

Fiscal Year	Total Need From Taxes	Dollar Change	Percent Change	Tax Rate	Percent Increase
1991	\$24,711,479	\$2,589,216	11.70%	\$25.00	11.11%
1992	\$26,387,825	\$1,676,346	6.78%	\$26.80	7.20%
1993	\$26,523,838	\$136,013	0.52%	\$27.60	2.99%
1994	\$27,372,928	\$849,090	3.20%	\$19.60	Revaluation
1995	\$27,951,835	\$578,907	2.11%	\$19.60	0.00%
1996	\$29,298,844	\$1,347,009	4.82%	\$20.24	3.27%
1997	\$30,507,851	\$1,209,007	4.13%	\$19.94	-1.48%
1998	\$32,206,901	\$1,699,050	5.57%	\$19.44	-2.51%
1999	\$33,138,864	\$931,963	2.89%	\$19.44	0.00%
2000	\$35,343,425	\$2,204,561	6.65%	\$20.43	5.09%
2001	\$37,851,329	\$2,507,904	7.10%	\$21.55	5.48%
2002	\$42,535,670	\$4,684,341	12.38%	\$23.30	8.12%
2003	\$43,354,908	\$819,238	1.93%	\$17.06	Revaluation
2004	\$44,479,305	\$1,124,397	2.59%	\$17.49	2.52%
2005	\$46,546,474	\$2,067,169	4.65%	\$18.10	3.49%
2006	\$46,971,257	\$424,783	0.91%	\$18.27	0.94%
2007	\$48,809,321	\$1,838,064	3.91%	\$13.10	Revaluation
2008	\$50,977,823	\$2,168,502	4.44%	\$13.69	4.50%
2009	\$51,630,233	\$652,410	1.28%	\$14.00	2.26%
2010	\$52,148,676	\$518,443	1.00%	\$14.70	Revaluation
2011	\$52,699,426	\$550,750	1.06%	\$15.70	Revaluation
2012	\$54,041,790	\$1,342,364	2.55%	\$16.10	2.55%
2013	\$55,926,955	\$1,885,165	3.49%	\$16.50	2.48%
2014	\$56,799,997	\$873,042	1.56%	\$16.70	1.56%
2015	\$58,730,418	\$1,930,421	3.40%	\$17.10	2.40%
2016	\$59,938,234	\$1,207,816	2.06%	\$17.40	1.78%

City of South Portland
FY2016 LD 1 Worksheet (with Comparison FY15)
PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A

	<u>FY15</u>	<u>FY16</u>
1. Prior Year Property Tax Levy/Limit for Municipal Services	20,757,992	21,604,440
2. Income Growth Factor (State Planning Office calculation)	0.0109	0.0086
3. Property Growth Factor (see property growth sheet)	0.0206	0.0211
4. LD 1 Growth Limit Factor (Line 2 + Line 3)	0.0315	0.0297
5. Add 1 to the Growth Limitation Factor calculated in Line 4. (For example, if Line 4 is 0.0360, the enter 1.0360 on Line 5.)	1.0315	1.0297
6. Net New State Funding (see instruction sheet)		
6A. Net New Revenue Sharing		
6B. Loss of Revenue Sharing	192,571	416,183
7. Multiply Line 1 by Line 5	21,411,869	22,246,092
8. FY2016 Property Tax Levy Limit		
8A. Line 7 less Line 6A (complete only if data is reported in 6A)		
8B. Line 7 plus Line 6B (complete only if data is reported in 6B)	21,604,440	22,662,275
9. FY2016 Approved Municipal Appropriations (Do not include any school appropriations.)	30,247,620	31,359,989
10. FY2016 Approved Total Deductions (Do not include any school revenues.)	12,240,161	13,114,002
11. 2016 Municipal Property Tax Levy (Line 9 less Line 10)	18,007,459	18,245,987
12. Over/(Under) Limit (Line 11 less Line 8)*	(3,596,981)	(4,416,288)

* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2016.

CITY OF SOUTH PORTLAND
 2016 MUNICIPAL PROPERTY TAX GROWTH FACTOR
 PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A.1.C.

2014/15 Total Valuation	+	\$	3,601,160,000
Abatements	-	\$	-
Supplements	+	\$	-
BETE increases		\$	15,424,700
Adjust 2014 Valuation	=	\$	3,616,584,700
Real Estate Growth		\$	38,766,600
Personal Property Growth		\$	22,470,500
BETE increases		\$	15,424,700
Total		\$	76,661,800
Property Tax Growth			2.11%

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, 2014
 RE: **Next Year's LD 1 Average Personal Income Growth is 0.86%**

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 1/1/2015 - 12/31/2015 budget year for municipalities on a calendar-year budget or the 7/1/2015 - 6/30/2016 budget year for municipalities on a fiscal-year budget), OPM has determined average personal income growth to be 0.86%. The table below shows how this figure was calculated.

Calculation of Maine's "Average Personal Income Growth"

Calendar Year	Nominal Personal Income (thousands)	% Change	CPI-U	% Change	Real Personal Income
2003	\$39,522,843		184.0		
2004	\$41,664,127	5.42%	188.9	2.66%	2.75%
2005	\$42,542,595	2.11%	195.3	3.39%	-1.28%
2006	\$45,143,495	6.11%	201.6	3.23%	2.89%
2007	\$47,126,621	4.39%	207.3	2.85%	1.54%
2008	\$48,777,252	3.50%	215.3	3.84%	-0.34%
2009	\$48,984,861	0.43%	214.5	-0.36%	0.78%
2010	\$49,395,325	0.84%	218.1	1.64%	-0.80%
2011	\$51,523,515	4.31%	224.9	3.16%	1.15%
2012	\$52,957,962	2.78%	229.6	2.07%	0.71%
2013	\$54,358,810	2.65%	233.0	1.46%	1.18%
AVERAGE					0.86%

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

This calculation reflects the methodology described in LD 1, which is now Public Law 2005, Chapter 2: "Average real personal income growth' means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the percent change in the Consumer Price Index for the calendar year." 2013 is currently the most recent year for which data is available.

SOUTH PORTLAND SCHOOL DEPARTMENT

BOARD OF EDUCATION

FY 2016

BUDGET SUMMARY

PART I - BUDGET - LOCALLY SUPPORTED PROGRAMS

	2014-15 Budget	2015-16 Budget	% Change
REGULAR INSTRUCTION	17,357,477	17,710,943	2.0%
SPECIAL EDUCATION	8,245,979	8,493,047	3.0%
CAREER & TECHNICAL ED	313,399	319,217	1.9%
OTHER INSTRUCTION	801,581	806,112	0.6%
STUDENT & STAFF SUPPORT	3,577,460	3,687,869	3.1%
SYSTEM ADMINISTRATION	1,285,643	1,344,265	4.6%
SCHOOL ADMINISTRATION	2,258,109	2,387,484	5.7%
TRANSPORTATION & BUSES	1,689,044	1,859,452	10.1%
FACILITIES MAINTENANCE	3,942,077	4,143,326	5.1%
DEBT SERVICE	4,906,153	4,918,980	0.3%
ALL OTHER EXPENDITURES	407,874	423,109	3.7%
SUBTOTAL	<u>44,784,796</u>	<u>46,093,804</u>	
ADULT EDUCATION	20,000	20,000	0.0%
TOTAL	<u>\$44,804,796</u>	<u>\$46,113,804</u>	2.9%

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

<i>DESCRIPTION</i>	<i>2011-12 BUDGETED REVENUES</i>	<i>2012-13 BUDGETED REVENUES</i>	<i>2013-14 BUDGETED REVENUES</i>	<i>2014-15 BUDGETED REVENUES</i>	<i>2015-16 ESTIMATED REVENUES</i>
<i>USE OF FUND BALANCE</i>	\$1,200,000	\$1,050,000	\$875,000	\$677,117	\$500,000
<i>TUITION FOR STATE AGENCY CLIENTS</i>	175,000	75,000	25,000	25,000	25,000
<i>STUDENT ADM.</i>	20,000	20,000	25,000	25,000	35,000
<i>OTHER REVENUE</i>	18,000	18,000	15,840	19,800	19,800
<i>STATE SUBSIDY</i>	2,123,289	3,103,278	4,613,723	5,275,585	est. 5,662,701
<i>FEDERAL STATE STABILIZATION FUNDS*</i>	371,414	-	-	-	-
<i>FEDERAL EDUCATION JOBS FUNDS*</i>	1,226,140	-	-	-	-
<i>MAINE CARE</i>	220,000	120,000	50,000	50,000	100,000
<i>PORTLAND TRANSPORTATION AGRMT</i>	77,350	77,350	78,666	78,666	117,713
<i>TRANSFER IN FROM BRICKHILL TIF</i>	150,517	145,046	153,683	162,748	197,384
<i>TRANSFER IN SRO/BUS/TECH RESERVES</i>	-	175,419	53,750	95,863	198,015
<i>SUB TOTAL REVENUE</i>	3,984,156	4,784,093	5,890,662	6,409,779	6,855,613
<i>LOCAL EFFORT - OPERATING</i>	34,083,256	35,232,648	37,111,895	38,395,017	39,258,191
<i>TOTAL REVENUE</i>	\$38,067,412	\$40,016,741	\$43,002,556	\$44,804,796	\$46,113,804
<i>* Not part of local operating budget.</i>					

**SOUTH PORTLAND SCHOOL DEPARTMENT
TAX CALCULATION**

	2011-12	2012-13	2013-14	2014-15	2015-16
PART I LOCAL OPERATING BUDGET	\$38,047,412	\$39,471,741	\$40,745,456	\$42,063,118	\$43,180,980
ADULT EDUCATION BUDGET	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
SPHS BOND/INTEREST PAYMENT	\$0	\$525,000	\$2,237,100	\$2,721,678	\$2,912,824
TOTAL SCHOOL OPERATING BUDGET	\$38,067,412	\$40,016,741	\$43,002,556	\$44,804,796	\$46,113,804
REVENUE & ADJUSTMENTS:					
PART I REVENUE	\$2,784,156	\$3,734,093	\$5,015,662	\$5,732,662	\$6,355,613
USE OF FUND BALANCE	1,200,000	1,050,000	875,000	677,117	500,000
TOTAL SCHOOL FUNDS AVAILABLE	\$3,984,156	\$4,784,093	\$5,890,662	\$6,409,779	\$6,855,613
TOTAL AMOUNT TO BE RAISED BY TAXES	\$34,083,256	\$35,232,648	\$37,111,895	\$38,395,017	\$39,258,191
ASSESSED VALUATION	\$3,357,000,000	\$3,383,000,000	est. \$3,410,000,000	est. \$3,425,000,000	est. \$3,444,000,000
SPHS ADDITION/RENOVATION DEBT					
BOND PAYMENT AMOUNTS	\$0	\$525,000	\$2,237,100	\$2,721,678	\$2,912,824
LESS: EXPIRING DEBT	\$0	\$0	(52,305)	(65,469)	(179,860)
NET BOND PAYMENT	\$0	525,000	2,184,795	2,656,210	2,732,964
MIL RATE	\$0.00	\$0.16	\$0.64	\$0.78	\$0.79
CHANGE IN MIL RATE FROM PRIOR YEAR	\$0.00	\$0.16	\$0.49	\$0.13	\$0.02
SECONDARY SCHOOL RESERVE					
TOTAL RESERVE COLLECTED	\$1,050,000	\$1,350,000	\$0	\$0	\$0
MIL RATE	\$0.31	\$0.40	\$0.00	\$0.00	\$0.00
CHANGE IN MIL RATE FROM PRIOR YEAR	\$0.20	\$0.09	(\$0.40)	\$0.00	\$0.00
NET ADDITION TO MIL RATE FOR SPHS ADDITION/RENOVATION BOND			\$0.09	\$0.13	\$0.02
INCREASE IN TOTAL TAXES RELATED TO INCREASE IN SPHS BOND EXPENSES			0.85%	1.27%	0.20%
SCHOOL OPERATING					
OPERATING AMOUNT FROM TAXES	\$34,083,256	\$34,707,648	\$34,927,100	\$35,738,807	\$36,525,226
MIL RATE	\$10.15	\$10.26	\$10.24	\$10.43	\$10.61
TAX INCREASE (\$)	\$333,557	\$624,392	\$219,451	\$811,708	\$786,419
TAX INCREASE (%)	0.99%	1.83%	0.63%	2.32%	2.20%
CHANGE IN MIL RATE FROM PRIOR YEAR	\$0.10	\$0.11	(\$0.017)	\$0.192	\$0.171
COMBINED SCHOOL OPERATING AND DEBT					
TOTAL TAX COLLECTED	\$35,133,256	\$36,582,648	\$37,111,895	\$38,395,017	\$39,258,191
TAX RATE	\$10.47	\$10.81	\$10.88	\$11.21	\$11.40
TAX INCREASE (%)	2.95%	4.13%	1.45%	3.46%	2.25%
MIL RATE INCREASE	\$0.30	\$0.35	\$0.070	\$0.327	\$0.189

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Debt - an obligation resulting from the borrowing of money.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Surplus – See **Fund Balance**.

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

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