

APPENDIX TO THE FY 2018 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2016

South Portland Budget History

Municipal Property Tax Levy Limit

School Department Budget

Glossary of Terms

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

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

(Ref. of 6-13-78)

[Sec.] 503. Budget a public record.

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

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

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

(Ref. of 6-13-78)

[Sec.] 505. Public hearing on budget.

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

[Sec.] 506. Further consideration of budget.

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

[Sec.] 507. Increase of budget.

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

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

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

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

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

(P.&S.L. 1967, Ch. 37, § 4)

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

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

[Sec.] 511. Budget establishes appropriations.

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

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

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

(Ref of 11/2/04)

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

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

[Sec.] 905. Powers and duties.

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

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



Independent Auditor's Report

City Council
City of South Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIF Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Portland, Maine's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and schedules 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 16, 2017, 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 16, 2017
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis
June 30, 2016

This section of the Comprehensive Annual Financial Report of the City of South Portland presents a narrative overview and analysis of the financial activities of the City of South Portland for the fiscal year ended June 30, 2016. We encourage readers to use the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements, and the accompanying notes to those financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City of South Portland exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$168,809,569 (*net position*). Of this amount, \$22,158,100 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net position of \$105,803,868, an increase of \$3,648,828 in comparison with the prior year. Approximately 13.12% of this total amount, \$13,880,761, is *available for spending* at the City's discretion (*unrestricted net position*).
- For the fund financial statements, at the end of the current fiscal year, unassigned fund balance for the general fund was \$13,320,584, or 17.06% of total general fund expenditures (*budgetary basis*).
- The City's total bonded debt decreased by \$803,613 during the current fiscal year as a result of repayments on existing bonds \$4,203,613 and forgiveness of \$100,000 exceeding new debt of \$3,500,000.
- Voters in 2013 approved a bond referendum for \$14,000,000 for the construction of a new community services facility housing the Public Works, Parks, and Bus operations and maintenance garage. During the year, the City started construction on this facility with financing obtained shortly after yearend. The project is anticipated to be completed in the fall of 2017.
- Last year, the City implemented the new GASB Statement No. 68 pension standard. This year's government-wide financial statements reflected a fairly significant swing in the total net liability and related inflows and outflows. The net effect of these adjustments resulted a decrease in net position of \$1,754,973.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found on pages 75-116 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Portland, assets and deferred outflows exceeded liabilities and deferred inflows by \$168,809,569 at the close of the most recent fiscal year.

City of South Portland's Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 48,462,422	\$ 48,862,520	\$ 14,523,320	\$ 11,121,505	\$ 62,985,742	\$ 59,984,025
Capital assets	127,130,252	126,376,831	53,877,012	51,360,421	181,007,264	177,737,252
Deferred outflows	2,783,094	2,304,049	-	-	2,783,094	2,304,049
Total assets and outflows	178,375,768	177,543,400	68,400,332	62,481,926	246,776,100	240,025,326
Long-term liabilities	63,673,640	63,161,035	4,030,131	647,783	67,703,771	63,808,818
Other liabilities	7,476,284	8,294,745	1,364,500	630,043	8,840,784	8,924,788
Deferred inflows	1,421,976	3,932,580	-	-	1,421,976	3,932,580
Total liabilities and inflows	72,571,900	75,388,360	5,394,631	1,277,826	77,966,531	76,666,186
Net investment						
in capital assets	79,523,948	75,413,372	50,111,131	50,967,438	129,635,079	126,380,810
Restricted	12,399,159	11,581,748	4,617,231	2,152,583	17,016,390	13,734,331
Unrestricted	13,880,761	15,159,920	8,277,339	8,084,079	22,158,100	23,243,999
Total net position	\$ 105,803,868	\$ 102,155,040	\$ 63,005,701	\$ 61,204,100	\$ 168,809,569	\$ 163,359,140

By far, the largest portion of the City of South Portland's net position (76.79% or \$129,635,079) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, net of depreciation); 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 (10.08% or \$17,016,390) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (13.13% or \$22,158,100) 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 \$5,450,429 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

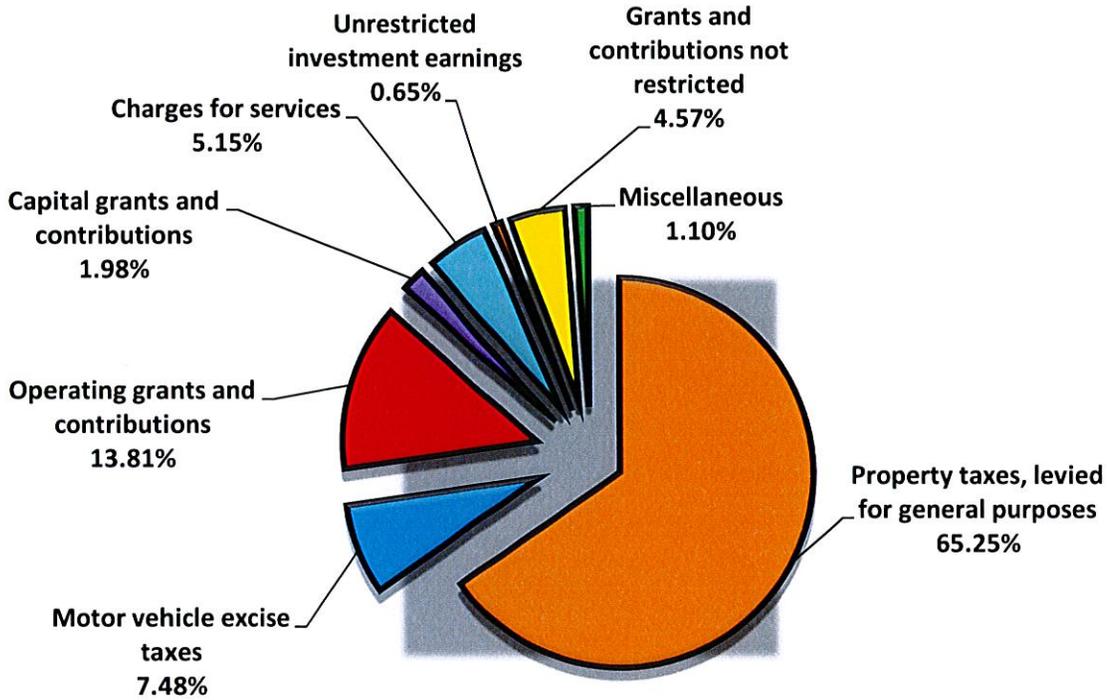
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,988,513	\$ 4,175,642	\$ 5,922,343	\$ 5,820,329	\$ 10,910,856	\$ 9,995,971
Operating grants and contributions	13,373,025	13,459,862	-	-	13,373,025	13,459,862
Capital grants and contributions	1,917,714	382,528	100,000	-	2,017,714	382,528
General revenues:						
Property and other taxes	70,424,578	68,249,072	-	-	70,424,578	68,249,072
Grants and contributions not restricted to specific programs	4,427,881	4,321,318	-	-	4,427,881	4,321,318
Other	1,695,396	1,902,594	76,744	48,777	1,772,140	1,951,371
Total revenues	96,827,107	92,491,016	6,099,087	5,869,106	102,926,194	98,360,122
Expenses:						
General government	13,747,918	10,584,081	-	-	13,747,918	10,584,081
Public safety	13,000,756	12,766,963	-	-	13,000,756	12,766,963
Public works	6,873,549	7,510,853	-	-	6,873,549	7,510,853
Culture and recreation	4,587,976	4,440,715	-	-	4,587,976	4,440,715
Transportation and waterfront	1,596,383	1,519,381	-	-	1,596,383	1,519,381
Health, wealth and social services	521,834	369,616	-	-	521,834	369,616
Interest on debt service	1,328,266	1,436,958	-	-	1,328,266	1,436,958
Education	49,664,988	49,178,808	-	-	49,664,988	49,178,808
Sewer	-	-	6,154,095	6,147,313	6,154,095	6,147,313
Total expenses	91,321,670	87,807,375	6,154,095	6,147,313	97,475,765	93,954,688
Increase (decrease) in net position before transfers	5,505,437	4,683,641	(55,008)	(278,207)	5,450,429	4,405,434
Transfers	(1,856,609)	(195,242)	1,856,609	195,242	-	-
Increase (decrease) in net position	3,648,828	4,488,399	1,801,601	(82,965)	5,450,429	4,405,434
Net position - beginning of year	102,155,040	97,666,641	61,204,100	61,287,065	163,359,140	158,953,706
Net position - end of year	\$ 105,803,868	\$ 102,155,040	\$ 63,005,701	\$ 61,204,100	\$ 168,809,569	\$ 163,359,140

Governmental activities. During this past fiscal year, Governmental activities saw an increase in the City of South Portland's net position of \$3.649 million. This amount represented an increase in the net position of 3.57%. Key elements of this increase are as follows:

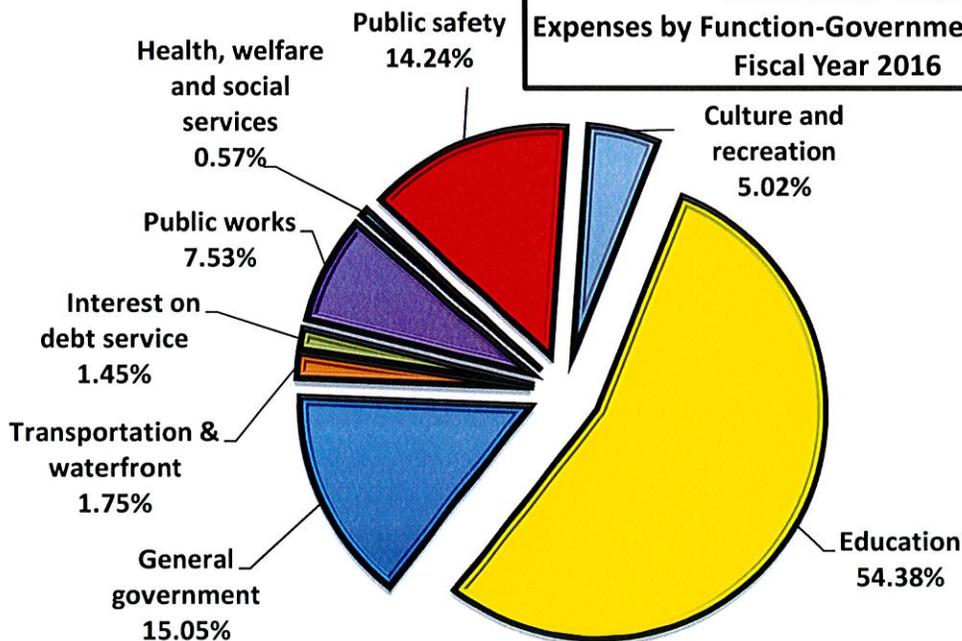
- Property and other taxes increased by \$2.18 million (3.2%). This was primary due to an increase in taxes to support the School and City budgets and an increase in motor vehicle excise revenues.
- Capital grants increased significantly from the prior year as a result of Federal/State grants for the Main Street projects totaling \$1.17 million and Federal Transit grants related to the new Municipal Services Facility totaling \$392K in FY16.
- Total expenses increased by \$3.51 million (1.6%). The largest increase in expenses was for general government of \$3.164 million primarily the result of the negative impact of the pension obligation increasing which was a swing of \$2.98 million.

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

**Government -wide
 Revenues by Source -Governmental Activities
 Fiscal Year 2016**



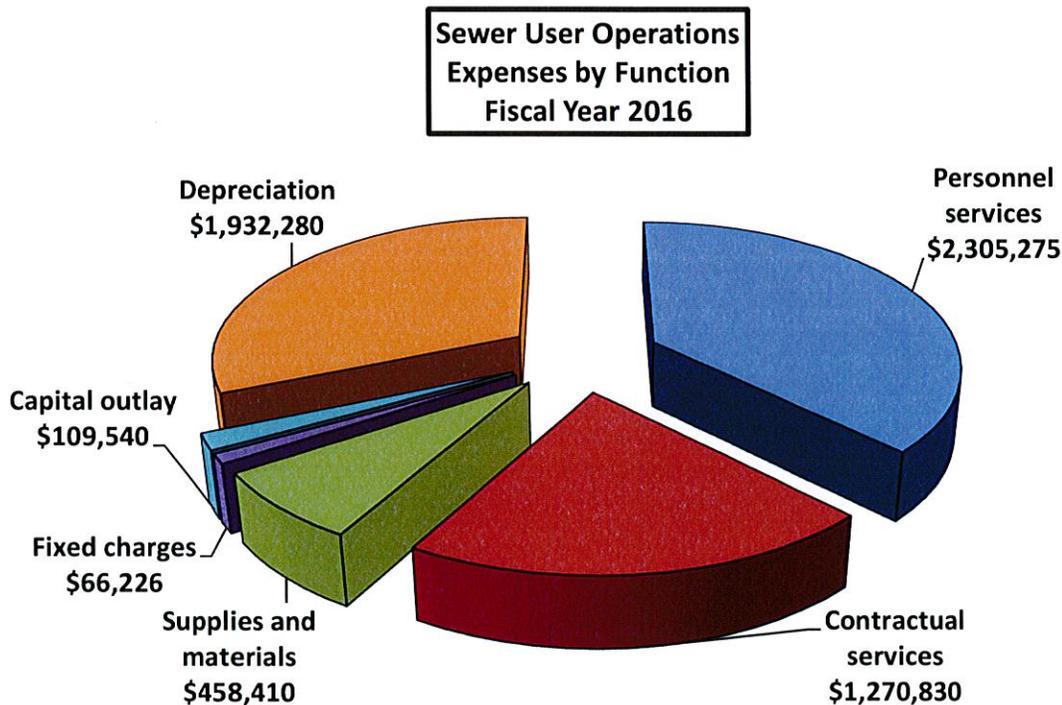
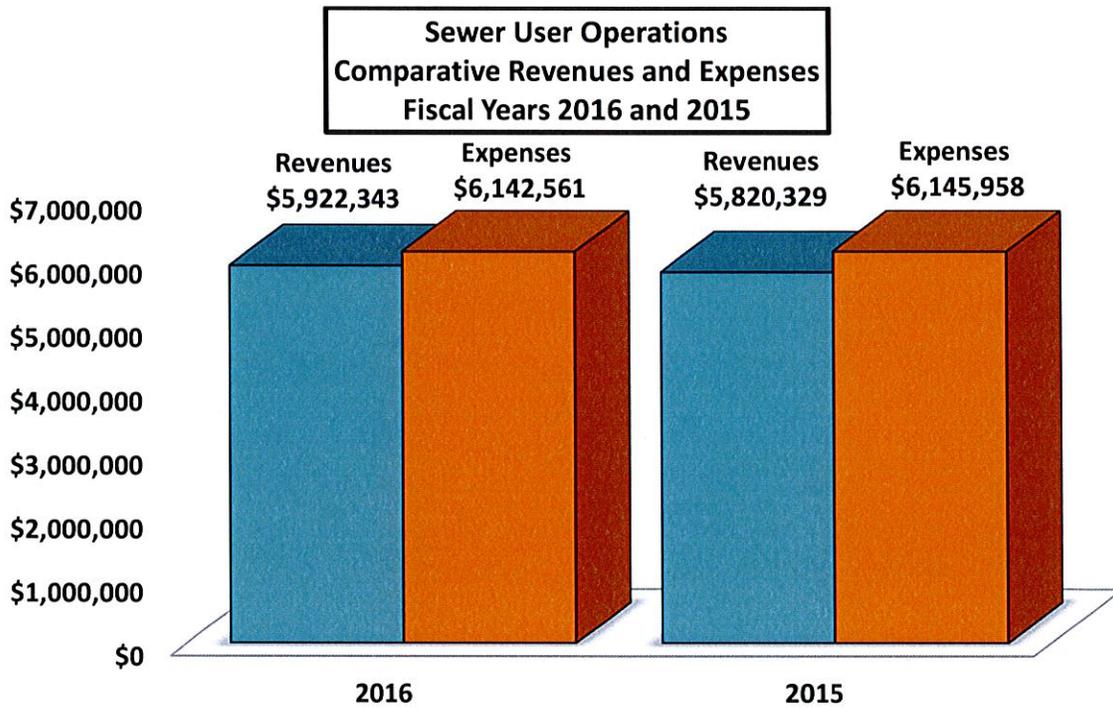
**Government -wide
 Expenses by Function-Governmental Activities
 Fiscal Year 2016**



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

Business-type activities. The City's business-type activities, which consists of sewer user operations, net position increased by \$1.8 million. This was primarily the result of a significant contribution from TIF funds for infrastructure totaling approximately \$1.3 million.

Revenues for business-type activities increased by \$102K due to basically flat residential consumption with a small rate hike during the year. Total operating expenses for business-type activities were flat in total with increases in personnel services (\$146), contractual (\$37K), and capital (\$48K) which were offset primarily by decreases in supplies and materials (-\$182K), fixed charges (\$-13K) and depreciation (\$-40K). The below graphs provide a more visual view of the last two year's operations and expenditure components.



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 \$40.86 million, an increase of \$568 thousand in comparison with the prior year. With increases in the general fund of \$1.4 million and TIF funds of \$933 thousand while a decrease in the capital projects funds of \$2.2 million.

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 \$23,751,638. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. General fund fund balance represents 29.12% of total general fund expenditures (\$81,571,117). Under the breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2016, general fund restricted and nonspendable balances for education totaled \$2,813,159. 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 \$924,791 during the year, primarily as a result of additional funds being set aside for future needs.

In 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 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, 2016, the unassigned fund balance was \$13,320,584 or 16.1% of the City's FY 2017, budget (\$82,787,929).

The total fund balance of the City of South Portland's general fund increased by \$1,415,102 during the current fiscal year. Key factors in this change are as follows:

- Total actual revenues collected exceeded budgeted by approximately \$3,415,616. The largest budgetary surplus resulted from excise taxes collected in excess of budget totaling approximately \$1.8 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 \$579 thousand with a substantial decrease in delinquent taxes. Additionally, estimated budgets for various revenues were exceeded; State revenue sharing (\$100K), State Education Subsidy (\$404K), and building permits (\$355K). 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 million. The major discrepancies included: unexpended education appropriations (\$417K), Citywide insurance and benefit costs (\$183K), Public works (\$92K) and the parks and recreation department (\$96K) 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 2016-17 capital improvement budget, the City appropriated \$1.13 million from unassigned fund balance to fund certain City capital projects. Additionally, the Council set aside an additional \$700K for tax rate stabilization, \$710K for the Municipal Services Facility and \$678K to fund the clear skies legal reserve.

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

TIF - The TIF (Tax Increment Financing) fund includes all of the activity in the City's ten tax increment financing districts. At the end of the current fiscal year, the total fund balance of the TIF fund was \$7,450,075, 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 \$1.275 million towards sewer, storm water, and public works capital improvement projects.

Capital Projects - The capital projects fund has a total fund balance of \$4,532,591. During the year, the fund balance decreased as a result of the expenditure of approximately \$3.1 million expended for the start of construction of the Municipal Services Facility that was approved by the voters in November of 2013.

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

Unrestricted net position of the sewer user fund at the end of the year amounted to \$8,277,339, an increase of \$193K. 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 \$412K, of which revenues came in greater than anticipated by \$231K and expenditures came in approximately \$181K under budget.

Budgetary Highlights

General Fund:

Revenue for the general fund totaled \$82,078,066 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2016. Actual revenues exceeded estimates by \$3,415,616.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 65,694,084	\$ 68,117,887	\$ 2,423,803
Intergovernmental	9,856,053	10,372,910	516,857
Licenses, permits, fees and fines	800,650	1,162,225	361,575
Charges for services	1,777,863	1,825,550	47,687
Unclassified	143,800	171,303	27,503
Interest earned	390,000	428,191	38,191
Total revenues	\$ 78,662,450	\$ 82,078,066	\$ 3,415,616

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$2.424 million of which \$1.816 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 \$579K as a result of a significant increase in the collection of delinquent taxes.
- State education subsidy surplus of \$404K and State Revenue sharing surplus of \$100K.
- Building permit licenses came in with a surplus of \$355K primarily the result of one large project.
- An investment earnings surplus of \$38K as a result of better interest rates on investments during the year.

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

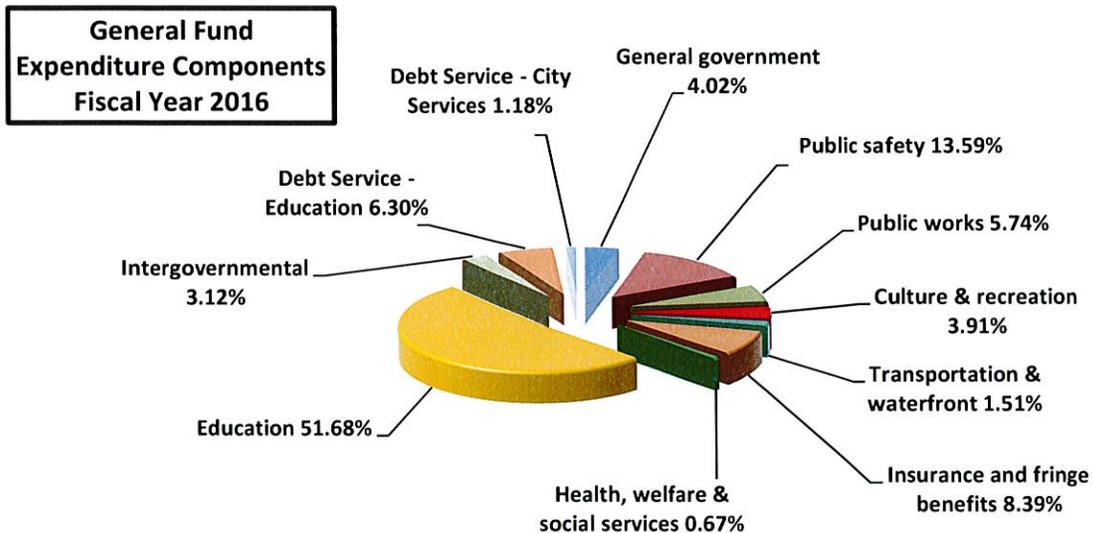
Expenditures for the general fund totaled \$78,063,660 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2016.

General Fund Expenditures Budget to Actual Summary

	Budget	Actual	Variance
Expenditures:			
General government	\$ 3,051,133	\$ 2,976,064	\$ 75,069
Public safety	10,699,751	10,607,791	91,960
Public works	4,576,965	4,484,640	92,325
Culture and recreation	3,183,254	3,052,062	131,192
Transportation and waterfront	1,184,513	1,182,609	1,904
Health, welfare and social services	522,179	521,834	345
Education	45,678,804	45,261,254	417,550
Insurance and fringe benefits	6,735,370	6,552,162	183,208
Intergovernmental	2,434,056	2,434,056	-
Other	84,900	67,832	17,068
Debt Service	926,356	923,356	3,000
Total expenditures	\$ 79,077,281	\$ 78,063,660	\$ 1,013,621

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 \$75K with surpluses of \$20K in City Council, \$16K in Finance and \$17K in Human Resource expenditures.
- Public safety expenditures were under budget \$92K, with a police surplus (\$47K), and Code enforcement (\$31K) making up the larger components.
- Public works had a much milder winter and finished the year with a streets and sidewalks division surplus (\$22K), rubbish disposal division surplus (\$144K) which was offset with a Transfer Facility shortfall (\$113K). With the transition from the old to new transfer facility there was a significant amount of disposal costs for materials at the old facility to make room for the new construction.
- Citywide insurance and benefits had a surplus (\$183K), which was mostly from health insurance savings.
- Education had a surplus of \$417K attributable to lower than anticipated expenditures for the various Elementary Schools (\$58K) Middle Schools (\$115K), High School (\$33K), Special Education (\$103K) and Transportation (\$84K).



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, 2016 amounts to \$181,007,264 (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 1.84% (a 0.6% increase for governmental activities and a 4.9% increase for business-type activities). The chart below shows how the City's investment changes over time as a result of the effects of depreciation. Is the community investing and keeping up with depreciation?

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 8,912,149	\$ 9,373,049	\$ 1,221,558	\$ 1,221,558	\$ 10,133,707	\$ 10,594,607
Buildings	90,387,728	92,694,440	16,932,212	15,772,984	107,319,940	108,467,423
Improvements other than buildings	2,529,700	1,486,523	-	-	2,529,700	1,486,523
Machinery and equipment	5,147,281	5,434,842	4,923,488	5,337,273	10,070,769	10,772,112
Infrastructure	13,555,925	11,368,839	28,328,679	27,289,667	41,884,604	38,658,505
Construction in progress	2,510,150	1,759,808	2,340,068	1,540,307	4,850,218	3,300,115
Vehicles	4,087,318	4,259,330	131,007	198,632	4,218,325	4,457,967
Total	\$ 127,130,252	\$ 126,376,831	\$ 53,877,012	\$ 51,360,421	\$ 181,007,264	\$ 177,737,252

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

- Transfer Station and related building land improvements for \$1.79 million and preliminary construction costs for the new at the new Municipal Services Facility totaling \$1.43 million.
- Thornton Heights Main Street road and sidewalk improvements totaling \$2.7 million and related sewer and storm water phase 2 improvements for \$1.67 million.
- Sale of the Armory and related land to a developer for \$690,000.
- Various vehicles purchased included a Bus Service truck totaling \$78K, various police vehicles totaling \$161K, a new grounds mower for \$74K, and various other City vehicles totaling \$143K and school bus vehicles totaling \$259K.
- Multi-use path and bike and pedestrian improvements along Main Street totaling \$273K.
- Various roof and ceiling improvements at various schools totaling \$243K.
- Various paving and sidewalk projects totaling \$747K.
- Building addition for Water Resource Protection at the Waterman Drive complex totaling \$1.9 million.
- Various IT and network projects totaling \$252K.
- As well as various other projects throughout the City.

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

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

Long-term debt. The State allows municipalities to borrow up to 15% of their total valuation. With the City's State Valuation at \$3,696,350,000 for 2016, the debt limit would be over \$554 million. Our current debt is \$48,067,973 or about 1.30% of State Valuation or approximately 8.7% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2016, the City of South Portland's debt per capita (including lease obligations and debt premium) was \$2,097 as compared to the prior year of \$2,146.

The following is a summary of bond transactions of the City for the year ended June 30, 2016:

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds payable at June 30, 2015	\$ 48,478,603	392,983	48,871,586
Principal additions	-	3,500,000	3,500,000
Principal forgiveness	-	(100,000)	(100,000)
Principal payments	(4,176,511)	(27,102)	(4,203,613)

General Obligation Bonds payable at June 30, 2016 \$ 44,302,092 3,765,881 48,067,973

The City voters approved a bond referendum in November of 2013 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. Subsequent to year end, the City issued bonds totaling \$12,700,000 for this project.

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

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

Economic Factors and Next Year's Budgets and Rates

South Portland continues to be the retail center for Northern New England with a diverse economic base that includes a regional mall, numerous large insurance and financial service companies, two semi-conductor manufacturing plants, hotels and restaurants, and petroleum distribution facilities. Development has continued with strong building permit activity for each of the past few fiscal years.

- The November 2016 unemployment rate for the Portland/South Portland area is currently at 3.1% which is 0.2% less from the rate a year ago of 3.3%. This rate compares favorably to the state's average unemployment rate of 4.0% and the national average rate of 4.6%.
- As of June 2016, the vacancy rate for Class A office space in the Suburban Greater Portland area was 8.86% up from 6.22% in June of 2015 and the vacancy rate for Class B office space Suburban Greater Portland area was 10.28% up from 8.98% in June of 2015.

In adopting the budget for the ensuing fiscal year 2017, 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 (2017), 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:

- For FY17, the City expects to experience flat funding for both school aide and state revenue sharing. However, the State budget continues to attack local revenue sharing and the distribution of funding for other local programs.
- The City continues to promote economic development and has experienced strong building permits in the past few years. Monitoring and maintain conservative estimates going forward.

Property Values and Business Development:

- The regional economy has seen fairly strong growth in property values. Vacancy rates in the mall area appear to flat and the City has been working with businesses to assist in business development.
- Housing prices have rebounded and the market for coastal properties is especially strong. Available rental housing stock is limited with rates rising significantly.
- The City has developed a new economic development plan and is rolling elements this year and next.
- The City has established a new Growth TIF district and will continue 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. This has allowed the City rate increases to be modest as compared to many other communities and businesses. The City feels that by having a healthier workforce its long-term cost for both health and worker's compensation insurance will be reduced. The City recently received notice that the increase for the coming year will be a 6.1% increase, well below the State average.
- The employer cost for funding the City's defined benefit retirement plan has increased steadily each of the past several years.
- The costs of maintaining our facilities, vehicles, and infrastructure including expanding paving streets.
- Heating and vehicle fuels prices have fallen dramatically and will have a positive impact to future year's budgets.
- The City has hired a sustainability coordinator who will be looking at ways to reduce energy usage and is looking at options for solar including the possibility of a solar farm on the City's closed landfill.

The fiscal year 2017 budget was approved in June 2016, with a \$2,880,080 (3.6%) increase in the overall general fund expenditure budget. Due to increases in various revenues, the impact to property taxes was an increase of \$1,013,305 (1.69%). Overall the tax rate increased (1.72%) to 17.70 per thousand from the prior year 17.40.

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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 48,085,392	-	48,085,392
Investments	6,442,141	-	6,442,141
Cash held in escrow	-	3,500,000	3,500,000
Receivables, net of allow. of \$710,813 and \$86,850	3,185,540	580,279	3,765,819
Taxes receivable	824,599	-	824,599
Tax liens and tax acquired property	170,266	-	170,266
Prepaid expenses	117,915	-	117,915
Inventory	29,610	-	29,610
Internal balances	(10,443,041)	10,443,041	-
Restricted assets, cash	50,000	-	50,000
Capital assets, not being depreciated	11,422,300	3,561,626	14,983,926
Capital assets, net of accumulated depreciation	115,707,952	50,315,386	166,023,338
Total assets	175,592,674	68,400,332	243,993,006
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	2,783,094	-	2,783,094
Total deferred outflows of resources	2,783,094	-	2,783,094
LIABILITIES			
Accounts payable	1,733,923	1,332,052	3,065,975
Accrued liabilities	929,721	27,544	957,265
Accrued interest	573,342	4,904	578,246
Accrued teachers' summer salaries	4,239,298	-	4,239,298
Non-current liabilities:			
Due within one year	5,683,859	290,858	5,974,717
Due in more than one year	57,989,781	3,739,273	61,729,054
Total liabilities	71,149,924	5,394,631	76,544,555
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,421,976	-	1,421,976
Total deferred inflows of resources	1,421,976	-	1,421,976
NET POSITION			
Net investment in capital assets	79,523,948	50,111,131	129,635,079
Restricted for:			
Permanent Funds - Nonexpendable principal	198,949	-	198,949
Permanent Funds - Expendable	144,615	-	144,615
Education	2,813,159	-	2,813,159
Other grants	1,792,361	-	1,792,361
Tax Increment Financing	7,450,075	-	7,450,075
Capital	-	4,617,231	4,617,231
Unrestricted	13,880,761	8,277,339	22,158,100
Total net position	\$ 105,803,868	63,005,701	168,809,569

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Activities
For the year ended June 30, 2016

Functions/programs	Net (expense) revenue and changes in net position					
	Program Revenues			Primary Government		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
Primary governmental activities:						
General government:						
General government	\$ 13,747,918	831,509	572,717	-	(12,343,692)	-
Public safety	13,000,756	1,715,339	203,949	-	(11,081,468)	-
Public works	6,873,549	308,979	-	1,429,047	(5,135,523)	-
Culture and recreation	4,587,976	1,078,408	-	-	(3,509,568)	-
Transportation and waterfront	1,596,383	389,317	560,649	488,667	(157,750)	-
Health, welfare and social services	521,834	-	284,231	-	(237,603)	-
Education	49,664,988	664,961	11,751,479	-	(37,248,548)	-
Interest on debt service	1,328,266	-	-	-	(1,328,266)	-
Total governmental activities	91,321,670	4,988,513	13,373,025	1,917,714	(71,042,418)	-
Business-type activities:						
Sewer	6,154,095	5,922,343	-	100,000	-	(131,752)
Total business-type activities	6,154,095	5,922,343	-	100,000	-	(131,752)
Total primary government	\$ 97,475,765	10,910,856	13,373,025	2,017,714	(71,042,418)	(131,752)
General revenues:						
Property taxes, levied for general purposes					63,183,208	63,183,208
Motor vehicle excise taxes					7,241,370	7,241,370
Cable television franchise					120,000	120,000
Grants and contributions not restricted to specific programs:						
State Revenue Sharing					1,285,328	1,285,328
Homestead exemption					484,938	484,938
Other State aid					2,657,615	2,657,615
Unrestricted investment earnings					630,112	706,856
Miscellaneous					945,284	945,284
Transfers					(1,856,609)	1,856,609
Total general revenues and transfers					74,691,246	1,933,353
Change in net position					3,648,828	1,801,601
Net position - beginning					102,155,040	61,204,100
Net position - ending					105,803,868	63,005,701

See accompanying notes to basic financial statements.

168,809,569

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2016

	General	Tax Incremental Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 37,165,601	7,459,265	3,460,526	-	48,085,392
Investments	5,427,170	-	-	1,014,971	6,442,141
Due from other governments	609,538	-	1,272,769	789,338	2,671,645
Accounts receivable, net of allowance of \$710,813	352,778	6,712	-	95,020	454,510
Taxes receivable	824,599	-	-	-	824,599
Tax liens and tax acquired property	170,266	-	-	-	170,266
Interfund loans receivable	-	-	-	3,630,610	3,630,610
Prepaid expenditures	104,615	-	-	13,300	117,915
Inventory	-	-	-	29,610	29,610
Restricted assets, cash	50,000	-	-	-	50,000
Total assets	\$ 44,704,567	7,465,977	4,733,295	5,572,849	62,476,688
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	1,401,611	15,902	200,704	115,706	1,733,923
Accrued liabilities	856,019	-	-	73,702	929,721
Interfund loans payable	14,014,266	-	-	-	14,014,266
Accrued teachers' summer salaries	3,985,033	-	-	254,265	4,239,298
Total liabilities	20,256,929	15,902	200,704	443,673	20,917,208
Deferred inflows of resources:					
Unavailable revenue - property taxes	696,000	-	-	-	696,000
Total deferred inflows of resources	696,000	-	-	-	696,000
Fund balances:					
Nonspendable	104,615	-	-	241,859	346,474
Restricted	2,708,544	7,450,075	-	1,894,066	12,052,685
Committed	4,344,471	-	5,577,468	3,007,676	12,929,615
Assigned	3,273,424	-	-	-	3,273,424
Unassigned	13,320,584	-	(1,044,877)	(14,425)	12,261,282
Total fund balances	23,751,638	7,450,075	4,532,591	5,129,176	40,863,480
Total liabilities, deferred inflows of resources, and fund balances	\$ 44,704,567	7,465,977	4,733,295	5,572,849	

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.	127,130,252
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	696,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Bond premiums	(2,046,566)
Accrued compensated absences	(3,522,500)
Other postemployment benefits liability	(1,781,758)
Accrued interest	(573,342)
Landfill closure	(147,000)
Capital leases	(2,307,319)
Net pension liability with related deferred inflows and outflows of resources	(8,205,287)
Bonds payable	(44,302,092)

Net position of governmental activities

\$ 105,803,868

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, 2016

	General	Tax Increment Financing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 68,117,887	2,485,691	-	20,000	70,623,578
Intergovernmental	12,926,610	1,087,867	1,660,324	4,043,819	19,718,620
Licenses, permits, fees and fines	1,162,225	-	-	-	1,162,225
Charges for services	1,825,550	-	-	2,120,738	3,946,288
Unclassified	621,105	-	469,798	516,364	1,607,267
Interest earned	471,910	65,656	21,917	70,629	630,112
Total revenues	85,125,287	3,639,214	2,152,039	6,771,550	97,688,090
Expenditures:					
Current:					
General government	9,860,593	122,266	-	843,908	10,826,767
Public safety	10,880,649	-	-	174,490	11,055,139
Public works	4,541,932	141,165	-	173,468	4,856,565
Culture and recreation	3,032,965	-	-	853,403	3,886,368
Transportation and waterfront	1,202,083	-	-	86,373	1,288,456
Health, welfare and social services	521,834	-	-	-	521,834
Education	43,126,739	-	-	2,459,953	45,586,692
School lunch program	-	-	-	1,721,538	1,721,538
Intergovernmental	2,434,056	-	-	-	2,434,056
Other	92,801	942,041	-	1,731	1,036,573
Debt service	5,842,336	-	250,000	-	6,092,336
Capital expenditures	35,129	-	6,113,072	-	6,148,201
Total expenditures	81,571,117	1,205,472	6,363,072	6,314,864	95,454,525
Excess (deficiency) of revenues over (under) expenditures	3,554,170	2,433,742	(4,211,033)	456,686	2,233,565
Other financing sources (uses):					
Transfers in	2,456,079	-	2,010,191	209,328	4,675,598
Transfers out	(4,786,007)	(1,500,419)	-	(245,781)	(6,532,207)
Issuance of debt	190,860	-	-	-	190,860
Total other financing sources (uses)	(2,139,068)	(1,500,419)	2,010,191	(36,453)	(1,665,749)
Net change in fund balances	1,415,102	933,323	(2,200,842)	420,233	567,816
Fund balances, beginning of year	22,336,536	6,516,752	6,733,433	4,708,943	40,295,664
Fund balances, end of year	\$ 23,751,638	7,450,075	4,532,591	5,129,176	40,863,480

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, 2016

Net change in fund balances - total governmental funds (from Statement 4)	\$	567,816
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital acquisitions (\$7,120,178) exceed book value of disposed assets (\$661,982) and depreciation (\$5,704,775).		753,421
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.		(199,000)
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 repayments reduces long-term liabilities in the statement of net position. This is the amount of repayments (\$374,953) that exceeds proceeds (\$190,860).		184,093
Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - accrued compensated absences (\$99,200), accrued interest (-\$49,547), net pension liability with deferred outflows and inflows of resources, (\$1,754,973) and other postemployment benefits liability (\$226,204).		(2,030,830)
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.		(50,760)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. During the year, the City did not issue any new debt. Governmental funds report the effects of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. During the year, the City amortized \$247,577 of bond premiums. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. For the year, the amount of repayments was \$4,176,511.		4,424,088
Change in net position of governmental activities (see Statement 2)	\$	3,648,828

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, 2016

	General Fund				TIF Funds				Variance with final budget positive (negative)
	Budget		Actual	Variance with final budget positive (negative)	Budget		Actual	Variance with final budget positive (negative)	
	Original	Final			Original	Final			
Revenues:									
Taxes	\$ 65,694,084	65,694,084	68,117,887	2,423,803	2,447,500	2,447,500	2,485,691	38,191	(62,133)
Intergovernmental	9,737,053	9,856,053	10,372,910	516,857	1,150,000	1,150,000	1,087,867	-	-
Licenses, permits, fees and fines	800,650	800,650	1,162,225	361,575	-	-	-	-	-
Charges for services	1,777,863	1,777,863	1,825,550	47,687	-	-	-	-	-
Unclassified	143,800	143,800	171,303	27,503	-	-	-	-	-
Interest earned	390,000	390,000	428,191	38,191	-	-	65,656	65,656	-
Total revenues	78,543,450	78,662,450	82,078,066	3,415,616	3,597,500	3,597,500	3,639,214	41,714	
Expenditures:									
Current:									
General government	10,201,568	9,786,503	9,528,226	258,277	175,518	175,518	122,266	53,252	-
Public safety	10,488,181	10,699,751	10,607,791	91,960	-	-	-	-	21,127
Public works	4,576,965	4,576,965	4,484,640	92,325	162,292	162,292	141,165	-	-
Culture and recreation	3,052,254	3,183,254	3,052,062	131,192	-	-	-	-	-
Transportation and waterfront	1,143,863	1,184,513	1,182,609	1,904	20,500	20,500	-	-	20,500
Health, welfare and social services	522,179	522,179	521,834	345	-	-	-	-	-
Education	45,678,804	45,678,804	45,261,254	417,550	-	-	-	-	-
Intergovernmental	2,434,056	2,434,056	2,434,056	-	-	-	942,041	-	-
Other	112,000	84,900	67,832	17,068	1,184,966	1,184,966	-	-	242,925
Debt service (excluding education)	926,356	926,356	923,356	3,000	-	-	-	-	-
Capital expenditures	-	-	-	-	1,906,291	630,669	-	-	630,669
Total expenditures	79,136,226	79,077,281	78,063,660	1,013,621	3,449,567	2,173,945	1,205,472	968,473	
Excess (deficiency) of revenues over (under) expenditures	(592,776)	(414,831)	4,014,406	4,429,237	147,933	1,423,555	2,433,742	1,010,187	
Other financing sources (uses):									
Budgeted use of surplus - City	-	3,216,772	-	(3,216,772)	83,561	83,561	-	(83,561)	-
Budgeted use of surplus - School	500,000	500,000	-	(500,000)	-	-	-	-	-
Transfer in	844,399	844,399	844,399	-	-	-	-	-	-
Transfers out	(751,623)	(4,146,340)	(4,482,992)	(336,652)	(231,494)	(1,507,116)	(1,500,419)	6,697	(76,864)
Total other financing sources (uses)	592,776	414,831	(3,638,593)	(4,053,424)	(147,933)	(1,423,555)	(1,500,419)	(76,864)	
Net change in fund balance - budgetary basis	-	-	375,813	375,813	-	-	933,323	933,323	
Reconciliation to GAAP basis:									
Change in encumbrances - City	-	-	15,042	15,042	-	-	-	-	-
Change in encumbrances - School	-	-	(121,103)	(121,103)	-	-	-	-	-
Change in unbudgeted teacher summer benefits	-	-	111,817	111,817	-	-	-	-	-
Change in reserves	-	-	1,033,533	1,033,533	-	-	-	-	-
Net change in fund balance - GAAP basis	-	-	1,415,102	1,415,102	-	-	933,323	933,323	
Fund balance, beginning of year	-	-	22,336,536	22,336,536	-	-	6,516,752	6,516,752	
Fund balance, end of year	\$ -	\$ -	23,751,638	23,751,638	\$ -	\$ -	7,450,075	7,450,075	

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Net Position
Proprietary Funds
June 30, 2016 and 2015

Business-type Activities - Enterprise Funds		
	Sewer	
	2016	2015
ASSETS		
Current assets:		
Receivables, net of allowance of \$86,850 and \$87,500, respectively	\$ 573,376	511,547
Cash held in escrow	3,500,000	-
Sewer liens	6,903	6,704
Interfund loans receivable	10,443,041	10,603,254
Total current assets	14,523,320	11,121,505
Noncurrent assets:		
Capital assets, not being depreciated	3,561,626	2,761,865
Capital assets	96,362,836	92,713,726
Accumulated depreciation	(46,047,450)	(44,115,170)
Total noncurrent assets	53,877,012	51,360,421
Total assets	68,400,332	62,481,926
LIABILITIES		
Current liabilities:		
Accounts payable	1,332,052	616,110
Accrued wages	27,544	13,933
Accrued interest	4,904	-
Current portion of noncurrent liabilities:		
Compensated absences	93,756	93,756
Bonds payable	197,102	27,102
Total current liabilities	1,655,358	750,901
Noncurrent liabilities:		
Compensated absences	170,494	161,044
Bonds payable	3,568,779	365,881
Total noncurrent liabilities	3,739,273	526,925
Total liabilities	5,394,631	1,277,826
NET POSITION		
Net investment in capital assets	50,111,131	50,967,438
Restricted for capital projects	4,617,231	2,152,583
Unrestricted	8,277,339	8,084,079
Total net position	\$ 63,005,701	61,204,100

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the years ended June 30, 2016 and 2015

Business-type Activities - Enterprise Funds		
	Sewer	
	2016	2015
Operating revenues:		
Charges for services	\$ 5,851,019	5,758,245
Interest and penalties	1,701	995
Licenses	69,623	61,089
Total operating revenues	5,922,343	5,820,329
Operating expenses:		
Personnel services	2,305,275	2,159,046
Contractual services	1,270,830	1,234,062
Supplies and materials	458,410	640,095
Fixed charges	66,226	79,372
Capital outlay	109,540	61,255
Depreciation	1,932,280	1,972,128
Total operating expenses	6,142,561	6,145,958
Operating loss	(220,218)	(325,629)
Nonoperating revenues (expenses):		
Interest revenue	76,744	48,777
Interest expense	(11,534)	(1,355)
Total nonoperating revenues (expenses)	65,210	47,422
Loss before transfers	(155,008)	(278,207)
Capital contributions	100,000	-
Transfers in	1,857,329	201,076
Transfer out	(720)	(5,834)
Total transfers and capital contributions	1,956,609	195,242
Change in net position	1,801,601	(82,965)
Net position, beginning of year	61,204,100	61,287,065
Net position, end of year	\$ 63,005,701	61,204,100

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Cash Flows
Proprietary Funds
For the years ended June 30, 2016 and 2015

	Sewer	
	2016	2015
Business-type Activities - Enterprise Funds		
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,860,315	5,852,809
Payments to suppliers	(1,189,064)	(1,869,701)
Payments to employees	(2,282,214)	(2,136,858)
Net cash provided by operating activities	2,389,037	1,846,250
Cash flows from noncapital financing activities:		
Transfer in from other funds	1,857,329	201,076
Interfund loan	160,213	952,054
Transfers to other funds	(720)	(5,834)
Net cash provided by noncapital financing activities	2,016,822	1,147,296
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,448,871)	(3,013,866)
Interest paid on bonds	(6,630)	(1,355)
Principal payments on bonds	(27,102)	(27,102)
Net cash used in capital and related financing activities	(4,482,603)	(3,042,323)
Cash flows from investing activities:		
Interest revenue	76,744	48,777
Net cash provided by investing activities	76,744	48,777
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	\$ (220,218)	(325,629)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,932,280	1,972,128
(Increase) decrease in receivables	(61,829)	36,727
(Increase) decrease in liens	(199)	(4,247)
(Increase) decrease in prepaid expenses	-	10,434
Increase in accounts payable	715,942	134,649
Increase in accrued wages	13,611	4,993
Increase in compensated absences	9,450	17,195
Net cash provided by operating activities	\$ 2,389,037	1,846,250
Noncash investing, capital, and financing activities:		
Capital contributions	\$ 100,000	-

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

		Private- purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$	77,283	133,109
Investments		2,247,990	-
Total assets		2,325,273	133,109
LIABILITIES			
Accounts payable		4,224	-
Due to others		59,385	133,109
Total liabilities		63,609	133,109
NET POSITION			
Held in trust	\$	2,261,664	-

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, 2016

		Private- purpose Trust Funds
Additions:		
Donations	\$	990
Investment earnings:		
Interest		71,808
Unrealized gain		12,638
Total additions		85,436
Deductions:		
Scholarships and other		69,598
Total deductions		69,598
Change in net position		15,838
Net position, beginning of year		2,245,826
Net position, end of year	\$	2,261,664

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

The City reports the following major proprietary fund:

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

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 financial 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 and Prepaid Items

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

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

G. Restricted Assets

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

H. Capital Assets

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Compensated Absences

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

J. Long-term Obligations

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

K. Fund Equity

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

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

The City's fund balance policy states when both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed. The City Council approved the fund balance policy and fund classifications on June 20, 2012, in order #166-10/11.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Interfund Transactions

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

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

M. Comparative Data

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

N. Use of Estimates

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

O. Pensions

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

P. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds only report one type of deferred inflow of resources, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

Q. Net Position

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net investment in capital assets was calculated as follows at June 30, 2016:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 223,338,583	99,924,462
Accumulated depreciation	(96,208,331)	(46,047,450)
Bonds payable and premiums	(46,348,658)	(3,765,881)
Add back bonds payable pertaining to Maine PERS	630,000	-
Add back bond proceeds unexpended	419,673	-
Capital leases	(2,307,319)	-
Net investment in capital assets	\$ 79,523,948	50,111,131

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted by the City Council for the General Fund, Sewer Use Fund, and the TIF Fund. The budgets are prepared substantially in accordance with accounting principles generally accepted in the United States of America, except that the general fund revenues and expenditures related to "on-behalf payments" made by the State of Maine to the Maine Public Employees Retirement System for teachers and other school employees are not budgeted. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,553,700.

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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

The City employs encumbrance accounting in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$368,312 in the General Fund.

B. Excess of Expenditures over Appropriations

Per City Charter, the level of budgetary control is at the department level. For the year ended June 30, 2016, all departments were within their charter level budget limits.

C. Deficit Fund Balances

At June 30, 2016, the following funds had deficit fund balances over \$100:

<u>Special Revenue Funds:</u>		<u>Private-purpose Trust Funds:</u>	
Wellness Committee	\$ 137	A Varanelli Scholarship	149
E-Rate	7,586		
Learning Results	405	<u>Capital Project Funds:</u>	
Memorial Tech Grant - Koelker	1,237	Municipal Services Facility	1,033,862
National Semiconductor - Brown	3,683		
Dyer Friends	531		
Staff Computer Training	476		
Small Friends	281		

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

DEPOSITS AND INVESTMENTS

As of June 30, 2016, the City had the following deposits and investments with the following maturities, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>
Checking, money market and cash management sweep	\$ 13,959,235	13,959,235	-	-
U.S. Treasury Notes	2,312,514	-	1,675,345	637,169
Federal Home Loan Mort. Corp.	2,452,823	-	1,678,926	773,897
Federal Farm Credit Bank	502,678	-	502,678	-
Federal National Mortgage	3,273,092	255,912	901,847	2,115,333
Certificates of Deposit	36,168,488	8,615,630	27,303,858	249,000
Stock Mutual Fund	61,617	Not applicable		

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

DEPOSITS AND INVESTMENTS, CONTINUED

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments held by the City are categorized as Level 1 inputs.

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, 2016, the City had bank balances of \$50,127,723. 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, 2016, the City had deposits of \$498,338 which were subject to custodial credit risk because they were not insured or collateralized.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2016, the City had fair value investment balances of \$8,602,724 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, 2016, the City's investments in Federal Home Loan Banks and Federal National Mortgage Associations were rated AA+ by Standard & Poor's. In accordance with its investment policy, the City minimizes credit risk by limiting the types of investments to be purchased and diversifying the investment portfolio so that the impact of potential losses will be minimized.

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

PROPERTY TAX

Property taxes for the current period were committed on July 15, 2015 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.

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

PROPERTY TAX, CONTINUED

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 \$575,746 for the year ended June 30, 2016.

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>2016</u>	<u>2015</u>
Assessed value	\$ 3,620,634,600	3,601,160,000
Tax rate (per \$1,000)	17.40	17.10
Commitment	62,999,042	61,579,826
Add:		
Supplementals	-	-
Total commitment	62,999,042	61,579,836
Less:		
Abatements	152,960	32,960
Collections	62,226,796	60,720,014
Current year taxes receivable at end of year	619,286	826,862
Taxes and liens receivable - prior years	375,579	888,767
Total taxes and liens receivable	\$ 994,865	1,715,629

Due dates:	1st quarter	August 20, 2015	August 21, 2014
	2nd quarter	November 19, 2015	November 20, 2014
	3rd quarter	February 11, 2016	February 12, 2015
	4th quarter	May 5, 2016	May 7, 2015

	<u>2016</u>	<u>2015</u>
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	99.01%	98.66%

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, 2016 was as follows:

	Balance June 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,373,049	-	460,900	8,912,149
Construction in progress	1,759,808	1,894,645	1,144,302	2,510,151
Total capital assets not being depreciated	11,132,857	1,894,645	1,605,202	11,422,300
Capital assets, being depreciated:				
Buildings	130,055,894	473,470	242,403	130,286,961
Improvements other than buildings	4,599,969	1,254,226	-	5,854,195
Machinery and equipment	15,361,502	501,415	-	15,862,917
Vehicles	14,027,280	742,612	567,521	14,202,371
Infrastructure	42,311,727	3,398,112	-	45,709,839
Total capital assets being depreciated	206,356,372	6,369,835	809,924	211,916,283
Less accumulated depreciation for:				
Buildings	37,361,454	2,592,209	54,430	39,899,233
Improvements other than buildings	3,113,446	211,049	-	3,324,495
Machinery and equipment	9,926,660	788,976	-	10,715,636
Vehicles	9,767,950	901,515	554,412	10,115,053
Infrastructure	30,942,888	1,211,026	-	32,153,914
Total accumulated depreciation	91,112,398	5,704,775	608,842	96,208,331
Total capital assets being depreciated, net	115,243,974	665,060	201,082	115,707,952
Governmental activities capital assets, net	\$ 126,376,831	2,559,705	1,806,284	127,130,252

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

Governmental activities:	
General government	\$ 170,394
Public safety	701,139
Public works	1,403,546
Culture and recreation	591,320
Transportation and waterfront	297,926
Education	2,540,450
Total depreciation expense – governmental activities	\$ 5,704,775

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, 2016 was as follows:

	Balance June 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,221,558	-	-	1,221,558
Construction in progress	1,540,307	2,131,369	1,331,608	2,340,068
Total capital assets not being depreciated	2,761,865	2,131,369	1,331,608	3,561,626
Capital assets, being depreciated:				
Buildings	34,565,751	1,877,942	-	36,443,693
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	15,431,693	59,764	-	15,491,457
Vehicles	1,229,177	-	-	1,229,177
Infrastructure	41,406,774	1,711,404	-	43,118,178
Total capital assets being depreciated	92,713,726	3,649,110	-	96,362,836
Less accumulated depreciation for:				
Buildings	18,792,767	718,714	-	19,511,481
Improvements other than buildings	80,331	-	-	80,331
Machinery and equipment	10,094,420	473,549	-	10,567,969
Vehicles	1,030,545	67,625	-	1,098,170
Infrastructure	14,117,107	672,392	-	14,789,499
Total accumulated depreciation	44,115,170	1,932,280	-	46,047,450
Total capital assets being depreciated, net	48,598,556	1,716,830	-	50,315,386
Business-type activities capital assets, net	\$ 51,360,421	3,848,199	1,331,608	53,877,012

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016 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	\$ 48,478,603	-	4,176,511	44,302,092	4,001,512
Bond premiums	2,294,143	-	247,577	2,046,566	234,024
Capital leases	2,491,412	190,860	374,953	2,307,319	397,041
Landfill closure	96,240	50,760	-	147,000	14,700
Other post-employment benefits	1,555,554	334,466	108,262	1,781,758	-
Net pension liability	4,821,783	4,744,622	-	9,566,405	-
Compensated absences	3,423,300	1,135,782	1,036,582	3,522,500	1,036,582
Governmental activity long-term liabilities	\$ 63,161,035	6,456,490	5,943,885	63,673,640	5,683,859

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	\$ 392,983	3,500,000	127,102	3,765,881	197,102
Compensated absences	254,800	178,218	168,768	264,250	93,756
Business-type activities					
long-term liabilities	\$ 647,783	3,678,218	295,870	4,030,131	290,858

Long-term debt payable at June 30, 2016 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, 2016</u>
Governmental activities:					
2007 Paving and Refinancing	5/15/2007	\$ 2,075,000	9/1/2016	4.00-5.00%	50,000
2010 1999 Community Center – City	1/26/2010	1,890,000	11/1/2018	2.00-3.00%	630,000
2010 HS & MS Renovations - School	1/26/2010	4,613,000	11/1/2029	2.00-4.00%	3,220,000
2011 Refund 2002 & 2003 Elem-Sch.	10/26/2011	8,905,000	7/15/2023	2.00-4.375%	5,940,000
2012 HS Construction – School	5/30/2012	30,000,000	7/15/2032	2.00-4.00%	25,500,000
2013 HS SRRF – School	12/1/2013	664,450	12/1/2023	0.00%	372,092
2014 Pension Refunding	4/10/2014	1,890,000	3/1/2017	2.00%	630,000
2014 HS Construction – School	4/10/2014	8,850,000	4/15/2034	2.25-3.25%	7,960,000
Total governmental activities					44,302,092
Business-type activities:					
2009 SRF (Long creek)	10/7/2009	749,716	10/1/2029	N/A	365,881
2015 CWSRF	8/30/2015	3,500,000	8/1/2035	0.35%	3,400,000
Total business-type activities					3,765,881
Total bonds payable					\$ 48,067,973

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, 2016, \$14,000,000 was authorized but unissued for this project. Subsequent to year end, in August of 2016, the City issued bonds totaling \$12,700,000 for the project at a net interest cost (NIC) of 2.13%.

In August 2015, the City issued the \$3,500,000 of bonds through the State of Maine's Clean Water State Revolving Loan Fund at an interest rate of 0.35% with \$100,000 forgiven. The City has not drawn down any of the \$3,500,000 bond funds from the Maine Municipal Bond Bank as of June 30, 2016. The balance is shown as cash held in escrow.

All governmental activity debt service payments, including capital leases and compensated absences, were made within the General Fund with the exception of \$250,000 which was paid out of the High School premium reserve which was accounted for in the School Capital Projects funds. Other post-employment benefits and the net pension liability are not currently being funded on a budgetary level. If and when such funding would occur, it would be funded within the General Fund.

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

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize long-term debt outstanding as of June 30, 2016 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>
2017	\$ 4,001,512	1,419,713	5,421,225	197,102	20,683	217,785
2018	3,321,511	1,290,388	4,611,899	197,102	20,058	217,160
2019	3,321,511	1,196,588	4,518,099	197,102	19,433	216,535
2020	3,111,511	1,111,212	4,222,723	197,102	18,808	215,910
2021	3,111,511	1,021,488	4,132,999	197,102	18,184	215,286
2022-2026	12,494,536	3,643,913	16,138,449	985,511	81,547	1,067,058
2027-2031	10,620,000	1,571,600	12,191,600	944,860	65,928	1,010,788
2032-2036	4,320,000	175,800	4,495,800	850,000	50,309	900,309

Total **\$ 44,302,092** **11,430,702** **55,732,794** **3,765,881** **294,950** **4,060,831**

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, 2016, the statutory limit for the City was \$554,452,500. The City's outstanding long-term debt of \$48,067,973 at June 30, 2016 was \$506,384,527 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, 2016:

<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	\$ 35,735,000	9.06%	\$ 3,236,937
Portland Water District	87,638,389	7.40%	6,483,128

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, 2016 includes total assets of \$62,510,802, and total liabilities of \$18,944,189 and unrestricted net position of \$14,477,555. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,746,944. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2016 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, 2016 was \$3,682,973.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2016.

	Governmental activities
2017	\$ 463,001
2018	425,345
2019	377,621
2020	384,413
2021	391,481
<u>2022-2023</u>	<u>511,057</u>
Total minimum lease payments	2,552,918
<u>Less: amount representing interest</u>	<u>245,599</u>
Present value of future minimum lease payments	\$ 2,307,319

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, 2016, the City had recorded approximately \$147,000 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, 2016, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	14,014,266
Sewer Fund	10,443,041	-
Nonmajor Special Revenue Funds:		
City Special Revenues	3,494,092	-
School Grant Funds	59,393	-
School Adult Education	8,331	-
School Lunch Fund	68,794	-
<u>Private-purpose Trust Funds</u>	<u>-</u>	<u>59,385</u>
<u>Total interfund balances</u>	<u>\$ 14,073,651</u>	<u>14,073,651</u>

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

As of June 30, 2016, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 2,456,079	4,786,007
Sewer Fund	1,857,329	720
Tax Increment Financing	-	1,500,419
Capital Projects	2,010,191	-
Nonmajor Special Revenue Funds:		
City Special Revenues	123,249	595,261
School Grant Funds	20,828	269
School Lunch Fund	415,000	-
<u>Total interfund transfers</u>	<u>\$ 6,882,676</u>	<u>6,882,676</u>

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

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

FUND BALANCES

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, 2016, the City maintained an unassigned general fund balance of \$13,320,584 which is 16.09% of the fiscal year 2017 budget of \$82,787,929.

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 \$1,517,713 tax rate stabilization reserve at June 30, 2016 with \$500,000 anticipated to be used in the funding of fiscal year ending June 30, 2017 budget.

As of June 30, 2016, fund balance components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Education – prepaid expenditures	\$ 104,615	-	104,615
Inventory and prepaid expenditures	-	42,910	42,910
Principal for permanent funds	-	198,949	198,949
Total nonspendable	104,615	241,859	346,474
Restricted:			
Education	2,708,544	553,788	3,262,332
TIF funds	-	7,450,075	7,450,075
Grants – Housing and Business Development	-	226,526	226,526
Grants – Other planning and general government	-	169,253	169,253
Grants – Fire and Police	-	47,870	47,870
Grants – FEMA equipment	-	104,967	104,967
Grants – State Highway Block	-	417,653	417,653
Donations – Parks and recreation operations	-	179,358	179,358
Other grants and donations	-	50,036	50,036
Permanent funds	-	144,615	144,615
Total restricted	2,708,544	9,344,141	12,052,685

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

FUND BALANCES, CONTINUED

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Committed:			
General government:			
Tax stabilization reserve	\$ 1,517,713	-	1,517,713
Climate action plan	76,109	-	76,109
Equipment replacement reserve	146,990	-	146,990
Unemployment reserve	38,132	-	38,132
Self-Insurance reserve	41,282	-	41,282
Safety reserve	168,751	-	168,751
Computerization reserve	122,682	-	122,682
Litigation legal reserve	630,194	-	630,194
Municipal buildings and land acquisition	155,458	-	155,458
Other reserves	70,760	-	70,760
South Portland Community TV	-	666,948	666,948
Freshwater Wetland Fund	-	160,798	160,798
Land Bank Trust	-	943,108	943,108
Public safety:			
Fire equipment and vehicle reserve	308,658	-	308,658
Police equipment reserves	87,146	-	87,146
Call company retirement reserve	59,848	-	59,848
Hazardous materials fund	-	94,033	94,033
Other	-	63,537	63,537
Public works:			
Snow removal reserve	316,835	-	316,835
Cummings road sewer reserve	212,084	-	212,084
Solid waste reserve	118,053	-	118,053
Other reserves	81,258	4,874	86,132
Street openings and recycling funds	-	342,970	342,970
Sewer impact fund	-	383,635	383,635
Transit and waterfront:			
Bus reserve	192,518	-	192,518
Portland Street Pier and Thomas Knight	-	184,050	184,050
Culture and recreation:			
Golf Course	-	125,057	125,057
Other	-	38,666	38,666
Capital projects	-	5,577,468	5,577,468
Total committed	4,344,471	8,585,144	12,929,615

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

FUND BALANCES, CONTINUED

	General Fund	Other Governmental Funds	Total
Assigned:			
Compensated absences reserve	\$ 2,679,319	-	2,679,319
Phone system reserve	75,020	-	75,020
Public safety vehicle reserve	22,528	-	22,528
Public works fuel distribution	128,245	-	128,245
Encumbrances	368,312	-	368,312
Total assigned	3,273,424	-	3,273,424
Unassigned	13,320,584	(1,059,302)	12,261,282
Total fund balance	\$ 23,751,638	17,111,842	40,863,480

CONSTRUCTION COMMITMENTS

The City has entered into contracts in connection with the Public Services Facility construction project and the Thornton Heights Phase III construction project. The following is a summary of the commitments at June 30, 2016:

	Contract Total	Percentage Complete	Billed to Date	Balance Remaining
Public Services Facility:				
Construction contracts	\$ 13,926,790	17.81%	2,480,764	11,446,026
Thornton Heights Phase III:				
Construction contract	\$ 3,977,481	50.35%	2,002,665	1,974,816

TAX INCREMENT FINANCING DISTRICTS

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

	Original value	Increase in value	TIF cap	Captured value	Captured tax
Fairchild TIF	\$ 33,512,500	7,711,100	100%	7,711,100	134,173
Texas Instruments TIF	20,509,000	153,557,700	50%	76,778,850	1,335,952
Cummings TIF	1,697,200	25,184,200	0%	-	-
One Wallace TIF	2,178,200	4,268,000	100%	4,268,000	74,263
Long Creek TIF	1,066,300	12,105,600	100%	12,105,600	210,637
Brick Hill TIF	-	24,675,300	100%	24,675,300	429,350
Jared TIF	957,500	1,151,100	100%	1,151,100	20,029
Hannaford TIF	343,000	8,800,300	100%	8,800,300	153,125
Downtown TIF	96,881,900	48,964,300	100%	6,163,630	107,247
Transit TIF	18,373,000	1,202,000	100%	1,202,000	20,915

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

PLD Plan - Employees are required to contribute 7.5% to 9.0% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2016, was 8.9% of annual payroll for the regular plan and 11.4% of annual payroll for the special plan. Contributions to the pension plan from the City were \$1,197,620 for the year ended June 30, 2016.

SETP Plan - Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2016, was 13.38% of annual payroll of which 3.36% of payroll was required from the City and 10.02% was required from the State. Contributions to the pension plan from the City were \$683,535 for the year ended June 30, 2016.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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

The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

PLD Plan - At June 30, 2016, the City reported a liability of \$8,281,849 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion of the PLD Plan was 2.5958%.

SET Plan - At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 1,284,556
State's proportionate share of the net pension liability associated with the City	25,808,454
Total	\$ 27,093,010

At June 30, 2015, the City's proportion of the SETP was 0.09514%.

For the year ended June 30, 2016, the City recognized pension expense of \$2,870,039 for the PLD Plan and \$2,804,979 for the SET Plan with revenue of \$2,038,990 for support provided by the State. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	738,192
Changes of assumptions	767,288	-
Net difference between projected and actual earnings on pension plan investments	-	683,784
Changes in proportion and differences between City contributions and proportionate share of contributions	134,651	-
City contributions subsequent to the measurement date	1,881,155	-
Total	\$ 2,783,094	\$ 1,421,976

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

\$1,881,155 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (194,166)
2018	(415,984)
2019	(616,860)
2020	706,973

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
Total	100%	

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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

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

<u>PLD Plan</u>	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
City's proportionate share of the net pension liability	\$ 16,499,897	\$ 8,281,849	\$ 490,632
<u>SET Plan</u>	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
City's proportionate share of the net pension liability	\$ 2,248,954	\$ 1,284,556	\$ 481,324

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

Payables to the Pension Plan - None as of June 30, 2016.

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

OTHER POST EMPLOYMENT BENEFITS

The City is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in July 2015 based on an actuarial valuation date of January 1, 2015.

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal cost	\$ 119,164	119,164	104,974
UAL amortization	236,004	236,004	228,327
Interest	7,034	7,034	6,601
Annual required contribution (ARC)	362,202	362,202	339,902
Interest on net OPEB obligation	62,222	53,259	41,238
Adjustment to ARC	(89,958)	(76,999)	(59,620)
Annual OPEB costs (AOC)	\$ 334,466	338,462	321,520

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net OPEB obligation, July 1, 2015	\$ 1,555,554	1,331,472	1,030,952
Annual OPEB costs	334,466	338,462	321,520
Less: Actual contributions	(108,262)	(114,380)	(21,000)
Net OPEB obligation, June 30, 2016	\$ 1,781,758	1,555,554	1,331,472

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB cost (AOC)	\$ 334,466	338,462	321,520
Actual contribution	108,262	114,380	21,000
Percent contributed	32.37%	33.79%	6.53%
<hr/>			
Actuarial accrued liability	\$ 4,244,221	4,244,221	4,106,163
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 4,244,221	4,244,221	4,106,163
Covered payroll	12,862,259	13,519,980	13,126,194
Unfunded actuarial accrued liability as a percentage of covered payroll	33.00%	31.39%	31.28%

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

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

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

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

DEFERRED COMPENSATION PLAN

The City of South Portland offers on a voluntary basis to all permanent employees working at least fifteen hours per week and covered by the City's Section 215 Agreement (Social Security), and who do not participate in the Maine Public Employees Retirement System Plan, the following options, with a City contribution: Internal Revenue Code Section 457, Deferred Compensation Plan or Internal Revenue Code Section 401(a), Defined Contribution Plan. In addition, employees who participate in the MPERS plan or 401(a) plans may also participate in the 457 Deferred Compensation Plan without a City contribution. The employees' accounts are not available until termination, retirement, death or an unforeseeable emergency. The City contributed approximately \$365,829 to the plans during the year ended June 30, 2016.

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 2016, 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, 2016. The City also maintains commercial insurance for other specific liabilities with deductibles from \$1,000 to \$25,000. There have been no changes in commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

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

The following summarizes the claims activity with respect to the City's self-insurance programs during 2016:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 41,555</u>	<u>-</u>
Provision for current year events	-	22,175
<u>Increase in provision for prior year events</u>	<u>-</u>	<u>-</u>
Total incurred claims	-	22,175
Payments:		
Claims attributable to current year	-	22,175
<u>Claims attributable to prior year</u>	<u>13,972</u>	<u>-</u>
Total payments	13,972	22,175
<u>Unpaid claims, end of year</u>	<u>\$ 27,583</u>	<u>-</u>

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

RISK MANAGEMENT, CONTINUED

The following summarizes the claims activity with respect to the City's self-insurance programs during 2015:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u>
<u>Unpaid claims as of the beginning of year</u>	<u>\$ 57,710</u>	<u>-</u>
Provision for current year events	-	26,310
<u>Increase in provision for prior year events</u>	<u>-</u>	<u>-</u>
Total incurred claims	-	26,310
Payments:		
Claims attributable to current year	-	26,310
<u> Claims attributable to prior year</u>	<u>16,155</u>	<u>-</u>
Total payments	16,155	26,310
<u>Unpaid claims, end of year</u>	<u>\$ 41,555</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 Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$12,367,933	33.22%
2010	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$11,048,641	37.18%
2011	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$11,964,142	34.34%
2012	1/1/11	\$ -	\$4,108,269	\$4,108,269	0.00%	\$12,376,330	33.19%
2013	1/1/13	\$ -	\$4,106,163	\$4,106,163	0.00%	\$12,399,860	33.11%
2014	1/1/13	\$ -	\$4,106,163	\$4,106,163	0.00%	\$13,126,194	31.28%
2015	1/1/15	\$ -	\$4,244,221	\$4,244,221	0.00%	\$13,519,980	31.39%
2016	1/1/15	\$ -	\$4,244,221	\$4,244,221	0.00%	\$12,862,259	33.00%

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information, Continued

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

Last 10 Fiscal Years
(Only two years of information available)

	<u>2016*</u>	<u>2015*</u>
<u>PLD</u>		
City's proportion of the net pension liability	2.5958%	2.6531%
City's proportionate share of the net pension liability	\$ 8,281,849	\$4,082,632
City's covered-employee payroll	11,567,444	10,562,181
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	71.60%	38.65%
Plan fiduciary net position as a percentage of of the total pension liability	88.27%	94.10%
<u>SETP</u>		
City's proportion of the net pension liability	0.0951%	0.0684%
City's proportionate share of the net pension liability	\$ 1,284,556	\$739,151
State's proportionate share of the net pension liability associated with the City	<u>25,808,454</u>	<u>20,178,883</u>
Total	<u>\$ 27,093,010</u>	<u>\$20,918,034</u>
City's covered-employee payroll	\$ 20,348,205	\$22,885,971
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	6.31%	3.23%
Plan fiduciary net position as a percentage of of the total pension liability	81.18%	83.91%

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

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information, Continued

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

Last 10 Fiscal Years
(Only two years of information available)

	<u>2016</u>	<u>2015</u>
<u>PLD</u>		
Contractually required contribution	\$ 1,197,620	\$1,027,150
Contributions in relation to the contractually required contribution	<u>(1,197,620)</u>	<u>(1,027,150)</u>
Contribution deficiency (excess)	===== -	===== -
City's covered-employee payroll	11,567,444	10,562,181
Contributions as a percentage of covered-employee payroll	10.35%	9.72%
<u>SETP</u>		
Contractually required contribution	\$ 683,535	\$606,477
Contributions in relation to the contractually required contribution	<u>(683,535)</u>	<u>(606,477)</u>
Contribution deficiency (excess)	===== -	===== -
City's covered-employee payroll	20,348,205	22,885,971
Contributions as a percentage of covered-employee payroll	3.36%	2.65%

Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.

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, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 37,165,601	30,251,486
Investments	5,427,170	8,470,978
Due from other governments	609,538	306,638
Receivables, net of allowance of \$691,708 and \$538,697	352,778	400,594
Taxes receivable	824,599	1,302,531
Tax liens and tax acquired property	170,266	413,098
Prepaid expenditures	104,615	100,382
Restricted assets, cash	50,000	50,000
Total assets	\$ 44,704,567	41,295,707
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	1,401,611	1,988,968
Accrued liabilities	856,019	582,346
Interfund loans payable	14,014,266	11,579,999
Accrued teachers' summer salaries and benefits	3,985,033	3,912,858
Total liabilities	20,256,929	18,064,171
Deferred inflows of resources:		
Unavailable revenue - property taxes	696,000	895,000
Total deferred inflows of resources	696,000	895,000
Fund balances:		
Nonspendable	104,615	100,382
Restricted	2,708,544	2,715,462
Committed	4,344,471	3,458,710
Assigned	3,273,424	3,234,394
Unassigned	13,320,584	12,827,588
Total fund balances	23,751,638	22,336,536
Total liabilities, deferred inflows of resources and fund balances	\$ 44,704,567	41,295,707

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, 2016

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

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property	\$ 59,918,234	60,497,323	579,089	59,761,351
Excise	5,425,000	7,241,370	1,816,370	6,374,595
Interest and penalties	110,000	135,076	25,076	118,502
Payments in lieu of taxes	240,850	244,118	3,268	240,662
Total taxes	65,694,084	68,117,887	2,423,803	66,495,110
Intergovernmental:				
State revenue sharing	1,185,000	1,285,328	100,328	1,264,320
State BETE Revenue	1,521,000	1,522,086	1,086	1,259,322
Homestead reimbursement	485,000	484,938	(62)	477,176
State education subsidy	5,662,701	6,066,906	404,205	5,275,585
State agency client	25,000	77,314	52,314	33,459
MaineCare	100,000	53,602	(46,398)	47,791
Section 5307	490,352	510,445	20,093	430,425
General assistance	284,000	284,231	231	124,747
Other State revenue	103,000	88,060	(14,940)	114,636
Total intergovernmental	9,856,053	10,372,910	516,857	9,027,461
Licenses, permits, fees, and fines:				
Cable franchise fee	120,000	120,000	-	151,779
City clerk	154,600	162,091	7,491	158,497
Planning	9,250	24,202	14,952	19,675
Police	84,000	69,616	(14,384)	92,484
Code enforcement	415,000	770,279	355,279	453,938
Public library	17,800	16,037	(1,763)	16,813
Total licenses, permits, fees, and fines	800,650	1,162,225	361,575	893,186
Charges for services:				
Rent and leases	70,800	82,304	11,504	75,364
Finance and information technology	144,750	151,729	6,979	144,381
Fire	837,000	875,444	38,444	811,824
Public works - transfer facility	97,000	88,419	(8,581)	103,254
Parks and recreation	182,500	222,661	40,161	194,656
Bus service	325,000	283,920	(41,080)	313,611
Other	3,100	3,360	260	3,991
Education	117,713	117,713	-	78,666
Total charges for services	1,777,863	1,825,550	47,687	1,725,747
Unclassified:				
City clerk	19,000	18,199	(801)	21,362
Finance	15,000	16,389	1,389	14,428
Police and fire	12,000	12,680	680	15,282
Planning and code enforcement	3,200	5,972	2,772	11,245
Public works	30,500	17,602	(12,898)	31,678
Other	9,300	19,521	10,221	14,305
Education	54,800	80,940	26,140	89,850
Total unclassified	143,800	171,303	27,503	198,150
Interest earned	390,000	428,191	38,191	434,550
Total revenues	78,662,450	82,078,066	3,415,616	78,774,204

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, 2016
(with comparative actual amounts for the year ended June 30, 2015)

	Budget	Actual	Variance positive (negative)	2015 Actual
Expenditures:				
Current:				
General government:				
City council	\$ 153,734	133,802	19,932	132,384
Executive	210,763	208,125	2,638	202,723
City clerk	241,221	233,657	7,564	234,316
Corporation council	258,041	255,662	2,379	163,311
Finance	1,008,029	992,286	15,743	978,238
Information technology	368,534	364,208	4,326	357,885
Planning	229,884	228,154	1,730	223,583
Sustainability	62,471	60,788	1,683	-
Human resources	327,655	310,944	16,711	320,336
City building	190,801	188,438	2,363	175,210
Citywide insurance and benefit costs	6,735,370	6,552,162	183,208	6,222,055
Total general government	9,786,503	9,528,226	258,277	9,010,041
Public safety:				
Police department	4,257,033	4,210,090	46,943	4,101,705
Fire department	4,914,594	4,910,081	4,513	4,776,614
Communications	806,090	796,598	9,492	775,973
Code enforcement	710,689	679,709	30,980	670,293
Civil service	11,345	11,313	32	5,760
Total public safety	10,699,751	10,607,791	91,960	10,330,345
Public works:				
Administration	220,075	226,652	(6,577)	218,609
Streets and sidewalks	2,446,466	2,424,138	22,328	2,637,555
Rubbish disposal	1,369,065	1,225,119	143,946	1,286,579
Public works garage	281,620	235,811	45,809	281,460
Transfer facility	259,739	372,920	(113,181)	260,995
Total public works	4,576,965	4,484,640	92,325	4,685,198
Culture:				
Main library	595,398	576,159	19,239	561,160
Branch library	76,555	61,350	15,205	60,517
Total culture	671,953	637,509	34,444	621,677
Parks and recreation:				
Administration	161,811	131,114	30,697	155,944
Parks	1,259,317	1,203,494	55,823	1,147,281
Pool	342,901	322,611	20,290	350,413
Recreation	747,272	757,334	(10,062)	789,760
Total parks and recreation	2,511,301	2,414,553	96,748	2,443,398
Total culture, parks, and recreation	3,183,254	3,052,062	131,192	3,065,075
Transportation and waterfront:				
Bus service	1,145,256	1,144,109	1,147	1,101,551
Waterfront	39,257	38,500	757	38,500
Total transportation and waterfront	1,184,513	1,182,609	1,904	1,140,051

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, 2016
(with comparative actual amounts for the year ended June 30, 2015)

	Budget	Actual	Variance positive (negative)	2015 Actual
Expenditures, continued:				
Current, continued:				
Health, welfare and social services:				
Welfare:				
Administration	\$ 97,179	94,255	2,924	87,253
General assistance	407,300	407,829	(529)	265,113
Total	504,479	502,084	2,395	352,366
Health	17,700	19,750	(2,050)	17,250
Total health, welfare and social services	522,179	521,834	345	369,616
Intergovernmental - County tax	2,434,056	2,434,056	-	2,327,942
Other:				
Contingency and abatement reserve	84,900	67,832	17,068	79,143
Total other	84,900	67,832	17,068	79,143
Education	45,678,804	45,261,254	417,550	44,007,322
Debt service (excluding education):				
Administration	3,000	-	3,000	-
Principal	858,583	858,583	-	855,849
Interest	64,773	64,773	-	81,942
Total debt service	926,356	923,356	3,000	937,791
Total expenditures	79,077,281	78,063,660	1,013,621	75,952,524
Excess (deficiency) of revenues over (under) expenditures	(414,831)	4,014,406	4,429,237	2,821,680
Other financing sources (uses):				
Budgeted use of surplus - City	3,216,772	-	(3,216,772)	-
Budgeted use of surplus - School	500,000	-	(500,000)	-
Transfers in	844,399	844,399	-	929,499
Transfers out	(4,146,340)	(4,482,992)	(336,652)	(1,973,499)
Total other financing sources (uses)	414,831	(3,638,593)	(4,053,424)	(1,044,000)
Net change in fund balance - budgetary basis	-	375,813	375,813	1,777,680
Reconciliation to GAAP basis:				
Change in encumbrances - City		15,042		29,356
Change in encumbrances - School		(121,103)		61,014
Change in unbudgeted teacher summer benefits		111,817		(268,502)
Change in reserves		1,033,533		(1,395,384)
Net change in fund balance - GAAP basis		1,415,102		204,164
Fund balance, beginning of year		22,336,536		22,132,372
Fund balance, end of year	\$	23,751,638		22,336,536

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, 2016
(with comparative actual amounts for the year ended June 30, 2015)

	2016			2015 Actual
	Budget	Actual	Variance positive (negative)	
Revenues:				
Local assessment	\$ 39,238,191	39,238,191	-	38,375,017
State education subsidy	5,662,701	6,066,906	404,205	5,275,585
State agency client	25,000	77,314	52,314	33,459
MaineCare	100,000	53,602	(46,398)	47,791
Charges for services	117,713	117,713	-	78,666
Other	54,800	80,940	26,140	89,850
Total revenues	45,198,405	45,634,666	436,261	43,900,368
Expenditures:				
Current:				
Brown Elementary	1,820,047	1,803,927	16,120	1,764,192
Dyer Elementary	1,521,528	1,515,704	5,824	1,529,155
Kaler Elementary	1,456,038	1,453,012	3,026	1,401,921
Skillin Elementary	2,497,925	2,450,870	47,055	2,371,598
Small Elementary	1,935,587	1,949,283	(13,696)	1,887,171
Mahoney Middle School	2,432,237	2,383,972	48,265	2,239,896
Memorial Middle School	2,829,663	2,762,913	66,750	2,672,073
South Portland High School	6,478,258	6,445,311	32,947	6,323,152
K-12 instrumental music	117,700	116,461	1,239	113,289
6-12 athletics	724,480	712,891	11,589	694,918
Special education	8,443,413	8,340,716	102,697	7,878,724
Health	377,505	412,198	(34,693)	358,671
Board of education	152,791	139,671	13,120	130,304
Superintendent of schools	396,424	361,438	34,986	418,594
Assistant superintendent	1,633,422	1,688,495	(55,073)	1,630,342
Curriculum	338,627	320,576	18,051	396,676
Technology	691,687	715,772	(24,085)	491,277
Business office	857,968	830,750	27,218	1,105,941
Operations/maintenance	4,017,797	3,985,642	32,155	4,131,040
Transportation	2,036,727	1,952,672	84,055	1,684,693
Debt service:				
Principal	3,608,363	3,608,363	-	3,609,902
Interest	1,310,617	1,310,617	-	1,173,793
Total expenditures	45,678,804	45,261,254	417,550	44,007,322
Excess (deficiency) of revenues over (under) expenditures	(480,399)	373,412	853,811	(106,954)
Other financing sources (uses):				
Transfers in	395,399	395,399	-	258,611
Transfers out	(415,000)	(828,759)	(413,759)	(420,000)
Budgeted use of surplus	500,000	-	(500,000)	-
Total other financing sources (uses)	480,399	(433,360)	(913,759)	(161,389)
Net change in fund balances - budgetary basis	-	(59,948)	(59,948)	(268,343)
Reconciliation to GAAP basis:				
Change in encumbrances		(121,103)		61,014
Change in unbudgeted teacher summer benefits		111,817		(268,502)
Change in reserves		66,549		(402,313)
Net change in fund balance - GAAP basis		(2,685)		(878,144)
Fund balance, beginning of year		2,815,844		3,693,988
Fund balance, end of year	\$	2,813,159		2,815,844

CITY OF SOUTH PORTLAND, MAINE
Reserves - General Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2016

	Fund balance beginning of year	Revenues		Expenditures	Other financing sources (uses)		Fund balance end of year	
		Other	Investment earnings		Issuance of debt	Transfers		
City committed reserves:								
1801	Equipment replacement	\$ 129,351	100	1,370	8,591	-	24,760	146,990
1803	Unemployment - City	30,084	-	223	22,175	-	30,000	38,132
1804	Self-Insurance - City	2,708	32,641	317	6,884	-	12,500	41,282
1805	Municipal facilities	19,964	-	220	-	-	20,000	40,184
1806	Safety reserve	157,159	18,561	1,331	8,300	-	-	168,751
1807	Computerization project	80,210	22,257	494	45,279	-	65,000	122,682
1809	Litigation - legal	178,080	10,713	1,959	238,503	-	677,945	630,194
1822	Communication equipment - police	68,638	-	728	-	-	2,600	71,966
1824	Body armor - police	10,180	-	-	-	-	5,000	15,180
1830	Fire	488,010	30,351	5,297	-	-	(215,000)	308,658
1834	Traffic improvements	23,235	-	246	-	-	10,000	33,481
1836	Public works equipment	22,080	25,463	234	-	-	-	47,777
1840	Snow removal	264,042	-	2,793	-	-	50,000	316,835
1842	Library	3,440	-	-	-	-	-	3,440
1845	Cummings Road sewer	209,864	-	2,220	-	-	-	212,084
1847	Bus	116,773	-	1,150	19,474	-	94,069	192,518
1850	Senior Property Tax Program	13,951	-	-	-	-	12,986	26,937
1858	Climate Action Plan	89,313	-	-	13,204	-	-	76,109
1861	Tax stabilization	1,229,585	-	13,128	-	-	275,000	1,517,713
1864	Call company retirement	64,698	-	-	4,850	-	-	59,848
1869	Energy efficient	1,961	-	-	1,762	-	-	199
1871	Solid waste	87,131	-	922	-	-	30,000	118,053
1872	Municipal buildings & land acq.	168,253	20,639	1,068	34,502	-	-	155,458
	Subtotal City committed reserves	3,458,710	160,725	33,700	403,524	-	1,094,860	4,344,471
City assigned reserves:								
1828	Vehicle replacement - police	(57,235)	26,148	-	149,874	190,860	-	9,899
1867	Phone system	98,329	-	-	35,129	-	11,820	75,020
1868	Compensated absences	2,679,319	-	-	-	-	-	2,679,319
2172	Outside OT - Police	14	150,095	-	149,507	-	-	602
2173	Outside OT - Fire	4,905	7,122	-	-	-	-	12,027
2176	Fuel distribution	98,557	29,688	-	-	-	-	128,245
	Subtotal City assigned reserves	2,823,889	213,053	-	334,510	190,860	11,820	2,905,112
	Total City reserves	6,282,599	373,778	33,700	738,034	190,860	1,106,680	7,249,583
School reserves:								
0202	Restricted school reserve funds:							
	School consolidation	323,618	-	2,843	33,028	-	-	293,433
	School tech upgrade	404,202	-	3,152	29,970	-	180,000	557,384
	Unemployment - School	69,718	-	757	8,863	-	-	61,612
	School bus	207,810	-	1,963	30,991	-	110,000	288,782
	School resource officer	22,252	-	-	-	-	(8,015)	14,237
	School elementary	19,511	-	-	-	-	-	19,511
	Self-insurance - School	10,008	-	-	-	-	-	10,008
	Musical program	139,128	-	-	-	-	-	139,128
	Maintenance	369,315	-	513	77,169	-	-	292,659
	Adult education	16,993	-	-	3,415	-	-	13,578
	Student educational support	(8,533)	39,888	-	20,791	-	-	10,564
	Laptop repair	86,214	36,136	-	17,252	-	(80,000)	25,098
	Special Education	200,000	-	-	-	-	-	200,000
0456	School facility	85,432	-	791	-	-	-	86,223
	Total School reserves	1,945,668	76,024	10,019	221,479	-	201,985	2,012,217
	Total reserves	\$ 8,228,267	449,802	43,719	959,513	190,860	1,308,665	9,261,800

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
1993	\$15,202,397	\$86,177	0.57%	\$830,893	(\$5,374)	-0.64%			
1994	\$15,560,194	\$357,797	2.35%	\$1,038,188	\$207,295	24.95%			
1995	\$16,355,458	\$795,264	5.11%	\$1,017,821	(\$20,367)	-1.96%			
1996	\$17,407,363	\$1,051,905	6.43%	\$1,243,624	\$225,803	22.18%			
1997	\$17,850,133	\$442,770	2.54%	\$1,244,899	\$1,275	0.10%			
1998	\$18,452,186	\$602,053	3.37%	\$1,265,514	\$20,615	1.66%	\$500,000	\$500,000	na
1999	\$19,219,213	\$767,027	4.16%	\$1,289,523	\$24,009	1.90%	\$689,443	\$189,443	37.89%
2000	\$20,368,695	\$1,149,482	5.98%	\$1,244,518	(\$45,005)	-3.49%	\$565,000	(\$124,443)	-18.05%
2001	\$21,591,755	\$1,223,060	6.00%	\$1,335,095	\$90,577	7.28%	\$1,140,101	\$575,101	101.79%
2002	\$22,910,032	\$1,318,277	6.11%	\$1,486,495	\$151,400	11.34%	\$1,046,900	(\$93,201)	-8.17%
2003	\$22,687,422	(\$222,610)	-0.97%	\$1,769,580	\$283,085	19.04%	\$347,120	(\$699,780)	-66.84%
2004	\$22,748,043	\$60,621	0.27%	\$1,884,150	\$114,570	6.47%	\$788,330	\$441,210	127.11%
2005	\$23,765,228	\$1,017,185	4.47%	\$1,888,324	\$4,174	0.22%	\$550,670	(\$237,660)	-30.15%
2006	\$24,610,020	\$844,792	3.55%	\$1,916,839	\$28,515	1.51%	\$0	(\$550,670)	-100.00%
2007	\$25,773,697	\$1,163,677	4.73%	\$1,916,991	\$152	0.01%	\$0	\$0	na
2008	\$26,964,280	\$1,190,583	4.62%	\$1,941,542	\$24,551	1.28%	\$0	\$0	na
2009	\$27,802,987	\$838,707	3.11%	\$1,999,427	\$57,885	2.98%	\$0	\$0	na
2010	\$27,463,860	(\$339,127)	-1.22%	\$2,034,423	\$34,996	1.75%	\$0	\$0	na
2011	\$27,174,401	(\$289,459)	-1.05%	\$2,058,577	\$24,154	1.19%	\$506,623	\$506,623	na
2012	\$28,082,534	\$908,133	3.34%	\$2,072,476	\$13,899	0.68%	\$1,050,000	\$543,377	107.25%
2013	\$28,585,977	\$503,443	1.79%	\$2,075,037	\$2,561	0.12%	\$1,350,000	\$300,000	28.57%
2014	\$29,082,149	\$496,172	1.74%	\$2,215,084	\$140,047	6.75%	\$300,000	(\$1,050,000)	-77.78%
2015	\$30,247,620	\$1,165,471	4.01%	\$2,327,942	\$112,858	5.09%	\$0	(\$300,000)	-100.00%
2016	\$31,359,989	\$1,112,369	3.68%	\$2,434,056	\$106,114	4.56%	\$0	\$0	na
2017	\$32,604,547	\$1,244,558	3.97%	\$2,504,088	\$70,032	2.88%	\$0	\$0	na
2018	\$34,109,596	\$1,505,049	4.62%	\$2,598,030	\$93,942	3.75%	\$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
1993	\$17,999,451	(\$104,603)	-0.58%	\$17,999,451	(\$104,603)	-0.58%	\$34,032,741	(\$23,800)	-0.07%
1994	\$18,829,433	\$829,982	4.61%	\$18,829,433	\$829,982	4.61%	\$35,427,815	\$1,395,074	4.10%
1995	\$19,708,768	\$879,335	4.67%	\$19,708,768	\$879,335	4.67%	\$37,082,047	\$1,654,232	4.67%
1996	\$21,109,302	\$1,400,534	7.11%	\$21,109,302	\$1,400,534	7.11%	\$39,760,289	\$2,678,242	7.22%
1997	\$22,425,146	\$1,315,844	6.23%	\$22,425,146	\$1,315,844	6.23%	\$41,520,178	\$1,759,889	4.43%
1998	\$23,048,107	\$622,961	2.78%	\$23,548,107	\$1,122,961	5.01%	\$43,265,807	\$1,745,629	4.20%
1999	\$24,298,651	\$1,250,544	5.43%	\$24,988,094	\$1,439,987	6.12%	\$45,496,830	\$2,231,023	5.16%
2000	\$25,662,344	\$1,363,693	5.61%	\$26,227,344	\$1,239,250	4.96%	\$47,840,557	\$2,343,727	5.15%
2001	\$27,037,126	\$1,374,782	5.36%	\$28,177,227	\$1,949,883	7.43%	\$51,104,077	\$3,263,520	6.82%
2002	\$29,716,921	\$2,679,795	9.91%	\$30,763,821	\$2,586,594	9.18%	\$55,160,348	\$4,056,271	7.94%
2003	\$32,176,592	\$2,459,671	8.28%	\$32,523,712	\$1,759,891	5.72%	\$56,980,714	\$1,820,366	3.30%
2004	\$32,646,082	\$469,490	1.46%	\$33,434,412	\$910,700	2.80%	\$58,066,605	\$1,085,891	1.91%
2005	\$35,189,016	\$2,542,934	7.79%	\$35,739,686	\$2,305,274	6.89%	\$61,393,238	\$3,326,633	5.73%
2006	\$36,205,662	\$1,016,646	2.89%	\$36,205,662	\$465,976	1.30%	\$62,732,521	\$1,339,283	2.18%
2007	\$37,542,545	\$1,336,883	3.69%	\$37,542,545	\$1,336,883	3.69%	\$65,233,233	\$2,500,712	3.99%
2008	\$39,061,628	\$1,519,083	4.05%	\$39,061,628	\$1,519,083	4.05%	\$67,967,450	\$2,734,217	4.19%
2009	\$39,952,991	\$891,363	2.28%	\$39,952,991	\$891,363	2.28%	\$69,755,405	\$1,787,955	2.63%
2010	\$39,455,123	(\$497,868)	-1.25%	\$39,455,123	(\$497,868)	-1.25%	\$68,953,406	(\$801,999)	-1.15%
2011	\$37,374,164	(\$2,080,959)	-5.27%	\$37,880,787	(\$1,574,336)	-3.99%	\$67,113,765	(\$1,839,641)	-2.67%
2012	\$38,067,412	\$693,248	1.85%	\$39,117,412	\$1,236,625	3.26%	\$69,272,422	\$2,158,657	3.22%
2013	\$40,016,741	\$1,949,329	5.12%	\$41,366,741	\$2,249,329	5.75%	\$72,027,755	\$2,755,333	3.98%
2014	\$43,002,556	\$2,985,815	7.46%	\$43,302,556	\$1,935,815	4.68%	\$74,599,789	\$2,572,034	3.57%
2015	\$44,804,796	\$1,802,240	4.19%	\$44,804,796	\$1,502,240	3.47%	\$77,380,358	\$2,780,569	3.73%
2016	\$46,113,804	\$1,309,008	2.92%	\$46,113,804	\$1,309,008	2.92%	\$79,907,849	\$2,527,491	3.27%
2017	\$47,679,294	\$1,565,490	3.39%	\$47,679,294	\$1,565,490	3.39%	\$82,787,929	\$2,880,080	3.60%
2018	\$49,205,018	\$1,525,724	3.20%	\$49,205,018	\$1,525,724	3.20%	\$85,912,644	\$3,124,715	3.77%

City of South Portland Budget History

Fiscal Year	Total Need From Taxes	Dollar Change	Percent Change	Tax Rate	Percent Increase
1993	\$26,523,838	\$136,013	0.52%	\$27.60	2.99%
1994	\$27,372,928	\$849,090	3.20%	\$19.60	Revaluation
1995	\$27,951,835	\$578,907	2.11%	\$19.60	0.00%
1996	\$29,298,844	\$1,347,009	4.82%	\$20.24	3.27%
1997	\$30,507,851	\$1,209,007	4.13%	\$19.94	-1.48%
1998	\$32,206,901	\$1,699,050	5.57%	\$19.44	-2.51%
1999	\$33,138,864	\$931,963	2.89%	\$19.44	0.00%
2000	\$35,343,425	\$2,204,561	6.65%	\$20.43	5.09%
2001	\$37,851,329	\$2,507,904	7.10%	\$21.55	5.48%
2002	\$42,535,670	\$4,684,341	12.38%	\$23.30	8.12%
2003	\$43,354,908	\$819,238	1.93%	\$17.06	Revaluation
2004	\$44,479,305	\$1,124,397	2.59%	\$17.49	2.52%
2005	\$46,546,474	\$2,067,169	4.65%	\$18.10	3.49%
2006	\$46,971,257	\$424,783	0.91%	\$18.27	0.94%
2007	\$48,809,321	\$1,838,064	3.91%	\$13.10	Revaluation
2008	\$50,977,823	\$2,168,502	4.44%	\$13.69	4.50%
2009	\$51,630,233	\$652,410	1.28%	\$14.00	2.26%
2010	\$52,148,676	\$518,443	1.00%	\$14.70	Revaluation
2011	\$52,699,426	\$550,750	1.06%	\$15.70	Revaluation
2012	\$54,041,790	\$1,342,364	2.55%	\$16.10	2.55%
2013	\$55,926,955	\$1,885,165	3.49%	\$16.50	2.48%
2014	\$56,799,997	\$873,042	1.56%	\$16.70	1.56%
2015	\$58,730,418	\$1,930,421	3.40%	\$17.10	2.40%
2016	\$59,938,234	\$1,207,816	2.06%	\$17.40	1.78%
2017	\$60,951,539	\$1,013,305	1.69%	\$17.70	1.72% Homestead adjustment
2018	\$62,134,820	\$1,183,281	1.94%	\$18.00	1.69%

City of South Portland
FY2018 LD 1 Worksheet (with Comparison FY17)
PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A

	<u>FY17</u>	<u>FY18</u>
1. Prior Year Property Tax Levy/Limit for Municipal Services	22,662,275	23,617,696
2. Income Growth Factor (State Planning Office calculation)	0.0267	0.0284
3. Property Growth Factor (see property growth sheet)	0.0214	0.0204
4. LD 1 Growth Limit Factor (Line 2 + Line 3)	0.0481	0.0488
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.)	1.0481	1.0488
6. Net New State Funding (see instruction sheet)		
6A. Net New Revenue Sharing	134,634	
6B. Loss of Revenue Sharing		129,942
7. Multiply Line 1 by Line 5	23,752,330	24,770,240
8. FY2018 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)	23,617,696	24,900,182
9. FY2018 Approved Municipal Appropriations (Do not include any school appropriations.)	32,604,547	34,109,596
10. FY2018 Approved Total Deductions (Do not include any school revenues.)	14,308,115	15,616,356
11. 2018 Municipal Property Tax Levy (Line 9 less Line 10)	18,296,432	18,493,240
12. Over/(Under) Limit (Line 11 less Line 8)*	(5,321,264)	(6,406,942)

* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2018.

CITY OF SOUTH PORTLAND for
 2018 MUNICIPAL PROPERTY TAX GROWTH FACTOR
 PURSUANT TO Sec. C-1, 30-A M.R.S.A. § 5721-A.1.C.

2018

2017 Total Valuation	+	\$3,620,634,600
Abatements		\$29,683
Supplements	+	\$0
Adjust 2017 Valuation	=	\$3,620,604,917
BETE increases		\$23,838,800
		\$3,644,443,717
Real Estate Growth		\$35,233,700
Personal Property Growth		\$15,311,500
BETE increases		\$23,838,800
		\$74,384,000
Total		\$74,384,000
Property Tax Growth		2.04%

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 28, 2016
 RE: **Next Year's LD 1 Average Personal Income Growth is 2.84%**

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 1/1/2017 - 12/31/2017 budget year for municipalities on a calendar-year budget or the 7/1/2017 - 6/30/2018 budget year for municipalities on a fiscal-year budget), OPM has determined average personal income growth to be 2.84%. The table below shows how this figure was calculated.

Calculation of Maine's "Average Personal Income Growth"

Calendar Year	Nominal Personal Income (thousands)	% Change
2005	\$43,083,415	
2006	\$45,402,329	5.38%
2007	\$47,187,502	3.93%
2008	\$49,226,384	4.32%
2009	\$49,130,870	-0.19%
2010	\$49,827,077	1.42%
2011	\$51,714,022	3.79%
2012	\$52,877,607	2.25%
2013	\$52,724,616	-0.29%
2014	\$54,860,192	4.05%
2015	\$56,893,803	3.71%
AVERAGE		2.84%

Source: U.S. Bureau of Economic Analysis

This calculation reflects the revised methodology described in 5 MRSA §1531 as amended by P.L. 2015 Chapter 267, Part L: "'Average personal income growth" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis. The average personal income growth is determined by October 1st, annually, by the Governor's Office of Policy and Management." 2015 is currently the most recent year for which data is available.

SOUTH PORTLAND SCHOOL DEPARTMENT

BOARD OF EDUCATION

FISCAL YEAR 2017-2018

BUDGET SUMMARY

PART I - BUDGET - LOCALLY SUPPORTED PROGRAMS

	<i>FY17 Budget</i>	<i>FY18 Budget (referendum approved)</i>	<i>FY18 Budget (add'l GPA)</i>	<i>% Change (FY18 - FY18)</i>
<i>REGULAR INSTRUCTION</i>	<i>18,397,844</i>	<i>19,050,373</i>	<i>19,076,973</i>	<i>0.1%</i>
<i>SPECIAL EDUCATION</i>	<i>8,892,384</i>	<i>9,089,213</i>	<i>9,229,213</i>	<i>1.5%</i>
<i>CAREER & TECHNICAL ED</i>	<i>290,559</i>	<i>347,500</i>	<i>347,500</i>	<i>0.0%</i>
<i>OTHER INSTRUCTION</i>	<i>913,774</i>	<i>957,076</i>	<i>957,076</i>	<i>0.0%</i>
<i>STUDENT & STAFF SUPPORT</i>	<i>3,842,182</i>	<i>3,983,869</i>	<i>3,983,869</i>	<i>0.0%</i>
<i>SYSTEM ADMINISTRATION</i>	<i>1,398,085</i>	<i>1,445,177</i>	<i>1,445,177</i>	<i>0.0%</i>
<i>SCHOOL ADMINISTRATION</i>	<i>2,410,127</i>	<i>2,497,874</i>	<i>2,497,874</i>	<i>0.0%</i>
<i>TRANSPORTATION & BUSES</i>	<i>1,947,029</i>	<i>2,008,911</i>	<i>2,153,911</i>	<i>7.2%</i>
<i>FACILITIES MAINTENANCE</i>	<i>4,247,233</i>	<i>4,328,601</i>	<i>4,389,601</i>	<i>1.4%</i>
<i>DEBT SERVICE</i>	<i>4,881,765</i>	<i>4,660,304</i>	<i>4,660,304</i>	<i>0.0%</i>
<i>ALL OTHER EXPENDITURES</i>	<i>438,312</i>	<i>438,520</i>	<i>438,520</i>	<i>0.0%</i>
<i>SUBTOTAL</i>	<i><u>47,659,294</u></i>	<i><u>48,807,418</u></i>	<i><u>49,180,018</u></i>	<i>0.8%</i>
<i>ADULT EDUCATION</i>	<i>20,000</i>	<i>25,000</i>	<i>25,000</i>	<i>0.0%</i>
<i>TOTAL</i>	<i><u>\$47,679,294</u></i>	<i><u>\$48,832,418</u></i>	<i><u>\$49,205,018</u></i>	<i>0.8%</i>

SOUTH PORTLAND SCHOOL DEPARTMENT						
REVENUE COMPARISONS - PART I BUDGET						
DESCRIPTION	FY15 BUDGETED REVENUES	FY16 BUDGETED REVENUES	FY17 BUDGETED REVENUES	FY18 REFERENDUM REVENUES	FY18 ADDTL GPA REVENUES	
USE OF FUND BALANCE	\$677,117	\$500,000	\$500,000	\$500,000	\$500,000	
TUITION FOR STATE AGENCY CLIENTS	25,000	25,000	35,000	45,000	45,000	
STUDENT ADM.	25,000	35,000	41,000	43,000	43,000	
ATHLETIC SPONSORSHIPS	-	-	30,000	30,000	30,000	
OTHER REVENUE	19,800	19,800	19,800	19,800	19,800	
STATE SUBSIDY	5,275,585	5,662,701	6,278,169	5,972,690 <i>est.</i>	6,988,219	
MAINE CARE	50,000	100,000	100,000	50,000	50,000	
PORTLAND TRANSPORTATION AGRMT	78,666	117,713	126,000	126,000	126,000	
TRANSFER IN FROM BRICKHILL TIF	162,748	197,384	201,849	197,353	197,353	
TRANSFER IN SRO/BUS/TECH RESERVES	95,863	198,015	196,457	297,260	162,096	
SUB TOTAL REVENUE	6,409,779	6,855,613	7,528,275	7,281,103	8,161,468	
LOCAL EFFORT - OPERATING	38,395,017	39,258,191	40,151,019	41,551,315	41,043,550	
TOTAL REVENUE	\$44,804,796	\$46,113,804	\$47,679,294	\$48,832,418	\$49,205,018	

**SOUTH PORTLAND SCHOOL DEPARTMENT
TAX CALCULATION**

	FY15	FY16	FY17	FY18 <i>Referendum Approved</i>	FY18 <i>With Add'l GPA</i>
PART I Local Operating Budget	\$44,784,796	\$46,093,804	\$47,659,294	\$48,807,418	\$49,180,018
Adult Education Local Contribution	\$20,000	\$20,000	\$20,000	\$25,000	\$25,000
Total School Operating Budget	<u>\$44,804,796</u>	<u>\$46,113,804</u>	<u>\$47,679,294</u>	<u>\$48,832,418</u>	<u>\$49,205,018</u>
Total School Operating/Debt Reserve Expense	<u>\$44,804,796</u>	<u>\$46,113,804</u>	<u>\$47,679,294</u>	<u>\$48,832,418</u>	<u>\$49,205,018</u>
Revenue and Adjustments:					
Non-Tax Revenue (e.g., GPA, SAC, MaineCare, etc.)	\$5,732,662	\$6,355,613	\$7,028,275	\$6,781,103	\$7,661,468
Use of Starting Fund Balance	677,117	500,000	500,000	500,000	500,000
Total School Funds Available	<u>\$6,409,779</u>	<u>\$6,855,613</u>	<u>\$7,528,275</u>	<u>\$7,281,103</u>	<u>\$8,161,468</u>
Total Amount to Be Raised by Taxes (Total School Operating Budget Less Funds Available)	<u>\$38,395,017</u>	<u>\$39,258,191</u>	<u>\$40,151,019</u>	<u>\$41,551,315</u>	<u>\$41,043,550</u>
Assessed Valuation (in thousands)	\$3,425,000	\$3,422,000	est. \$3,407,500	est. \$3,407,500	est. \$3,407,500
Change in School Mil Rate - Total:					
Total Mil Rate	\$11.21	\$11.47	\$11.78	\$12.19	\$12.05
Tax Increase in Dollars	\$1,283,122	\$863,174	\$892,828	\$1,400,296	\$892,531
Tax Increase as Percentage	3.46%	2.25%	2.27%	3.49%	2.15%
Change in Mil Rate from Prior Year	<u>\$0.33</u>	<u>\$0.262</u>	<u>\$0.31</u>	<u>\$0.41</u>	<u>\$0.26</u>
Change in School Mil Rate - Operating Budget:					
Total Mil Rate	\$9.78	\$10.03	\$10.35	\$10.83	\$10.68
Tax Increase in Dollars	\$859,409	\$850,347	\$930,043	\$1,621,757	\$1,113,992
Change in Mil Rate from Prior Year	<u>\$0.21</u>	<u>\$0.257</u>	<u>\$0.32</u>	<u>\$0.48</u>	<u>\$0.33</u>
Change in School Mil Rate - Debt/Municipal Leases:					
Total Mil Rate	\$1.43	\$1.44	\$1.43	\$1.37	\$1.37
Tax Increase in Dollars	\$423,713	\$12,827	-\$37,215	-\$221,461	-\$221,461
Change in Mil Rate from Prior Year	<u>\$0.12</u>	<u>\$0.005</u>	<u>\$0.00</u>	<u>-\$0.06</u>	<u>-\$0.06</u>

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Debt - an obligation resulting from the borrowing of money.

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

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

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

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

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

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

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

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

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