

APPENDIX TO THE FY 2019 ADOPTED BUDGET

South Portland Budget Process

Audit for the Year Ending June 30, 2017

South Portland Budget History

Municipal Property Tax Levy Limit

School Department Budget

Cumberland County Budget Summary

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.



Certified Public Accountants and Business Consultants

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIF Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 December 29, 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.



December 29, 2017
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 \$173,521,805 (*net position*). Of this amount, \$23,600,512 (*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 \$112,184,675, an increase of \$6,380,807 in comparison with the prior year. Approximately 13.76% of this total amount, \$15,435,585, 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 \$13,189,251, or 16.35% of total general fund expenditures (budgetary basis).
- The City's total bonded debt increased by \$8,501,385 during the current fiscal year as a result of repayments on existing bonds of \$4,198,615 and new debt of \$12,700,000 for the Municipal Services Facility.
- Voters in 2013 approved a bond referendum for \$14,000,000 for the construction of a new Municipal Services Facility housing the Public Works, Parks, and Bus operations and maintenance garage. During the year, the City constructed this facility with its grand opening in October of 2017.
- Again this year, as part of the GASB Statement No. 68 pension standard, the 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 \$1,124,278.
- The City, in defense of the Clear Skies Ordinance lawsuit, incurred legal costs during the year totaling \$772,726.

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.

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 \$173,521,805 at the close of the most recent fiscal year.

City of South Portland's Net Position

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|--------------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 58,265,688 | \$ 48,462,422 | \$ 12,340,353 | \$ 14,523,320 | \$ 70,606,041 | \$ 62,985,742 |
| Capital assets | 135,695,518 | 127,130,252 | 53,306,724 | 53,877,012 | 189,002,242 | 181,007,264 |
| Deferred outflows | 6,806,232 | 2,783,094 | - | - | 6,806,232 | 2,783,094 |
| Total assets and outflows | 200,767,438 | 178,375,768 | 65,647,077 | 68,400,332 | 266,414,515 | 246,776,100 |
| Long-term liabilities | 78,639,998 | 63,673,640 | 3,837,778 | 4,030,131 | 82,477,776 | 67,703,771 |
| Other liabilities | 9,126,090 | 7,476,284 | 472,169 | 1,364,500 | 9,598,259 | 8,840,784 |
| Deferred inflows | 816,675 | 1,421,976 | - | - | 816,675 | 1,421,976 |
| Total liabilities and inflows | 88,582,763 | 72,571,900 | 4,309,947 | 5,394,631 | 92,892,710 | 77,966,531 |
| Net investment | | | | | | |
| in capital assets | 82,323,833 | 79,523,948 | 49,737,946 | 50,111,131 | 132,061,779 | 129,635,079 |
| Restricted | 14,425,257 | 12,399,159 | 3,434,257 | 4,617,231 | 17,859,514 | 17,016,390 |
| Unrestricted | 15,435,585 | 13,880,761 | 8,164,927 | 8,277,339 | 23,600,512 | 22,158,100 |
| Total net position | \$ 112,184,675 | \$ 105,803,868 | \$ 61,337,130 | \$ 63,005,701 | \$ 173,521,805 | \$ 168,809,569 |

By far, the largest portion of the City of South Portland's net position (76.11% or \$132,061,779) 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 (10.29% or \$17,859,514) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (13.60% or \$23,600,512) may be used to meet the City's on-going obligation to citizens and creditors. At the end of the current fiscal year, the City of South Portland is able to report a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

The City's total net position increased by \$4,712,236 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

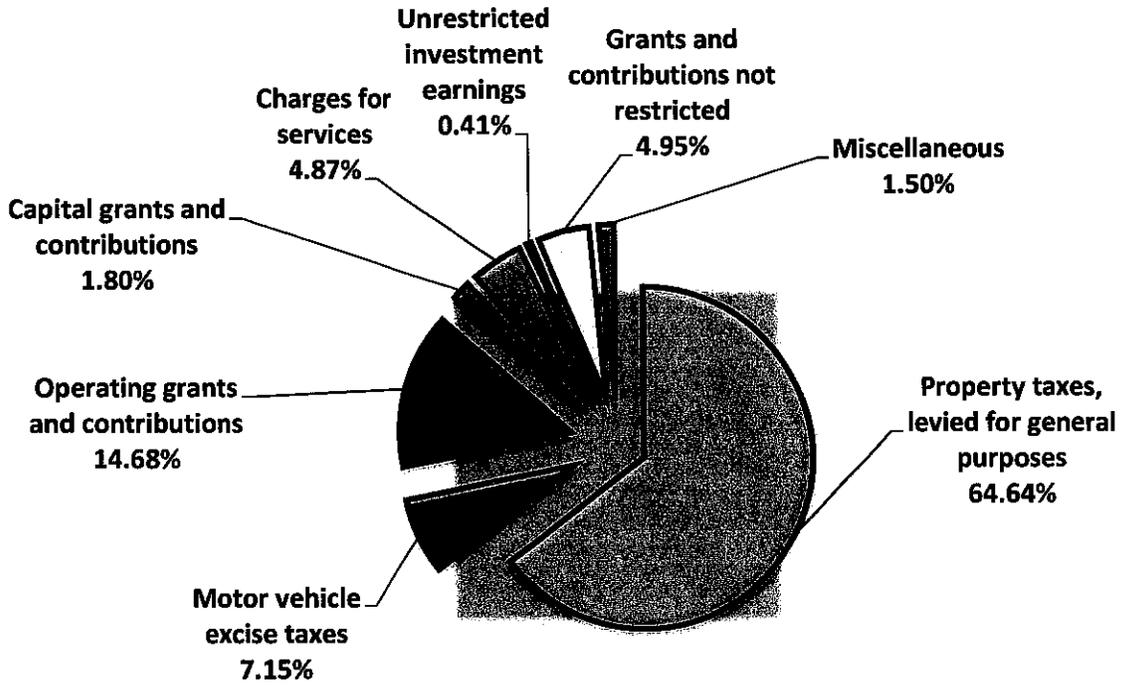
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total Activities</u> | |
|--|--------------------------------|-------------------|---------------------------------|------------------|-------------------------|--------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,098,787 | \$ 4,988,513 | \$ 6,008,622 | \$ 5,922,343 | \$ 11,107,409 | \$ 10,910,856 |
| Operating grants and contributions | 14,780,259 | 13,373,025 | - | - | 14,780,259 | 13,373,025 |
| Capital grants and contributions | 1,783,472 | 1,917,714 | 254,765 | 100,000 | 2,038,237 | 2,017,714 |
| General revenues: | | | | | | |
| Property and other taxes | 71,265,455 | 70,424,578 | - | - | 71,265,455 | 70,424,578 |
| Grants and contributions not restricted to specific programs | 4,911,784 | 4,427,881 | - | - | 4,911,784 | 4,427,881 |
| Other | 1,518,200 | 1,695,396 | 79,684 | 76,744 | 1,597,884 | 1,772,140 |
| Total revenues | 99,357,957 | 96,827,107 | 6,343,071 | 6,099,087 | 105,701,028 | 102,926,194 |
| Expenses: | | | | | | |
| General government | 13,548,355 | 13,747,918 | - | - | 13,548,355 | 13,747,918 |
| Public safety | 13,344,042 | 13,000,756 | - | - | 13,344,042 | 13,000,756 |
| Public works | 7,641,737 | 6,873,549 | - | - | 7,641,737 | 6,873,549 |
| Culture and recreation | 4,372,866 | 4,587,976 | - | - | 4,372,866 | 4,587,976 |
| Transportation and waterfront | 1,814,621 | 1,596,383 | - | - | 1,814,621 | 1,596,383 |
| Health, wealth and social services | 506,108 | 521,834 | - | - | 506,108 | 521,834 |
| Interest on debt service | 1,695,611 | 1,328,266 | - | - | 1,695,611 | 1,328,266 |
| Education | 51,862,105 | 49,664,988 | - | - | 51,862,105 | 49,664,988 |
| Sewer | - | - | 6,203,347 | 6,154,095 | 6,203,347 | 6,154,095 |
| Total expenses | 94,785,445 | 91,321,670 | 6,203,347 | 6,154,095 | 100,988,792 | 97,475,765 |
| Increase (decrease) in net position before transfers | 4,572,512 | 5,505,437 | 139,724 | (55,008) | 4,712,236 | 5,450,429 |
| Transfers | 1,808,295 | (1,856,609) | (1,808,295) | 1,856,609 | - | - |
| Increase (decrease) in net position | 6,380,807 | 3,648,828 | (1,668,571) | 1,801,601 | 4,712,236 | 5,450,429 |
| Net position - beginning of year | 105,803,868 | 102,155,040 | 63,005,701 | 61,204,100 | 168,809,569 | 163,359,140 |
| Net position - end of year | \$ 112,184,675 | \$ 105,803,868 | \$ 61,337,130 | \$ 63,005,701 | \$ 173,521,805 | \$ 168,809,569 |

Governmental activities. During this past fiscal year, governmental activities saw an increase in the City of South Portland's net position of \$6.38 million. This amount represented an increase in the net position of 6.03%. Key elements of this increase are as follows:

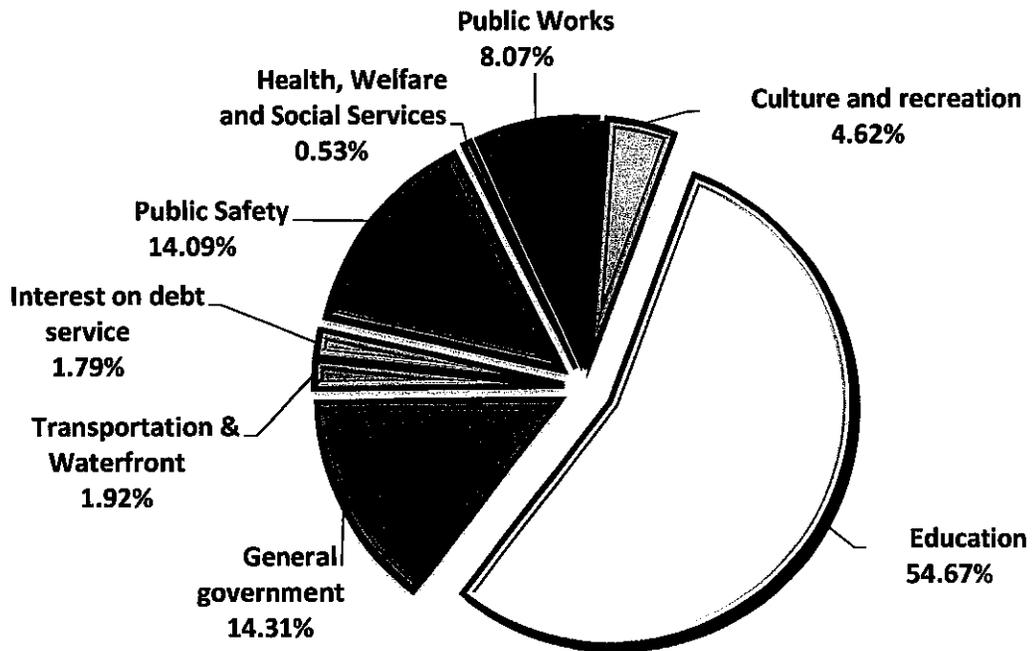
- Property and other taxes increased by \$841 thousand (1.19%). This was primarily due to an increase in taxes to support the School and City budgets and a slight decrease in motor vehicle excise revenues.
- Operating grants increased significantly from the prior year as a result of the States on behalf payment for MEPEERS teachers contributions increasing by \$579 thousand and State and Federal education subsidies increasing by \$339 thousand.
- Total expenses increased by \$3.46 million (3.8%). The largest increase in expenses was for public works of \$768 thousand primarily the result of the noncapitalized road improvements and the increase in interest on debt of \$367 thousand resulting primarily from the new Municipal Services Facility debt.
- The City also reclassified capital funds for the Thorton Heights projects as for general road and sidewalk improvements and shifted them out of the business-type sewer fund resulting in a decrease in net position of \$1.67 million.

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

**Government - wide
Revenues by Source - Governmental Activities
Fiscal Year 2017**



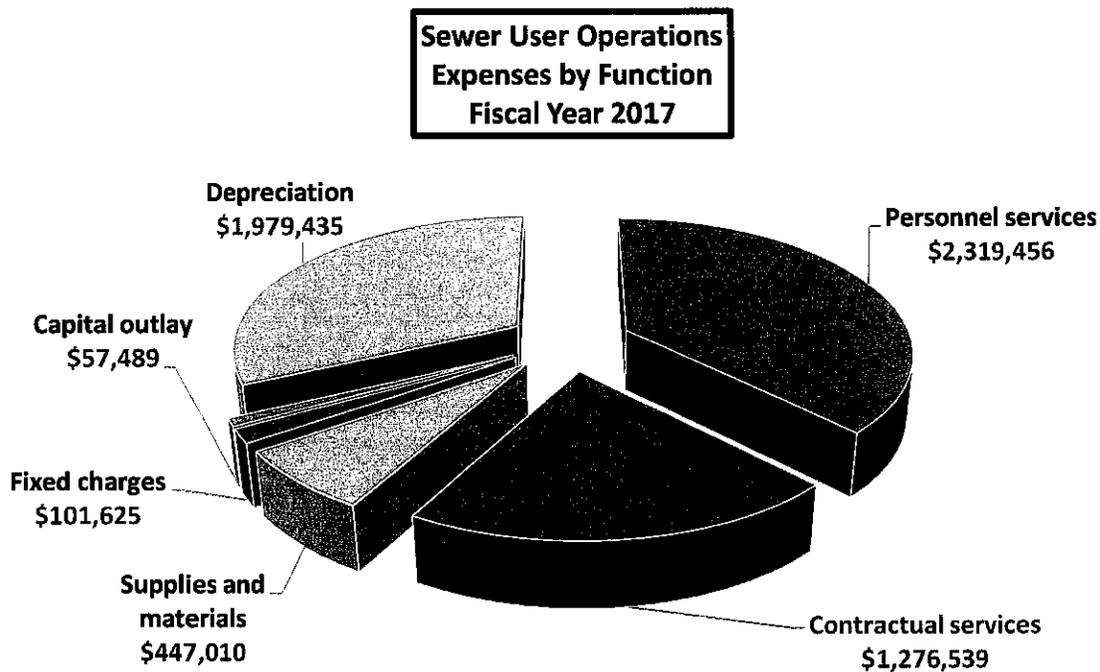
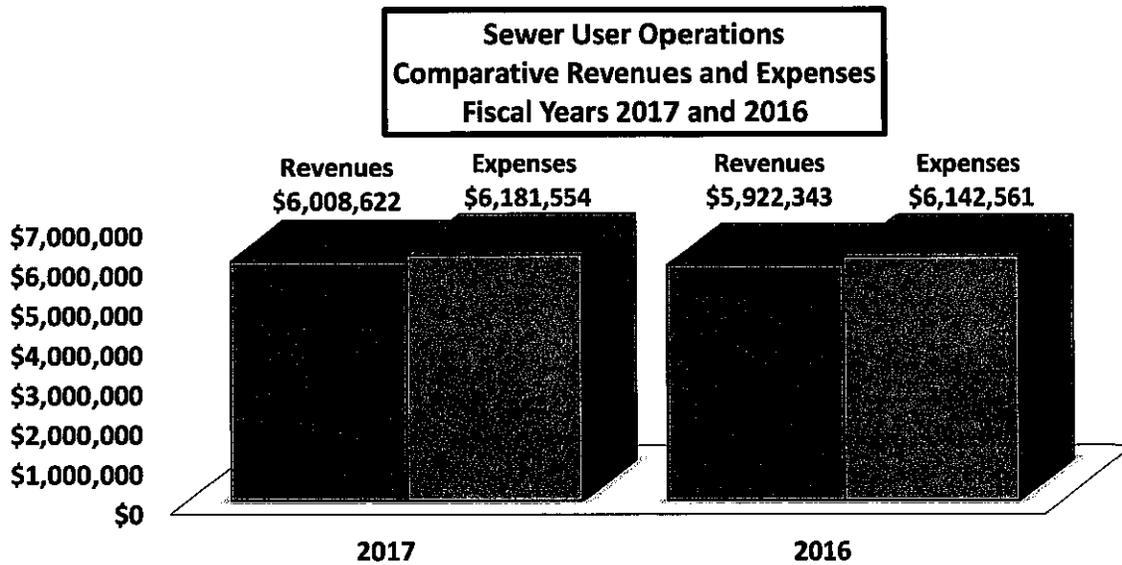
**Government - wide
Expenses by Function - Governmental Activities
Fiscal Year 2017**



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

Business-type activities. The City's business-type activities, which consists of sewer user operations, net position decreased by \$1.67 million. As previously noted, the City reclassified capital funds for the Thorton Heights projects as for general road and sidewalk improvements and shifted them out of the business type sewer fund resulting in a decrease in net position of \$1.67 million.

Revenues for business-type activities charges for services increased by \$86K due to basically flat residential consumption with a small rate hike during the year. Total operating expenses for business-type activities were relatively flat in total with increases in personnel services (\$14K), contractual (\$6K), fixed charges (\$35K) and depreciation (\$47K) which were offset primarily by decreases in supplies and materials (-\$11K), and capital outlay (-\$52K). 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 \$49 million, an increase of \$8.16 million. With increases in the TIF funds of \$1.95 million and a large increase in the capital projects funds of \$5.52 million which is primarily the result of unspent funds relating to the bonding for the municipal services facility.

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 \$23,893,402. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. General fund fund balance represents 28.27% of total general fund expenditures (\$84,530,559). Under the breakdown of fund balance, unspent appropriations related to education are reported as restricted. At June 30, 2017, general fund restricted balance for education totaled \$2,662,892. Additionally, the City maintains various reserve and encumbrance balances for various future needs. These balances are reported as either committed or assigned and in total increased by \$423,364 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, 2017, the unassigned fund balance was \$13,189,251 or 15.4% of the City's FY 2018, budget (\$85,470,826).

The total fund balance of the City of South Portland's general fund increased by \$141,764 during the current fiscal year. Key factors in this change are as follows:

- Total actual revenues collected exceeded budgeted by approximately \$1,890,057. The largest budgetary surplus resulted from excise taxes collected in excess of budget totaling approximately \$1.176 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 \$310K with a continued decrease in prior year's delinquent taxes. Additionally, estimated budgets for various revenues were exceeded; State BETE revenue (\$127K), and building permits (\$305K). 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 \$1.4 million. The major discrepancies included: unexpended education appropriations (\$688K), Citywide insurance and benefit costs (\$339K), Public works (\$134K) and the parks and recreation department (\$38K) 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 2017-18 capital improvement budget, the City appropriated \$1.61 million from unassigned fund balance to fund certain City capital projects. Additionally, the Council set aside an additional \$475K for tax rate stabilization, and \$500K 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 \$9,396,491, 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 deferred funding a project due to additional time required to have the project properly designed and as a result, the TIF funds accumulated additional funds. The 4th phase of the Thorton Heights/Pleasantdale sewer/stormwater project is planned to be funded later in 2018.

Capital Projects - The capital projects fund has a total fund balance of \$10,049,425. During the year, the fund balance increased as a result of the bonding for the 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 \$8,164,927, a slight decrease of \$112K. 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 \$452K, of which revenues came in greater than anticipated by \$153K and expenditures came in approximately \$299K under budget.

Budgetary Highlights

General Fund:

Revenue for the general fund totaled \$83,298,577 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2017. Actual revenues exceeded estimates by \$1,890,057.

General Fund Revenues Budget to Actual Summary

| | Budget | Actual | Variance |
|-----------------------------------|----------------------|----------------------|---------------------|
| Revenues: | | | |
| Taxes | \$ 67,215,689 | \$ 68,698,716 | \$ 1,483,027 |
| Intergovernmental | 10,928,806 | 11,093,059 | 164,253 |
| Licenses, permits, fees and fines | 870,550 | 1,224,384 | 353,834 |
| Charges for services | 1,808,875 | 1,904,170 | 95,295 |
| Unclassified | 164,600 | 168,334 | 3,734 |
| Interest earned | 420,000 | 209,914 | (210,086) |
| Total revenues | \$ 81,408,520 | \$ 83,298,577 | \$ 1,890,057 |

The revenue sources responsible for this surplus include the following:

- A taxes surplus of \$1.483 million of which \$1.176 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 \$310K as a result of the overlay exceeding abatements.
- State BETE revenue surplus of \$127K and State Revenue sharing surplus of \$23K.
- Building permit licenses came in with a surplus of \$305K primarily the result of four larger projects.
- With the climb of interest rates, existing investments required a mark to market adjustment that resulted in an unrealized gain (\$133K) from the prior year going to an unrealized loss of (-\$22K). As a result, the interest income budget resulted in a shortfall of \$210K.

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

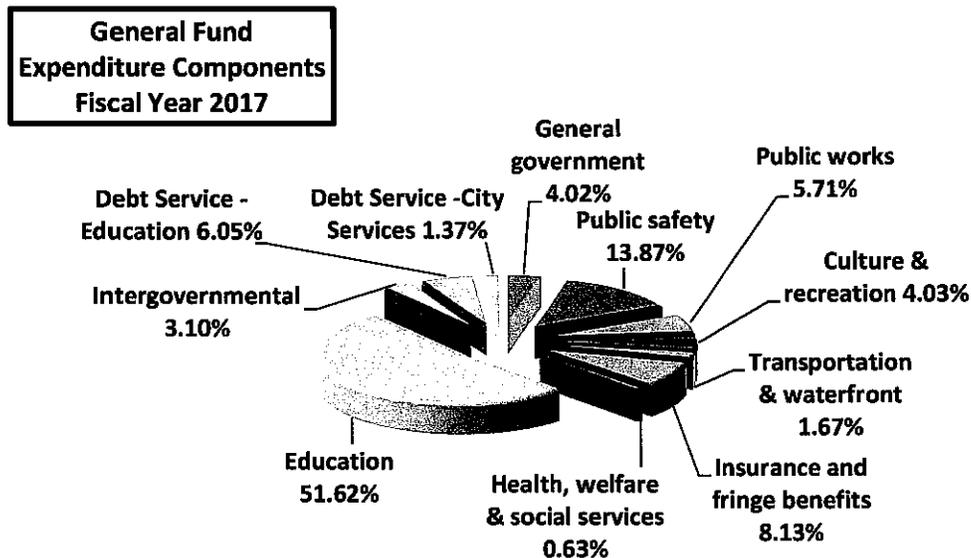
Expenditures for the general fund totaled \$80,684,989 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2017.

General Fund Expenditures Budget to Actual Summary

| | Budget | Actual | Variance |
|-------------------------------------|----------------------|----------------------|---------------------|
| Expenditures: | | | |
| General government | \$ 3,059,104 | \$ 2,981,979 | \$ 77,125 |
| Public safety | 11,249,324 | 11,192,120 | 57,204 |
| Public works | 4,739,150 | 4,604,819 | 134,331 |
| Culture and recreation | 3,311,260 | 3,254,785 | 56,475 |
| Transportation and waterfront | 1,352,728 | 1,349,480 | 3,248 |
| Health, welfare and social services | 542,863 | 506,108 | 36,755 |
| Education | 47,219,294 | 46,530,882 | 688,412 |
| Insurance and fringe benefits | 6,900,610 | 6,561,710 | 338,900 |
| Intergovernmental | 2,504,088 | 2,504,088 | - |
| Other | 112,000 | 93,670 | 18,330 |
| Debt Service | 1,113,782 | 1,105,348 | 8,434 |
| Total expenditures | \$ 82,104,203 | \$ 80,684,989 | \$ 1,419,214 |

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 \$77K with surpluses of \$13K in Corporation Council, \$27K in Human Resource expenditures and \$13K in City building.
- Public safety expenditures were under budget \$57K, with a police surplus (\$12K), Communications (\$14K) and Code enforcement (\$23K) making up the larger components.
- Public works had a moderate winter and finished the year with a streets and sidewalks division surplus (\$94K), and rubbish disposal division surplus (\$29K).
- Citywide insurance and benefits had a surplus (\$339K), which was mostly from health insurance savings (\$209K), retirement surplus (\$46K) and Social Security savings (\$37K).
- Education had a surplus of \$688K attributable to lower than anticipated expenditures for the various Elementary Schools (\$159K) Middle Schools (\$81K), Special Education (\$198K) and curriculum (\$74K).



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, 2017 amounts to \$189,002,242 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer system, improvements, machinery and equipment, vehicles, park facilities, roads, highways and dams. The total increase in the City of South Portland's investment in capital assets for the current fiscal year was 4.4% (a 6.7% increase for governmental activities and a 1.1% decrease 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 Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 8,852,149 | \$ 8,912,149 | \$ 1,221,558 | \$ 1,221,558 | \$ 10,073,707 | \$ 10,133,707 |
| Buildings | 87,908,644 | 90,387,728 | 16,179,068 | 16,932,212 | 104,087,712 | 107,319,940 |
| Improvements other than buildings | 2,312,994 | 2,529,700 | - | - | 2,312,994 | 2,529,700 |
| Machinery and equipment | 4,705,943 | 5,147,281 | 4,473,408 | 4,923,488 | 9,179,351 | 10,070,769 |
| Infrastructure | 15,616,913 | 13,555,925 | 30,054,614 | 28,328,679 | 45,671,527 | 41,884,604 |
| Construction in progress | 11,484,981 | 2,510,151 | 1,282,701 | 2,340,068 | 12,767,682 | 4,850,219 |
| Vehicles | 4,813,894 | 4,087,318 | 95,375 | 131,007 | 4,909,269 | 4,218,325 |
| Total | \$ 135,695,518 | \$ 127,130,252 | \$ 53,306,724 | \$ 53,877,012 | \$ 189,002,242 | \$ 181,007,264 |

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

- Construction costs for the new Municipal Services Facility totaling \$8.76 million.
- Thornton Heights road and sidewalk improvements totaling \$1.6 million and related sewer and storm water phase 3 improvements for \$2.29 million.
- Various vehicles purchased included two buses totaling \$815K, various police vehicles totaling \$167K, a new ambulance for \$203K, a firetruck pumper for \$580K, a new plow truck \$174K, two school buses \$174K, and various other City and school vehicles totaling \$119K.
- Various building improvements including roof restorations at various schools of \$124K and other improvements totaling \$197K.
- Various paving and sidewalk projects totaling \$1.23 million including the Cummings Road Phase #2 project.
- Various computer and network equipment totaling \$252K.
- 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 \$3,738,700,000 for 2017, the debt limit would be over \$560.8 million. Our current debt is \$56,569,358 or about 1.51% of State Valuation or approximately 10.09% of the City's debt limit. Another measure of a municipality's debt load is debt per capita. As of June 30, 2017, the City of South Portland's debt per capita (including lease obligations and debt premium) was \$2,450 as compared to the prior year of \$2,097.

The following is a summary of bond transactions of the City for the year ended June 30, 2017:

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| General Obligation Bonds payable at June 30, 2016 | \$ 44,302,092 | 3,765,881 | 48,067,973 |
| Principal additions | 12,700,000 | - | 12,700,000 |
| Principal payments | (4,001,512) | (197,103) | (4,198,615) |
| General Obligation Bonds payable at June 30, 2017 | \$ 53,000,580 | 3,568,778 | 56,569,358 |

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. During the year, 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 October 2017 unemployment rate for the Portland/South Portland area is currently at 2.6% which is 0.6% less from the rate a year ago of 3.2%. This rate compares favorably to the state's average unemployment rate of 3.5% and the national average rate of 4.1%.
- As of June 2017, the vacancy rate for Class A office space in the Suburban Greater Portland area was 3.28% down from 8.86% in June of 2016 and the vacancy rate for Class B office space Suburban Greater Portland area was 5.37% down from 10.28% in June of 2016.

In adopting the budget for the ensuing fiscal year 2018, 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 (2018), 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 FY18, the City expects to experience increased school aide of \$710K, State BETE Reimbursement and State Homestead reimbursement. Homestead reimbursement will however have an offsetting reduction in taxable valuation. The next impact to a homestead taxpayer will however be favorable with a savings of \$50 -\$90 per household.
- 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 be 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.
- A strong increase in overall taxable value resulted from several larger development projects.

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 1-5% increase (depending on the plan), 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.
- The increase in operating costs for utilities and operating costs for the new Municipal Services Facility.

The fiscal year 2018 budget was approved in June 2017 and subsequently amended in July, with a \$3,124,715 (3.77%) increase in the overall general fund expenditure budget. Due to increases in various revenues including increased taxable valuation, the impact to property taxes was an increase of \$1,831,281 (1.94%). Overall the tax rate increased (1.69%) to 18.00 per thousand from the prior year 17.70.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH PORTLAND, MAINE
Statement of Net Position
June 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------|
| ASSETS | | | |
| Cash and cash equivalents | 59,661,910 | - | 59,661,910 |
| Investments | 7,323,319 | - | 7,323,319 |
| Receivables, net of allow. of \$652,215 and \$77,900 | 1,880,859 | 671,124 | 2,551,983 |
| Taxes receivable | 812,456 | - | 812,456 |
| Tax liens and tax acquired property | 158,799 | - | 158,799 |
| Inventory | 47,574 | - | 47,574 |
| Internal balances | (11,669,229) | 11,669,229 | - |
| Restricted assets, cash | 50,000 | - | 50,000 |
| Capital assets, not being depreciated | 20,337,130 | 2,504,259 | 22,841,389 |
| Capital assets, net of accumulated depreciation | 115,358,388 | 50,802,465 | 166,160,853 |
| Total assets | 193,961,206 | 65,647,077 | 259,608,283 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions | 6,806,232 | - | 6,806,232 |
| Total deferred outflows of resources | 6,806,232 | - | 6,806,232 |
| LIABILITIES | | | |
| Accounts payable | 3,368,927 | 465,188 | 3,834,115 |
| Accrued liabilities | 617,055 | 2,322 | 619,377 |
| Accrued interest | 657,743 | 4,659 | 662,402 |
| Accrued teachers' summer salaries | 4,482,365 | - | 4,482,365 |
| Non-current liabilities: | | | |
| Due within one year | 5,666,940 | 292,848 | 5,959,788 |
| Due in more than one year | 72,973,058 | 3,544,930 | 76,517,988 |
| Total liabilities | 87,766,088 | 4,309,947 | 92,076,035 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions | 816,675 | - | 816,675 |
| Total deferred inflows of resources | 816,675 | - | 816,675 |
| NET POSITION | | | |
| Net investment in capital assets | 82,323,833 | 49,737,946 | 132,061,779 |
| Restricted for: | | | |
| Permanent Funds - Nonexpendable principal | 198,949 | - | 198,949 |
| Permanent Funds - Expendable | 140,089 | - | 140,089 |
| Education | 2,662,892 | - | 2,662,892 |
| Other grants | 2,026,836 | - | 2,026,836 |
| Tax Increment Financing | 9,396,491 | - | 9,396,491 |
| Capital | - | 3,434,257 | 3,434,257 |
| Unrestricted | 15,435,585 | 8,164,927 | 23,600,512 |
| Total net position | 112,184,675 | 61,337,130 | 173,521,805 |

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Activities
For the year ended June 30, 2017

| Functions/programs | Net (expense) revenue and changes in net position | | | | | |
|---|---|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------|
| | Program Revenues | | | Primary Government | | Total |
| | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | |
| Expenses | | | | | | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 13,548,355 | 442,734 | 667,039 | (12,438,582) | - | (12,438,582) |
| Public safety | 13,344,042 | 2,090,407 | 381,693 | (10,871,942) | - | (10,871,942) |
| Public works | 7,641,737 | 386,056 | 801,687 | (6,453,994) | - | (6,453,994) |
| Culture and recreation | 4,372,866 | 1,119,989 | - | (3,252,877) | - | (3,252,877) |
| Transportation and waterfront | 1,814,621 | 376,949 | 725,956 | 270,069 | - | 270,069 |
| Health, welfare and social services | 506,108 | - | 250,007 | (256,101) | - | (256,101) |
| Education | 51,862,105 | 682,652 | 12,755,564 | (38,423,889) | - | (38,423,889) |
| Interest on debt service | 1,695,611 | - | - | (1,695,611) | - | (1,695,611) |
| Total governmental activities | 94,785,445 | 5,098,787 | 14,780,259 | (73,122,927) | - | (73,122,927) |
| Business-type activities: | | | | | | |
| Sewer | 6,203,347 | 6,008,622 | 254,765 | - | 60,040 | 60,040 |
| Total business-type activities | 6,203,347 | 6,008,622 | 254,765 | - | 60,040 | 60,040 |
| Total primary government | \$ 100,988,792 | 11,107,409 | 14,780,259 | (73,122,927) | 60,040 | (73,062,887) |
| General revenues: | | | | | | |
| Property taxes, levied for general purposes | | | | 64,164,888 | - | 64,164,888 |
| Motor vehicle excise taxes | | | | 7,100,567 | - | 7,100,567 |
| Cable television franchise | | | | 120,000 | - | 120,000 |
| Grants and contributions not restricted to specific programs: | | | | | | |
| State Revenue Sharing | | | | 1,243,362 | - | 1,243,362 |
| Homestead exemption | | | | 729,461 | - | 729,461 |
| Other State aid | | | | 2,938,961 | - | 2,938,961 |
| Unrestricted investment earnings | | | | 411,583 | 79,684 | 491,267 |
| Miscellaneous | | | | 986,617 | - | 986,617 |
| Transfers | | | | 1,808,295 | (1,808,295) | - |
| Total general revenues and transfers | | | | 79,503,734 | (1,728,611) | 77,775,123 |
| Change in net position | | | | 6,380,807 | (1,668,571) | 4,712,236 |
| Net position - beginning | | | | 105,803,868 | 63,005,701 | 168,809,569 |
| Net position - ending | | | | 112,184,675 | 61,337,130 | 173,521,805 |

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2017

| | General | Tax Increment Financing | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 39,487,049 | 9,397,019 | 10,777,842 | - | 59,661,910 |
| Investments | 6,319,823 | - | - | 1,003,496 | 7,323,319 |
| Due from other governments | 614,886 | - | 49,870 | 732,854 | 1,397,610 |
| Accounts receivable, net of allowance of \$652,215 | 176,989 | 6,712 | - | 299,548 | 483,249 |
| Taxes receivable | 812,456 | - | - | - | 812,456 |
| Tax liens and tax acquired property | 158,799 | - | - | - | 158,799 |
| Interfund loans receivable | - | - | - | 4,054,483 | 4,054,483 |
| Inventory | - | - | - | 47,574 | 47,574 |
| Restricted assets, cash | 50,000 | - | - | - | 50,000 |
| Total assets | \$ 47,620,002 | 9,403,731 | 10,827,712 | 6,137,955 | 73,989,400 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 2,449,411 | 7,240 | 778,287 | 136,408 | 3,371,346 |
| Accrued liabilities | 564,763 | - | - | 52,292 | 617,055 |
| Interfund loans payable | 15,721,293 | - | - | - | 15,721,293 |
| Accrued teachers' summer salaries | 4,218,133 | - | - | 264,232 | 4,482,365 |
| Total liabilities | 22,953,600 | 7,240 | 778,287 | 452,932 | 24,192,059 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue - property taxes | 773,000 | - | - | - | 773,000 |
| Total deferred inflows of resources | 773,000 | - | - | - | 773,000 |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | 246,523 | 246,523 |
| Restricted | 2,662,892 | 9,396,491 | 4,306,014 | 2,119,351 | 18,484,748 |
| Committed | 4,012,592 | - | 5,819,775 | 3,334,865 | 13,167,232 |
| Assigned | 4,028,667 | - | - | - | 4,028,667 |
| Unassigned | 13,189,251 | - | (76,364) | (15,716) | 13,097,171 |
| Total fund balances | 23,893,402 | 9,396,491 | 10,049,425 | 5,685,023 | 49,024,341 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 47,620,002 | 9,403,731 | 10,827,712 | 6,137,955 | |
| 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. | | | | | 135,695,518 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | | | | 773,000 |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds: | | | | | |
| Bond premiums | | | | | (2,766,841) |
| Accrued compensated absences | | | | | (3,532,000) |
| Other postemployment benefits liability | | | | | (1,969,177) |
| Accrued interest | | | | | (657,743) |
| Landfill closure | | | | | (142,000) |
| Capital leases | | | | | (1,910,278) |
| Net pension liability with related deferred inflows and outflows of resources | | | | | (9,329,565) |
| Bonds payable | | | | | (53,000,580) |
| Net position of governmental activities | | | | | \$ 112,184,675 |

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2017

| | General | Tax Increment Financing | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 39,487,049 | 9,397,019 | 10,777,842 | - | 59,661,910 |
| Investments | 6,319,823 | - | - | 1,003,496 | 7,323,319 |
| Due from other governments | 614,886 | - | 49,870 | 732,854 | 1,397,610 |
| Accounts receivable, net of allowance of \$652,215 | 176,989 | 6,712 | - | 299,548 | 483,249 |
| Taxes receivable | 812,456 | - | - | - | 812,456 |
| Tax liens and tax acquired property | 158,799 | - | - | - | 158,799 |
| Interfund loans receivable | - | - | - | 4,054,483 | 4,054,483 |
| Inventory | - | - | - | 47,574 | 47,574 |
| Restricted assets, cash | 50,000 | - | - | - | 50,000 |
| Total assets | \$ 47,620,002 | 9,403,731 | 10,827,712 | 6,137,955 | 73,989,400 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 2,449,411 | 7,240 | 778,287 | 136,408 | 3,371,346 |
| Accrued liabilities | 564,763 | - | - | 52,292 | 617,055 |
| Interfund loans payable | 15,721,293 | - | - | - | 15,721,293 |
| Accrued teachers' summer salaries | 4,218,133 | - | - | 264,232 | 4,482,365 |
| Total liabilities | 22,953,600 | 7,240 | 778,287 | 452,932 | 24,192,059 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue - property taxes | 773,000 | - | - | - | 773,000 |
| Total deferred inflows of resources | 773,000 | - | - | - | 773,000 |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | 246,523 | 246,523 |
| Restricted | 2,662,892 | 9,396,491 | 4,306,014 | 2,119,351 | 18,484,748 |
| Committed | 4,012,592 | - | 5,819,775 | 3,334,865 | 13,167,232 |
| Assigned | 4,028,667 | - | - | - | 4,028,667 |
| Unassigned | 13,189,251 | - | (76,364) | (15,716) | 13,097,171 |
| Total fund balances | 23,893,402 | 9,396,491 | 10,049,425 | 5,685,023 | 49,024,341 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 47,620,002 | 9,403,731 | 10,827,712 | 6,137,955 | |

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. | 135,695,518 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 773,000 |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds: | |
| Bond premiums | (2,766,841) |
| Accrued compensated absences | (3,532,000) |
| Other postemployment benefits liability | (1,969,177) |
| Accrued interest | (657,743) |
| Landfill closure | (142,000) |
| Capital leases | (1,910,278) |
| Net pension liability with related deferred inflows and outflows of resources | (9,329,565) |
| Bonds payable | (53,000,580) |

Net position of governmental activities

\$ 112,184,675

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, 2017

| | General | Tax Increment Financing | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 68,698,716 | 2,469,739 | - | 20,000 | 71,188,455 |
| Intergovernmental | 14,225,459 | 985,794 | 1,769,079 | 4,370,445 | 21,350,777 |
| Licenses, permits, fees and fines | 1,224,384 | - | - | - | 1,224,384 |
| Charges for services | 1,904,170 | - | - | 1,827,616 | 3,731,786 |
| Unclassified | 863,602 | - | 12,641 | 665,439 | 1,541,682 |
| Interest earned | 264,626 | 82,933 | 38,726 | 25,298 | 411,583 |
| Total revenues | 87,180,957 | 3,538,466 | 1,820,446 | 6,908,798 | 99,448,667 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 10,381,439 | 122,180 | - | 893,922 | 11,397,541 |
| Public safety | 11,160,707 | - | - | 295,708 | 11,456,415 |
| Public works | 4,269,267 | 122,348 | - | 129,541 | 4,521,156 |
| Culture and recreation | 3,143,006 | - | - | 750,753 | 3,893,759 |
| Transportation and waterfront | 1,394,984 | - | - | 70,409 | 1,465,393 |
| Health, welfare and social services | 506,108 | - | - | - | 506,108 |
| Education (excluding debt service) | 45,027,953 | - | - | 2,670,987 | 47,698,940 |
| School lunch program | - | - | - | 1,803,337 | 1,803,337 |
| Intergovernmental | 2,504,088 | - | - | - | 2,504,088 |
| Other | 29,400 | 960,018 | - | 1,737 | 991,155 |
| Debt service | 5,987,104 | - | - | - | 5,987,104 |
| Capital expenditures | 126,503 | - | 14,451,617 | - | 14,578,120 |
| Total expenditures | 84,530,559 | 1,204,546 | 14,451,617 | 6,616,394 | 106,803,116 |
| Excess (deficiency) of revenues over (under) expenditures | 2,650,398 | 2,333,920 | (12,631,171) | 292,404 | (7,354,449) |
| Other financing sources (uses): | | | | | |
| Transfers in | 1,752,068 | - | 4,440,990 | 263,443 | 6,456,501 |
| Transfers out | (4,260,702) | (387,504) | - | - | (4,648,206) |
| Bond proceeds | - | - | 12,700,000 | - | 12,700,000 |
| Premium on bond proceeds | - | - | 1,007,015 | - | 1,007,015 |
| Total other financing sources (uses) | (2,508,634) | (387,504) | 18,148,005 | 263,443 | 15,515,310 |
| Net change in fund balances | 141,764 | 1,946,416 | 5,516,834 | 555,847 | 8,160,861 |
| Fund balances, beginning of year | 23,751,638 | 7,450,075 | 4,532,591 | 5,129,176 | 40,863,480 |
| Fund balances, end of year | \$ 23,893,402 | 9,396,491 | 10,049,425 | 5,685,023 | 49,024,341 |

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, 2017

| | | |
|---|-----------|------------------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | 8,160,861 |
| <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 (\$14,608,302) exceed book value of disposed assets (\$153,252) and depreciation (\$5,889,784). | | 8,565,266 |
| 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. | | 77,000 |
| 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 (\$397,041). | | 397,041 |
| Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - accrued compensated absences (\$9,500), accrued interest (\$84,401), net pension liability with deferred outflows and inflows of resources, (\$1,124,278) and other postemployment benefits liability (\$187,419). | | (1,405,598) |
| 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. | | 5,000 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 received bond proceeds of \$12,700,000 and premiums of \$1,007,015. The City amortized bond premiums of \$286,740. 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 \$4,001,512. | | (9,418,763) |
| Change in net position of governmental activities (see Statement 2) | \$ | 6,380,807 |

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, 2017

| | General Fund | | | | TIF Funds | | | |
|--|-------------------|-------------------|--------------------|--|------------------|------------------|------------------|--|
| | Budget | | Actual | Variance with final budget positive (negative) | Budget | | Actual | Variance with final budget positive (negative) |
| | Original | Final | | | Original | Final | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 67,215,689 | 67,215,689 | 68,698,716 | 1,483,027 | 2,475,500 | 2,475,500 | 2,469,739 | (5,761) |
| Intergovernmental | 10,865,909 | 10,928,806 | 11,093,059 | 164,253 | 1,020,000 | 1,020,000 | 985,794 | (34,206) |
| Licenses, permits, fees and fines | 870,550 | 870,550 | 1,224,384 | 353,834 | - | - | - | - |
| Charges for services | 1,808,875 | 1,808,875 | 1,904,170 | 95,295 | - | - | - | - |
| Unclassified | 164,600 | 164,600 | 168,334 | 3,734 | - | - | - | - |
| Interest earned | 420,000 | 420,000 | 209,914 | (210,086) | - | - | 82,933 | 82,933 |
| Total revenues | 81,345,623 | 81,408,520 | 83,298,577 | 1,890,057 | 3,495,500 | 3,495,500 | 3,538,466 | 42,966 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 9,959,714 | 9,959,714 | 9,543,689 | 416,025 | 192,229 | 192,229 | 122,180 | 70,049 |
| Public safety | 11,249,324 | 11,249,324 | 11,192,120 | 57,204 | - | - | - | - |
| Public works | 4,739,150 | 4,739,150 | 4,604,819 | 134,331 | 168,636 | 168,636 | 122,348 | 46,288 |
| Culture and recreation | 3,311,260 | 3,311,260 | 3,254,785 | 56,475 | - | - | - | - |
| Transportation and waterfront | 1,289,831 | 1,352,728 | 1,349,480 | 3,248 | 21,000 | 11,000 | - | 11,000 |
| Health, welfare and social services | 542,863 | 542,863 | 506,108 | 36,755 | - | - | - | - |
| Education | 47,219,294 | 47,219,294 | 46,530,882 | 688,412 | - | - | - | - |
| Intergovernmental | 2,504,088 | 2,504,088 | 2,504,088 | - | 944,400 | 944,400 | 960,018 | (15,618) |
| Other | 112,000 | 112,000 | 93,670 | 18,330 | - | - | - | - |
| Debt service (excluding education) | 1,113,782 | 1,113,782 | 1,105,348 | 8,434 | - | - | - | - |
| Capital expenditures | - | - | - | - | 1,909,277 | 1,880,231 | - | 1,880,231 |
| Total expenditures | 82,041,306 | 82,104,203 | 80,684,989 | 1,419,214 | 3,235,542 | 3,196,496 | 1,204,546 | 1,991,950 |
| Excess (deficiency) of revenues over (under) expenditures | (695,683) | (695,683) | 2,613,588 | 3,309,271 | 259,958 | 299,004 | 2,333,920 | 2,034,916 |
| Other financing sources (uses): | | | | | | | | |
| Budgeted use of surplus - City | - | 2,640,000 | - | (2,640,000) | 88,501 | 88,501 | - | (88,501) |
| Budgeted use of surplus - School | 500,000 | 500,000 | - | (500,000) | - | - | - | - |
| Transfer in | 922,306 | 922,306 | 921,231 | (1,075) | - | - | - | - |
| Transfers out | (726,623) | (3,366,623) | (3,643,485) | (276,862) | (348,459) | (387,505) | (387,504) | 1 |
| Total other financing sources (uses) | 695,683 | 695,683 | (2,722,254) | (3,417,937) | (259,958) | (299,004) | (387,504) | (88,500) |
| Net change in fund balance - budgetary basis | - | - | (108,666) | (108,666) | - | - | 1,946,416 | 1,946,416 |
| Reconciliation to GAAP basis: | | | | | | | | |
| Change in encumbrances - City | - | - | 807,981 | 807,981 | - | - | - | - |
| Change in encumbrances - School | - | - | (25,455) | (25,455) | - | - | - | - |
| Change in unbudgeted teacher summer benefits | - | - | (29,123) | (29,123) | - | - | - | - |
| Change in reserves | - | - | (502,973) | (502,973) | - | - | - | - |
| Net change in fund balance - GAAP basis | - | - | 141,764 | 141,764 | - | - | 1,946,416 | 1,946,416 |
| Fund balance, beginning of year | - | - | 23,751,638 | 23,751,638 | - | - | 7,450,075 | 7,450,075 |
| Fund balance, end of year | \$ - | \$ - | 23,893,402 | 23,893,402 | \$ - | \$ - | 9,396,491 | 9,396,491 |

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Net Position
Proprietary Funds
June 30, 2017 and 2016

| Business-type Activities - Enterprise Funds | | |
|--|----------------------|-------------------|
| | Sewer | |
| | 2017 | 2016 |
| ASSETS | | |
| Current assets: | | |
| Receivables, net of allowance of \$77,900 and \$86,850, respectively | \$ 664,292 | 573,376 |
| Cash held in escrow | - | 3,500,000 |
| Sewer liens | 6,832 | 6,903 |
| Interfund loans receivable | 11,669,229 | 10,443,041 |
| Total current assets | 12,340,353 | 14,523,320 |
| Noncurrent assets: | | |
| Capital assets, not being depreciated | 2,504,259 | 3,561,626 |
| Capital assets | 98,811,724 | 96,362,836 |
| Accumulated depreciation | (48,009,259) | (46,047,450) |
| Total noncurrent assets | 53,306,724 | 53,877,012 |
| Total assets | 65,647,077 | 68,400,332 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 465,188 | 1,332,052 |
| Accrued wages | 2,322 | 27,544 |
| Accrued interest | 4,659 | 4,904 |
| Current portion of noncurrent liabilities: | | |
| Compensated absences | 95,746 | 93,756 |
| Bonds payable | 197,102 | 197,102 |
| Total current liabilities | 765,017 | 1,655,358 |
| Noncurrent liabilities: | | |
| Compensated absences | 173,254 | 170,494 |
| Bonds payable | 3,371,676 | 3,568,779 |
| Total noncurrent liabilities | 3,544,930 | 3,739,273 |
| Total liabilities | 4,309,947 | 5,394,631 |
| NET POSITION | | |
| Net investment in capital assets | 49,737,946 | 50,111,131 |
| Restricted for capital projects | 3,434,257 | 4,617,231 |
| Unrestricted | 8,164,927 | 8,277,339 |
| Total net position | \$ 61,337,130 | 63,005,701 |

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, 2017 and 2016

| Business-type Activities - Enterprise Funds | | |
|--|----------------------|-------------------|
| | Sewer | |
| | 2017 | 2016 |
| Operating revenues: | | |
| Charges for services | \$ 5,948,268 | 5,851,019 |
| Interest and penalties | 1,802 | 1,701 |
| Licenses | 58,552 | 69,623 |
| Total operating revenues | 6,008,622 | 5,922,343 |
| Operating expenses: | | |
| Personnel services | 2,319,456 | 2,305,275 |
| Contractual services | 1,276,539 | 1,270,830 |
| Supplies and materials | 447,010 | 458,410 |
| Fixed charges | 101,625 | 66,226 |
| Capital outlay | 57,489 | 109,540 |
| Depreciation | 1,979,435 | 1,932,280 |
| Total operating expenses | 6,181,554 | 6,142,561 |
| Operating loss | (172,932) | (220,218) |
| Nonoperating revenues (expenses): | | |
| Interest revenue | 79,684 | 76,744 |
| Interest expense | (21,793) | (11,534) |
| Total nonoperating revenues (expenses) | 57,891 | 65,210 |
| Loss before transfers and capital contributions | (115,041) | (155,008) |
| Capital contributions | 254,765 | 100,000 |
| Transfers in | 122,609 | 1,857,329 |
| Transfer out | (1,930,904) | (720) |
| Total transfers and capital contributions | (1,553,530) | 1,956,609 |
| Change in net position | (1,668,571) | 1,801,601 |
| Net position, beginning of year | 63,005,701 | 61,204,100 |
| Net position, end of year | \$ 61,337,130 | 63,005,701 |

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Cash Flows
Proprietary Funds
For the years ended June 30, 2017 and 2016

| | Sewer | |
|---|--------------|-------------|
| | 2017 | 2016 |
| Business-type Activities - Enterprise Funds | | |
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 5,917,777 | 5,860,315 |
| Payments to suppliers | (2,749,527) | (1,189,064) |
| Payments to employees | (2,339,928) | (2,282,214) |
| Net cash provided by operating activities | 828,322 | 2,389,037 |
| Cash flows from noncapital financing activities: | | |
| Transfer in from other funds | 122,609 | 1,857,329 |
| Interfund loan | (1,226,188) | 160,213 |
| Transfers to other funds | (1,930,904) | (720) |
| Net cash provided by (used in) noncapital financing activities | (3,034,483) | 2,016,822 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | (1,154,383) | (4,448,871) |
| Proceeds from bonded obligations | 3,500,000 | - |
| Interest paid on bonds | (22,038) | (6,630) |
| Principal payments on bonds | (197,102) | (27,102) |
| Net cash provided by (used in) capital and related financing activities | 2,126,477 | (4,482,603) |
| Cash flows from investing activities: | | |
| Interest revenue | 79,684 | 76,744 |
| Net cash provided by investing activities | 79,684 | 76,744 |
| 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 | \$ (172,932) | (220,218) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 1,979,435 | 1,932,280 |
| (Increase) decrease in receivables | (90,916) | (61,829) |
| (Increase) decrease in liens | 71 | (199) |
| Increase (decrease) in accounts payable | (866,864) | 715,942 |
| Increase in accrued wages | (25,222) | 13,611 |
| Increase in compensated absences | 4,750 | 9,450 |
| Net cash provided by operating activities | \$ 828,322 | 2,389,037 |
| Noncash investing, capital, and financing activities: | | |
| Capital contributions | \$ 254,765 | 100,000 |

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

| | | Private- purpose Trust Funds | Agency Funds |
|---------------------------|----|---------------------------------------|-----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ | 95,548 | 140,019 |
| Investments | | 2,068,297 | - |
| Total assets | | 2,163,845 | 140,019 |
| LIABILITIES | | | |
| Accounts payable | | 6,000 | - |
| Due to others | | 2,419 | 140,019 |
| Total liabilities | | 8,419 | 140,019 |
| NET POSITION | | | |
| Held in trust | \$ | 2,155,426 | - |

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, 2017

| | | Private- purpose Trust Funds |
|----------------------------------|-----------|---|
| Additions: | | |
| Donations | \$ | 1,540 |
| Investment earnings: | | |
| Interest | | 57,661 |
| Unrealized loss | | (75,246) |
| Total additions | | (16,045) |
| Deductions: | | |
| Scholarships and other | | 90,193 |
| Total deductions | | 90,193 |
| Change in net position | | (106,238) |
| Net position, beginning of year | | 2,261,664 |
| Net position, end of year | \$ | 2,155,426 |

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.

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 acquisition 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, 2017:

| | <u>Governmental activities</u> | <u>Business-type activities</u> |
|---|--------------------------------|---------------------------------|
| Capital assets | \$ 237,438,556 | 101,315,983 |
| Accumulated depreciation | (101,743,038) | (48,009,259) |
| Bonds payable and premiums | (55,767,421) | (3,568,778) |
| Add back bond proceeds unexpended | 4,306,014 | - |
| Capital leases | (1,910,278) | - |
| Net investment in capital assets | \$ 82,323,833 | 49,737,946 |

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted by the City Council for the General Fund, Sewer Use Fund, and the TIF Fund. The budgets are prepared substantially in accordance with accounting principles generally accepted in the United States of America, except that the general fund revenues and expenditures related to "on-behalf payments" made by the State of Maine to the Maine Public Employees Retirement System for teachers and other school employees are not budgeted. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$3,132,400.

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.

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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 \$1,176,293 in the General Fund.

Additionally, the City does not budget for certain benefits that are accrued at year end by the School Department for teachers during the summer vacation.

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, 2017, all departments were within their charter level budget limits.

C. Deficit Fund Balances

At June 30, 2017, the following funds had deficit fund balances:

| | | | |
|--------------------------------|--------|-------------------------------------|--------|
| <u>Special Revenue Funds:</u> | | | |
| Dyer Friends | \$ 154 | Memorial Tech Grant - Koelker | 1,237 |
| Staff Computer Training | 476 | Sustainability Committee | 87 |
| Friends Skillin Library | 168 | Future Builders / Summer School | 6,485 |
| Title V | 2 | | |
| National Semiconductor - Brown | 3,683 | <u>Private-purpose Trust Funds:</u> | |
| Heating Assistance | 468 | A Varanelli Scholarship | 203 |
| E-Rate | 2,551 | | |
| Learning Results | 405 | <u>Capital Project Funds:</u> | |
| | | Middle School Project | 76,364 |

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

DEPOSITS AND INVESTMENTS

As of June 30, 2017, 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 | \$ 21,886,708 | 21,886,708 | - | - |
| U.S. Treasury Notes | 2,398,082 | 277,722 | 1,386,278 | 734,082 |
| Federal Home Loan Mort. Corp. | 4,472,541 | - | 4,472,541 | - |
| Federal Farm Credit Bank | 497,888 | - | 497,888 | - |
| Federal National Mortgage | 960,031 | - | 881,962 | 78,069 |
| Federal Home Loan Bank | 993,117 | - | 498,757 | 494,360 |
| Certificates of Deposit | 38,732,273 | 13,712,546 | 24,770,727 | 249,000 |
| Stock Mutual Fund | 69,957 | 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, 2017, the City had bank balances of \$60,618,981. 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, 2017, the City had no deposits 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, 2017, the City had fair value investment balances of \$9,391,616 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, 2017, the City's investments in Federal Home Loan Banks, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 minimalized.

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 6, 2016 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 \$537,018 for the year ended June 30, 2017.

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>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Assessed value | \$ 3,610,630,400 | 3,620,634,600 |
| Tax rate (per \$1,000) | 17.70 | 17.40 |
| Commitment | 63,908,158 | 62,999,042 |
| Less: | | |
| Abatements | 44,932 | 152,960 |
| Collections | 63,212,383 | 62,226,796 |
| Current year taxes receivable at end of year | 650,843 | 619,286 |
| Taxes and liens receivable - prior years | 320,412 | 375,579 |
| Total taxes and liens receivable | \$ 971,255 | 994,865 |
| | | |
| Due dates: | | |
| 1st quarter | August 18, 2016 | August 20, 2015 |
| 2nd quarter | November 17, 2016 | November 19, 2015 |
| 3rd quarter | February 16, 2017 | February 11, 2016 |
| 4th quarter | May 11, 2017 | May 6, 2016 |
| | <u>2017</u> | <u>2016</u> |
| Interest rate on delinquent taxes | 7.00% | 7.00% |
| Collection rate | 98.98% | 99.01% |

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, 2017 was as follows:

| | Balance June 30, <u>2016</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2017</u> |
|--|------------------------------------|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,912,149 | - | 60,000 | 8,852,149 |
| Construction in progress | <u>2,510,151</u> | <u>9,503,159</u> | <u>528,329</u> | <u>11,484,981</u> |
| Total capital assets not being depreciated | 11,422,300 | 9,503,159 | 588,329 | 20,337,130 |
| Capital assets, being depreciated: | | | | |
| Buildings | 130,286,961 | 176,843 | 88,500 | 130,375,304 |
| Improvements other than buildings | 5,854,195 | 14,557 | - | 5,868,752 |
| Machinery and equipment | 15,862,917 | 376,412 | 22,058 | 16,217,271 |
| Vehicles | 14,202,371 | 1,652,225 | 337,771 | 15,516,825 |
| Infrastructure | <u>45,709,839</u> | <u>3,413,435</u> | - | <u>49,123,274</u> |
| Total capital assets being depreciated | 211,916,283 | 5,633,472 | 448,329 | 217,101,426 |
| Less accumulated depreciation for: | | | | |
| Buildings | 39,899,233 | 2,571,132 | 3,705 | 42,466,660 |
| Improvements other than buildings | 3,324,495 | 231,263 | - | 3,555,758 |
| Machinery and equipment | 10,715,636 | 809,294 | 13,602 | 11,511,328 |
| Vehicles | 10,115,053 | 925,648 | 337,770 | 10,702,931 |
| Infrastructure | <u>32,153,914</u> | <u>1,352,447</u> | - | <u>33,506,361</u> |
| Total accumulated depreciation | 96,208,331 | 5,889,784 | 355,077 | 101,743,038 |
| Total capital assets being depreciated, net | 115,707,952 | (256,312) | 93,252 | 115,358,388 |
| Governmental activities capital assets, net | \$ 127,130,252 | 9,246,847 | 681,581 | 135,695,518 |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 189,445 |
| Public safety | 697,684 |
| Public works | 1,512,532 |
| Culture and recreation | 603,339 |
| Transportation and waterfront | 349,228 |
| Education | <u>2,537,556</u> |
| Total depreciation expense – governmental activities | \$ 5,889,784 |

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, 2017 was as follows:

| | Balance June 30, <u>2016</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2017</u> |
|---|------------------------------------|------------------|------------------|------------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,221,558 | - | - | 1,221,558 |
| Construction in progress | 2,340,068 | 1,132,657 | 2,190,024 | 1,282,701 |
| Total capital assets not being depreciated | 3,561,626 | 1,132,657 | 2,190,024 | 2,504,259 |
| Capital assets, being depreciated: | | | | |
| Buildings | 36,443,693 | - | - | 36,443,693 |
| Improvements other than buildings | 80,331 | - | - | 80,331 |
| Machinery and equipment | 15,491,457 | 14,100 | - | 15,505,557 |
| Vehicles | 1,229,177 | 20,000 | 18,000 | 1,231,177 |
| Infrastructure | 43,118,178 | 2,432,788 | - | 45,550,966 |
| Total capital assets being depreciated | 96,362,836 | 2,466,888 | 18,000 | 98,811,724 |
| Less accumulated depreciation for: | | | | |
| Buildings | 19,511,481 | 753,144 | - | 20,264,625 |
| Improvements other than buildings | 80,331 | - | - | 80,331 |
| Machinery and equipment | 10,567,969 | 464,180 | - | 11,032,149 |
| Vehicles | 1,098,170 | 55,258 | 17,626 | 1,135,802 |
| Infrastructure | 14,789,499 | 706,853 | - | 15,496,352 |
| Total accumulated depreciation | 46,047,450 | 1,979,435 | 17,626 | 48,009,259 |
| Total capital assets being depreciated, net | 50,315,386 | 487,453 | 374 | 50,802,465 |
| Business-type activities capital assets, net | \$ 53,877,012 | 1,620,110 | 2,190,398 | 53,306,724 |

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2017 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 | \$ 44,302,092 | 12,700,000 | 4,001,512 | 53,000,580 | 3,956,512 |
| Bond premiums | 2,046,566 | 1,007,015 | 286,740 | 2,766,841 | 326,725 |
| Capital leases | 2,307,319 | - | 397,041 | 1,910,278 | 370,711 |
| Landfill closure | 147,000 | - | 5,000 | 142,000 | 14,200 |
| Other post-employment benefits | 1,781,758 | 282,565 | 95,146 | 1,969,177 | - |
| Net pension liability | 9,566,405 | 5,752,717 | - | 15,319,122 | - |
| Compensated absences | 3,522,500 | 1,913,810 | 1,904,310 | 3,532,000 | 998,792 |
| Governmental activity long-term liabilities | \$ 63,673,640 | 21,656,107 | 6,689,749 | 78,639,998 | 5,666,940 |

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 | \$ 3,765,881 | - | 197,103 | 3,568,778 | 197,102 |
| Compensated absences | 264,250 | 178,047 | 173,297 | 269,000 | 95,746 |
| Business-type activities long-term liabilities | \$ 4,030,131 | 178,047 | 370,400 | 3,837,778 | 292,848 |

Long-term debt payable at June 30, 2017 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, 2017</u> |
|--|--------------------------|---------------------------------------|-----------------------------|--------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| 2010 1999 Community Center – City | 1/26/2010 | 1,890,000 | 11/1/2018 | 2.00-3.00% | 420,000 |
| 2010 HS & MS Renovations - School | 1/26/2010 | 4,613,000 | 11/1/2029 | 2.00-4.00% | 2,990,000 |
| 2011 Refund 2002 & 2003 Elem-Sch. | 10/26/2011 | 8,905,000 | 7/15/2023 | 2.00-4.375% | 5,050,000 |
| 2012 HS Construction – School | 5/30/2012 | 30,000,000 | 7/15/2032 | 2.00-4.00% | 24,000,000 |
| 2013 HS SRRF – School | 12/1/2013 | 664,450 | 12/1/2023 | 0.00% | 325,580 |
| 2014 HS Construction – School | 4/10/2014 | 8,850,000 | 4/15/2034 | 2.25-3.25% | 7,515,000 |
| 2016 Municipal Service Facility – City | 9/8/2016 | 12,700,000 | 3/1/2037 | 2.00-5.00% | 12,700,000 |
| Total governmental activities | | | | | 53,000,580 |
| Business-type activities: | | | | | |
| 2009 SRF (Long Creek) | 10/7/2009 | 749,716 | 10/1/2029 | 0.00% | 338,778 |
| 2015 CWSRF | 8/30/2015 | 3,500,000 | 8/1/2035 | 0.35% | 3,230,000 |
| Total business-type activities | | | | | 3,568,778 |
| Total bonds payable | | | | | \$ 56,569,358 |

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. In August of 2016, the City issued bonds totaling \$12,700,000 for the project at a net interest cost (NIC) of 2.13% (with a premium of \$1,007,015). No additional bonds for this project are anticipated to be issued.

Subsequent to year end in September of 2017, the City advance refunded a portion of the 2010 and 2012 School bonds. The City refunded \$2.3 million of the 2010 bonds and \$13.5 million with \$15.7 million of new bonds at a net interest cost (NIC) of 1.894% and a net present value savings of \$683,579 and a percentage savings of refunded bonds of 4.33%. This refunding has not been reflected in the City's financial statements as it occurred subsequent to year end.

All governmental activity debt service payments, including capital leases and compensated absences, were made within the General Fund. 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, 2017 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> |
| 2018 | \$ 3,956,512 | 1,702,344 | 5,658,856 | 197,102 | 20,058 | 217,160 |
| 2019 | 3,956,512 | 1,586,319 | 5,542,831 | 197,102 | 19,433 | 216,535 |
| 2020 | 3,746,511 | 1,475,544 | 5,222,055 | 197,102 | 18,808 | 215,910 |
| 2021 | 3,746,511 | 1,360,419 | 5,106,930 | 197,102 | 18,184 | 215,286 |
| 2022 | 3,746,511 | 1,226,994 | 4,973,505 | 197,102 | 17,559 | 214,661 |
| 2023-2027 | 14,728,023 | 4,284,531 | 19,012,554 | 985,511 | 78,423 | 1,063,934 |
| 2028-2032 | 13,565,000 | 1,757,884 | 15,322,884 | 917,755 | 62,804 | 980,559 |
| 2033-2037 | 5,555,000 | 255,900 | 5,810,900 | 680,002 | 38,998 | 719,000 |
| Total | \$ 53,000,580 | 13,649,935 | 66,650,515 | 3,568,778 | 274,267 | 3,843,045 |

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, 2017, the statutory limit for the City was \$560,805,000. The City's outstanding long-term debt of \$56,569,358 at June 30, 2017 was \$504,235,642 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, 2017:

| <u>Governmental Unit</u> | <u>Net debt outstanding</u> | <u>Applicable to South Portland</u> | <u>City of South Portland's share of debt</u> |
|--------------------------|-----------------------------|-------------------------------------|---|
| Cumberland County | \$ 37,435,000 | 8.87% | \$ 3,321,280 |
| Portland Water District | 45,980,073 | 13.34% | 6,133,742 |

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, 2017 includes total assets of \$64,040,233, and total liabilities of \$17,454,918 and unrestricted net position of \$18,547,554. The liabilities include an accrual for landfill closure and postclosure care amounting to \$14,564,514. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2017 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, 2017 was \$3,719,961.

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, 2017.

| | Governmental activities |
|---|----------------------------|
| 2018 | \$ 425,345 |
| 2019 | 377,621 |
| 2020 | 384,413 |
| 2021 | 391,481 |
| 2022 | 295,594 |
| 2023 | <u>204,387</u> |
| Total minimum lease payments | 2,078,841 |
| Less: amount representing interest | <u>168,563</u> |
| Present value of future minimum lease payments | <u>\$ 1,910,278</u> |

LANDFILL

The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities. State and federal laws and regulations require the City to place a final cover on its Highland Avenue landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill ceased accepting waste, effective January 1, 1993, as required by State regulations. Since that time, the twenty-five acre landfill has remained inactive. Although it was not at capacity, its useful life was over. The City completed the landfill closure process in fiscal year 2000. At June 30, 2016, the City had recorded approximately \$142,000 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, 2017, interfund loans receivable and payable were as follows:

| <u>Fund</u> | <u>Interfund receivable</u> | <u>Interfund payable</u> |
|---------------------------------|---------------------------------|------------------------------|
| General Fund | \$ - | 15,721,293 |
| Sewer Fund | 11,669,229 | - |
| Nonmajor Special Revenue Funds: | | |
| City Special Revenues | 3,843,313 | - |
| School Grant Funds | 157,181 | - |
| School Adult Education | 8,481 | - |
| School Lunch Fund | 45,508 | - |
| Private-purpose Trust Funds | - | 2,419 |
| Total interfund balances | \$ 15,723,712 | 15,723,712 |

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, 2017, interfund transfers were as follows:

| <u>Fund</u> | <u>Transfers in</u> | <u>Transfers out</u> |
|----------------------------------|---------------------|----------------------|
| General Fund | \$ 1,752,068 | 4,260,702 |
| Sewer Fund | 122,609 | 1,930,904 |
| Tax Increment Financing | - | 387,504 |
| Capital Projects | 4,440,990 | - |
| Nonmajor Special Revenue Funds: | | |
| City Special Revenues | - | 173,357 |
| School Grant Funds | 6,800 | - |
| School Lunch Fund | 430,000 | - |
| Total interfund transfers | \$ 6,752,467 | 6,752,467 |

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, 2017, the City maintained an unassigned general fund balance of \$13,189,251 which is 15.40% of the fiscal year 2018 budget of \$85,470,826.

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 \$1,509,538 tax rate stabilization reserve at June 30, 2017 with \$500,000 anticipated to be used in the funding of fiscal year ending June 30, 2018 budget.

As of June 30, 2017, fund balance components consisted of the following:

| | General Fund | Other Governmental Funds | Total |
|--|------------------|--------------------------------|-------------------|
| Nonspendable: | | | |
| Inventory | \$ - | 47,574 | 47,574 |
| Principal for permanent funds | - | 198,949 | 198,949 |
| Total nonspendable | - | 246,523 | 246,523 |
| Restricted: | | | |
| Education | 2,662,892 | 486,971 | 3,149,863 |
| TIF funds | - | 9,396,491 | 9,396,491 |
| Capital Projects – unspent bond proceeds | - | 4,306,014 | 4,306,014 |
| Grants – Housing and Business Development | - | 250,580 | 250,580 |
| Grants – Other planning and general government | - | 193,780 | 193,780 |
| Grants – Fire and Police | - | 60,777 | 60,777 |
| Grants – FEMA equipment | - | 121,321 | 121,321 |
| Grants – State Highway Block | - | 430,137 | 430,137 |
| Donations – Parks and recreation operations | - | 359,542 | 359,542 |
| Other grants and donations | - | 76,154 | 76,154 |
| Permanent funds | - | 140,089 | 140,089 |
| Total restricted | 2,662,892 | 15,821,856 | 18,484,748 |

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

FUND BALANCES, CONTINUED

| | General Fund | Other Governmental Funds | Total |
|--|------------------|--------------------------------|-------------------|
| Committed: | | | |
| General government: | | | |
| Tax stabilization reserve | \$ 1,509,538 | - | 1,509,538 |
| Climate action plan | 75,425 | - | 75,425 |
| Equipment replacement reserve | 164,595 | - | 164,595 |
| Unemployment reserve | 60,176 | - | 60,176 |
| Self-Insurance reserve | 60,627 | - | 60,627 |
| Safety reserve | 212,972 | - | 212,972 |
| Computerization reserve | 25,575 | - | 25,575 |
| Litigation legal reserve | 487,481 | - | 487,481 |
| Municipal buildings and land acquisition | 197,943 | - | 197,943 |
| Other reserves | 95,077 | - | 95,077 |
| South Portland Community TV | - | 794,018 | 794,018 |
| Freshwater Wetland Fund | - | 235,426 | 235,426 |
| Land Bank Trust | - | 862,307 | 862,307 |
| Public safety: | | | |
| Fire equipment and vehicle reserve | 30,543 | - | 30,543 |
| Police equipment reserves | 83,659 | - | 83,659 |
| Call company retirement reserve | 59,848 | - | 59,848 |
| Hazardous materials fund | - | 113,536 | 113,536 |
| Other | - | 64,041 | 64,041 |
| Public works: | | | |
| Snow removal reserve | 380,377 | - | 380,377 |
| Cummings road sewer reserve | 214,435 | - | 214,435 |
| Solid waste reserve | 139,870 | - | 139,870 |
| Other reserves | 57,111 | 5,244 | 62,355 |
| Street openings and recycling funds | - | 342,402 | 342,402 |
| Sewer impact fund | - | 558,341 | 558,341 |
| Transit and waterfront: | | | |
| Bus reserve | 157,340 | - | 157,340 |
| Portland Street Pier and Thomas Knight | - | 186,051 | 186,051 |
| Culture and recreation: | | | |
| Golf Course | - | 132,040 | 132,040 |
| Other | - | 41,459 | 41,459 |
| Capital projects | - | 5,819,775 | 5,819,775 |
| Total committed | 4,012,592 | 9,154,640 | 13,167,232 |

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 | 80,824 | - | 80,824 |
| Public safety vehicle reserve | (22,744) | - | (22,744) |
| Public works fuel distribution | 114,975 | - | 114,975 |
| Encumbrances | 1,176,293 | - | 1,176,293 |
| Total assigned | 4,028,667 | - | 4,028,667 |
| Unassigned | 13,189,251 | (92,080) | 13,097,171 |
| Total fund balance | \$ 23,893,402 | 25,130,939 | 49,024,341 |

CONSTRUCTION COMMITMENTS

The City has entered into a contract in connection with the Public Services Facility construction project. The following is a summary of the commitments at June 30, 2017:

| | Contract Total | Percentage Complete | Billed to Date | Balance Remaining |
|---------------------------|-------------------|------------------------|-------------------|----------------------|
| Public Services Facility: | | | | |
| Construction contracts | \$ 11,363,365 | 73.32% | 8,331,505 | 3,031,860 |

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 | 5,178,100 | 100% | 5,178,100 | 91,652 |
| Texas Instruments TIF | 20,509,000 | 152,800,400 | 50% | 76,400,200 | 1,352,284 |
| One Wallace TIF | 2,178,200 | 4,281,200 | 100% | 4,281,200 | 75,777 |
| Cummings TIF | 1,697,200 | 25,184,200 | 0% | - | - |
| Long Creek TIF | 1,066,300 | 12,044,000 | 100% | 12,044,000 | 213,179 |
| Brick Hill TIF | - | 24,636,200 | 100% | 24,636,200 | 436,061 |
| Jared TIF | 957,500 | 1,148,800 | 100% | 1,148,800 | 20,334 |
| Hannaford TIF | 343,000 | 8,800,300 | 100% | 8,800,300 | 155,765 |
| Downtown TIF | 96,881,900 | 6,576,330 | 100% | 6,576,330 | 116,401 |
| Transit TIF | 18,373,000 | 1,872,600 | 25% | 468,150 | 8,286 |

The City may provide financial assistance to local economic development projects by using the new property taxes that result from the commercial investment and corresponding increase in taxable property valuation. This is accomplished by utilizing municipal tax increment financing district (TIF) in accordance with Chapter 260 of MRSA Title 30-A.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

The City Council is authorized by statute to establish a Municipal Tax Increment Financing District and establish the Development Plan subject to the approval by the Commissioner of the Maine Department of Economic and Community Development.

Tax increment Financing Districts allow the City to “shelter” the increase property valuation from the computation of its State subsidies (General Purpose Aid to Education and Municipal Revenue Sharing) and Cumberland County tax assessments. The City would lose 50%-55% of all new property taxes due to reductions in State subsidies and increase in the City’s share the County taxes.

The Development Plan may authorize the City to enter into a Credit Enhancement Agreement (C.E.A.). The C.E.A. is a mechanism to assist the development project by using all or a portion of the incremental property tax revenues generated by the new investment to pay certain authorized project cost directly to the developer.

The City had ten (10) approved Tax Increment Financing Districts as of June 30, 2017. For FY 2017, the City captured \$2,469,739 in TIF tax revenues and disbursed \$960,018 in C.E.A. payments to five (5) developers. The remaining \$1,509,721 was applied toward eligible local expenses. The following are the C.E.A. payments that each exceed ten (10) percent of the total amount of C.E.A. payments.

The City disbursed \$540,913 to Texas Instruments to reimburse for investments in plant equipment to make the facility more cost competitive in the highly competitive semiconductor industry. The current amended C.E.A became effective for FY 2013 and the company must meet annually a minimum investment in the plant (three-year average) of at least \$6 million, with a sliding scale reimbursement percentage based on the investment. The FY2017 reimbursement was at a 40% reimbursement of taxes captured rate.

The City disbursed \$238,708 in C.E.A. payments to Long Creek Redevelopment LLC (Brick Hill TIF) to reimburse the eligible infrastructure investment for affordable housing relating to the Affordable Housing TIF based on a tax shift calculation formula that for FY2017 was at 54.4% of taxes captured.

The City disbursed \$121,298 in C.E.A. payments to Long Creek Properties to reimburse the eligible infrastructure investment of an office building that was constructed for rent to WEX, a large international company with its headquarters in South Portland. The reimbursement was based on a tax shift calculation formula that for FY2017 was at 56.9% of taxes captured.

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.maineipers.org.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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 8.0% to 9.5% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, was 9.5% 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 \$1,300,791 for the year ended June 30, 2017.

SET Plan - Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, 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 \$829,843 for the year ended June 30, 2017.

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, 2016, 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, 2017, the City reported a liability of \$13,623,357 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion of the PLD Plan was 2.5640%.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

SET Plan - At June 30, 2017, 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 | \$ 1,695,765 |
| State's proportionate share of the net pension liability associated with the City | 33,940,464 |
| Total | \$ 35,636,229 |

At June 30, 2016, the City's proportion of the SETP was 0.0960%.

For the year ended June 30, 2017, the City recognized pension expense of \$2,186,801 for the PLD Plan and \$3,655,818 for the SET Plan with revenue of \$2,475,253 for support provided by the State. At June 30, 2017, 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 | \$ - | 681,498 |
| Changes of assumptions | 1,416,905 | - |
| Net difference between projected and actual earnings on pension plan investments | 3,258,693 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 135,177 |
| City contributions subsequent to the measurement date | 2,130,634 | - |
| Total | \$ 6,806,232 | 816,675 |

\$2,130,634 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, 2018. 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:

| | |
|------|------------|
| 2018 | \$ 691,813 |
| 2019 | 493,016 |
| 2020 | 1,804,964 |
| 2021 | 869,130 |

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions - The total pension liability in the June 30, 2016 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 | 2.75% | 2.75% |
| Salary Increases, per year | 2.75% to 9.0% | 2.75% to 14.5% |
| Investment return, per annum, compounded annually | 6.875% | 6.875% |
| Cost of living benefit increases, per annum | 2.20% | 2.20% |

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015.

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, 2016 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% | 5.7% |
| Non-US equities | 20% | 5.5% |
| Private equity | 10% | 7.6% |
| Real estate | 10% | 5.2% |
| Infrastructure | 10% | 5.3% |
| Hard assets | 5% | 5.0% |
| Fixed income | 25% | 2.9% |
| Total | 100% | |

Discount Rate - The discount rate used to measure the total pension liability was 6.875% for the PLD Plan and 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.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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 6.875% for the PLD Plan and 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 (5.875% for PLD Plan and SET Plan) or 1 percentage-point higher (7.875% for PLD Plan and SET Plan) than the current rate:

| <u>PLD Plan</u> | 1% Decrease <u>(5.875%)</u> | Current Discount Rate <u>(6.875%)</u> | 1% Increase <u>(7.875%)</u> |
|--|-----------------------------------|---|-----------------------------------|
| City's proportionate share of the net pension liability | \$ 22,612,318 | \$ 13,623,357 | \$ 5,160,571 |
| | | | |
| <u>SET Plan</u> | 1% Decrease <u>(5.875%)</u> | Current Discount Rate <u>(6.875%)</u> | 1% Increase <u>(7.875%)</u> |
| City's proportionate share of the net pension liability | \$ 2,715,352 | \$ 1,695,765 | \$ 845,949 |

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, 2017.

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 August 2017 based on an actuarial valuation date of January 1, 2017.

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. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan.

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.

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------|-------------|-------------|-------------|
| Normal cost | \$ 94,361 | 119,164 | 119,164 |
| UAL amortization | 213,869 | 236,004 | 236,004 |
| Interest | 6,104 | 7,034 | 7,034 |
| Annual required contribution (ARC) | 314,334 | 362,202 | 362,202 |
| Interest on net OPEB obligation | 71,270 | 62,222 | 53,259 |
| Adjustment to ARC | (103,039) | (89,958) | (76,999) |
| Annual OPEB costs (AOC) | \$ 282,565 | 334,466 | 338,462 |

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------|--------------|-------------|-------------|
| Net OPEB obligation, July 1, 2016 | \$ 1,781,758 | 1,555,554 | 1,331,472 |
| Annual OPEB costs | 282,565 | 334,466 | 338,462 |
| Less: Actual contributions | (95,146) | (108,262) | (114,380) |
| Net OPEB obligation, June 30, 2017 | \$ 1,969,177 | 1,781,758 | 1,555,554 |

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>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|-------------|-------------|
| Annual OPEB cost (AOC) | \$ 282,565 | 334,466 | 338,462 |
| Actual contribution | 95,146 | 108,262 | 114,380 |
| Percent contributed | 33.67% | 32.37% | 33.79% |
| Actuarial accrued liability | \$ 3,846,165 | 4,244,221 | 4,244,221 |
| Plan assets | - | - | - |
| Unfunded actuarial accrued liability | \$ 3,846,165 | 4,244,221 | 4,244,221 |
| Covered payroll | 13,564,588 | 12,862,259 | 13,519,980 |
| Unfunded actuarial accrued liability as a percentage of covered payroll | 28.35% | 33.00% | 31.39% |

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

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

| | |
|------------------------------------|--------------------|
| Actuarial valuation date | 1/1/17 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level dollar, open |
| Remaining amortization period | 30 years |
| Actuarial assumptions: | |
| Discount rate | 4.00% |
| Rate of salary increases | 2.75% |
| Ultimate rate of medical inflation | 4.00% |

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 \$363,215 to the plans during the year ended June 30, 2017.

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 2017, 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, 2017. The City also maintains commercial insurance for other specific liabilities with deductibles from \$1,000 to \$25,000. There have been no changes in commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

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

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

RISK MANAGEMENT, CONTINUED

The following summarizes the claims activity with respect to the City's self-insurance programs during 2017:

| | <u>Workers'</u> <u>Compensation</u> | <u>Unemployment</u> |
|--|--|---------------------|
| <u>Unpaid claims as of the beginning of year</u> | <u>\$ 27,583</u> | <u>-</u> |
| Provision for current year events | - | 8,363 |
| <u>Increase in provision for prior year events</u> | <u>-</u> | <u>-</u> |
| Total incurred claims | - | 8,363 |
| Payments: | | |
| Claims attributable to current year | - | 8,363 |
| <u>Claims attributable to prior year</u> | <u>11,058</u> | <u>-</u> |
| Total payments | 11,058 | 8,363 |
| <u>Unpaid claims, end of year</u> | <u>\$ 16,525</u> | <u>-</u> |

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> |

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.

The City is defending a lawsuit brought against it by Portland Pipe Line Corp. and American Waterways Operators based on the local citizen-led enactment of the "Clear Skies Ordinance," (the "Ordinance") which prohibits the bulk loading of crude oil onto marine tank vessels in South Portland and affects the ability of Portland Pipe Line Corp. to reverse the flow of the South Portland-to-Montreal pipeline to instead bring Canadian tar sands oil into Maine. The plaintiffs seek declaratory and injunctive relief, but no money damages are alleged. The City has earmarked just under \$1,500,000 for its own legal fees to date, and may incur additional fees and costs. To the extent that the plaintiffs prevail on one of their constitutional claims, the City may be responsible under 42 U.S.C. §1988 to reimburse the plaintiffs for some or all of their attorney's fees and costs. The City could use its unassigned fund balance and reserves to cover legal fees and does not expect the lawsuit to have a material adverse effect on its financial condition or budgetary performance.

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

| <u>Fiscal Year</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u> |
|--------------------|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2009 | 1/1/11 | \$ - | \$4,108,269 | \$4,108,269 | 0.00% | \$12,367,933 | 33.22% |
| 2010 | 1/1/11 | \$ - | \$4,108,269 | \$4,108,269 | 0.00% | \$11,048,641 | 37.18% |
| 2011 | 1/1/11 | \$ - | \$4,108,269 | \$4,108,269 | 0.00% | \$11,964,142 | 34.34% |
| 2012 | 1/1/11 | \$ - | \$4,108,269 | \$4,108,269 | 0.00% | \$12,376,330 | 33.19% |
| 2013 | 1/1/13 | \$ - | \$4,106,163 | \$4,106,163 | 0.00% | \$12,399,860 | 33.11% |
| 2014 | 1/1/13 | \$ - | \$4,106,163 | \$4,106,163 | 0.00% | \$13,126,194 | 31.28% |
| 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% |
| 2017 | 1/1/17 | \$ - | \$3,846,165 | \$3,846,165 | 0.00% | \$13,564,588 | 28.35% |

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 three years of information available)

| | <u>2017*</u> | <u>2016*</u> | <u>2015*</u> |
|---|---------------------|---------------------|---------------------|
| <u>PLD</u> | | | |
| City's proportion of the net pension liability | 2.5640% | 2.5958% | 2.6531% |
| City's proportionate share of the net pension liability | \$13,623,357 | \$8,281,849 | \$4,082,632 |
| City's covered payroll | 11,567,444 | 10,562,181 | 9,928,201 |
| City's proportion share of the net pension liability as a percentage of its covered payroll | 117.77% | 78.41% | 41.12% |
| Plan fiduciary net position as a percentage of of the total pension liability | 81.61% | 88.27% | 94.10% |
| <u>SETP</u> | | | |
| City's proportion of the net pension liability | 0.0960% | 0.0951% | 0.0684% |
| City's proportionate share of the net pension liability | \$1,695,765 | \$1,284,556 | \$739,151 |
| State's proportionate share of the net pension liability associated with the City | <u>33,940,464</u> | <u>25,808,454</u> | <u>20,178,883</u> |
| Total | <u>\$35,636,229</u> | <u>\$27,093,010</u> | <u>\$20,918,034</u> |
| City's covered payroll | \$23,686,664 | \$22,885,971 | \$21,703,551 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 7.16% | 5.61% | 3.41% |
| Plan fiduciary net position as a percentage of of the total pension liability | 76.21% | 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 three years of information available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|
| <u>PLD</u> | | | |
| Contractually required contribution | \$ 1,300,791 | \$1,197,620 | \$1,027,150 |
| Contributions in relation to the contractually required contribution | <u>(1,300,791)</u> | <u>(1,197,620)</u> | <u>(1,027,150)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| City's covered payroll | 12,293,702 | 11,567,444 | 10,562,181 |
| Contributions as a percentage of covered payroll | 10.58% | 10.35% | 9.72% |
| | | | |
| <u>SETP</u> | | | |
| Contractually required contribution | \$ 829,843 | \$795,989 | \$606,477 |
| Contributions in relation to the contractually required contribution | <u>(829,843)</u> | <u>(795,989)</u> | <u>(606,477)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| City's covered payroll | 24,703,124 | 23,686,664 | 22,885,971 |
| Contributions as a percentage of covered payroll | 3.36% | 3.36% | 2.65% |

CITY OF SOUTH PORTLAND, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuation:

| | <u>2017</u> | <u>2016</u> |
|--|----------------|---------------|
| Discount rate | 6.875% | 7.125% |
| Inflation rate | 2.75% | 3.5% |
| Salary increases – PLD Plan | 2.75% to 9.0% | 3.5% to 9.5% |
| Salary increases – SET Plan | 2.75% to 14.5% | 3.5% to 13.5% |
| Cost of living increase | 2.20% | 2.55% |
| Long-term expected real rate of return on assets: | | |
| US equities | 5.7% | 5.2% |
| Real estate | 5.2% | 3.7% |
| Infrastructure | 5.3% | 4.0% |
| Hard assets | 5.0% | 4.8% |
| Fixed income | 2.9% | 0.7% |

In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the most recent valuation, changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuity Mortality Table.

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, 2017 and 2016

| | 2017 | 2016 |
|---|----------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 39,487,049 | 37,165,601 |
| Investments | 6,319,823 | 5,427,170 |
| Due from other governments | 614,886 | 609,538 |
| Receivables, net of allowance of \$633,110 and \$691,708 | 176,989 | 352,778 |
| Taxes receivable | 812,456 | 824,599 |
| Tax liens and tax acquired property | 158,799 | 170,266 |
| Prepaid expenditures | - | 104,615 |
| Restricted assets, cash | 50,000 | 50,000 |
| Total assets | \$ 47,620,002 | 44,704,567 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | 2,449,411 | 1,401,611 |
| Accrued liabilities | 564,763 | 856,019 |
| Interfund loans payable | 15,721,293 | 14,014,266 |
| Accrued teachers' summer salaries and benefits | 4,218,133 | 3,985,033 |
| Total liabilities | 22,953,600 | 20,256,929 |
| Deferred inflows of resources: | | |
| Unavailable revenue - property taxes | 773,000 | 696,000 |
| Total deferred inflows of resources | 773,000 | 696,000 |
| Fund balances: | | |
| Nonspendable | - | 104,615 |
| Restricted | 2,662,892 | 2,708,544 |
| Committed | 4,012,592 | 4,344,471 |
| Assigned | 4,028,667 | 3,273,424 |
| Unassigned | 13,189,251 | 13,320,584 |
| Total fund balances | 23,893,402 | 23,751,638 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 47,620,002 | 44,704,567 |

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, 2017

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

| | 2017 | | Variance positive (negative) | 2016 Actual |
|---|-------------------|-------------------|------------------------------------|-------------------|
| | Budget | Actual | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 60,936,539 | 61,246,181 | 309,642 | 60,497,323 |
| Excise | 5,925,000 | 7,100,567 | 1,175,567 | 7,241,370 |
| Interest and penalties | 110,000 | 72,913 | (37,087) | 135,076 |
| Payments in lieu of taxes | 244,150 | 279,055 | 34,905 | 244,118 |
| Total taxes | 67,215,689 | 68,698,716 | 1,483,027 | 68,117,887 |
| Intergovernmental: | | | | |
| State revenue sharing | 1,220,000 | 1,243,362 | 23,362 | 1,285,328 |
| State BETE Revenue | 1,521,000 | 1,648,477 | 127,477 | 1,522,086 |
| Homestead reimbursement | 730,000 | 729,461 | (539) | 484,938 |
| State education subsidy | 6,278,169 | 6,278,170 | 1 | 6,066,906 |
| State agency client | 35,000 | 112,957 | 77,957 | 77,314 |
| MaineCare | 100,000 | 28,704 | (71,296) | 53,602 |
| Section 5307 | 651,897 | 680,526 | 28,629 | 510,445 |
| General assistance | 276,500 | 250,007 | (26,493) | 284,231 |
| Other State revenue | 116,240 | 121,395 | 5,155 | 88,060 |
| Total intergovernmental | 10,928,806 | 11,093,059 | 164,253 | 10,372,910 |
| Licenses, permits, fees, and fines: | | | | |
| Cable franchise fee | 120,000 | 120,000 | - | 120,000 |
| City clerk | 154,500 | 158,049 | 3,549 | 162,091 |
| Planning | 8,750 | 27,611 | 18,861 | 24,202 |
| Police | 84,000 | 68,777 | (15,223) | 69,616 |
| Code enforcement | 485,500 | 832,890 | 347,390 | 770,279 |
| Public library | 17,800 | 17,057 | (743) | 16,037 |
| Total licenses, permits, fees, and fines | 870,550 | 1,224,384 | 353,834 | 1,162,225 |
| Charges for services: | | | | |
| Rent and leases | 70,800 | 97,925 | 27,125 | 82,304 |
| Finance and information technology | 146,475 | 151,019 | 4,544 | 151,729 |
| Fire | 836,000 | 926,123 | 90,123 | 875,444 |
| Public works - transfer facility | 108,000 | 91,330 | (16,670) | 88,419 |
| Parks and recreation | 185,500 | 251,164 | 65,664 | 222,661 |
| Bus service | 333,000 | 255,430 | (77,570) | 283,920 |
| Other | 3,100 | 5,179 | 2,079 | 3,360 |
| Education | 126,000 | 126,000 | - | 117,713 |
| Total charges for services | 1,808,875 | 1,904,170 | 95,295 | 1,825,550 |
| Unclassified: | | | | |
| City clerk | 19,000 | 21,717 | 2,717 | 18,199 |
| Finance | 15,000 | 12,480 | (2,520) | 16,389 |
| Police and Fire | 12,000 | 13,027 | 1,027 | 12,680 |
| Planning and code enforcement | 3,000 | 6,776 | 3,776 | 5,972 |
| Public works | 20,500 | 15,675 | (4,825) | 17,602 |
| Other | 4,300 | 4,191 | (109) | 19,521 |
| Education | 90,800 | 94,468 | 3,668 | 80,940 |
| Total unclassified | 164,600 | 168,334 | 3,734 | 171,303 |
| Interest earned | 420,000 | 209,914 | (210,086) | 428,191 |
| Total revenues | 81,408,520 | 83,298,577 | 1,890,057 | 82,078,066 |

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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

| | Budget | Actual | Variance positive (negative) | 2016 Actual |
|---|-------------------|-------------------|------------------------------------|-------------------|
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| City council | \$ 147,553 | 136,234 | 11,319 | 133,802 |
| Executive | 210,255 | 204,590 | 5,665 | 208,125 |
| City clerk | 228,785 | 227,462 | 1,323 | 233,657 |
| Corporation council | 186,920 | 174,020 | 12,900 | 255,662 |
| Finance | 1,033,040 | 1,029,264 | 3,776 | 992,286 |
| Information technology | 373,156 | 370,092 | 3,064 | 364,208 |
| Planning | 232,798 | 234,967 | (2,169) | 228,154 |
| Sustainability | 83,055 | 82,620 | 435 | 60,788 |
| Human resources | 377,359 | 349,902 | 27,457 | 310,944 |
| City building | 186,183 | 172,828 | 13,355 | 188,438 |
| Citywide insurance and benefit costs | 6,900,610 | 6,561,710 | 338,900 | 6,552,162 |
| Total general government | 9,959,714 | 9,543,689 | 416,025 | 9,528,226 |
| Public safety: | | | | |
| Police department | 4,390,360 | 4,378,273 | 12,087 | 4,210,090 |
| Fire department | 5,093,412 | 5,088,613 | 4,799 | 4,910,081 |
| Communications | 1,022,887 | 1,008,684 | 14,203 | 796,598 |
| Code enforcement | 732,440 | 709,687 | 22,753 | 679,709 |
| Civil service | 10,225 | 6,863 | 3,362 | 11,313 |
| Total public safety | 11,249,324 | 11,192,120 | 57,204 | 10,607,791 |
| Public works: | | | | |
| Administration | 224,309 | 223,769 | 540 | 226,652 |
| Streets and sidewalks | 2,608,863 | 2,514,679 | 94,184 | 2,424,138 |
| Rubbish disposal | 1,356,280 | 1,327,345 | 28,935 | 1,225,119 |
| Public works garage | 290,046 | 278,300 | 11,746 | 235,811 |
| Transfer facility | 259,652 | 260,726 | (1,074) | 372,920 |
| Total public works | 4,739,150 | 4,604,819 | 134,331 | 4,484,640 |
| Culture: | | | | |
| Main library | 596,331 | 596,321 | 10 | 576,159 |
| Branch library | 75,082 | 56,135 | 18,947 | 61,350 |
| Total culture | 671,413 | 652,456 | 18,957 | 637,509 |
| Parks and recreation: | | | | |
| Administration | 191,542 | 177,189 | 14,353 | 131,114 |
| Parks | 1,250,187 | 1,224,331 | 25,856 | 1,203,494 |
| Pool | 354,898 | 360,645 | (5,747) | 322,611 |
| Recreation | 843,220 | 840,164 | 3,056 | 757,334 |
| Total parks and recreation | 2,639,847 | 2,602,329 | 37,518 | 2,414,553 |
| Total culture, parks, and recreation | 3,311,260 | 3,254,785 | 56,475 | 3,052,062 |
| Transportation and waterfront: | | | | |
| Bus service | 1,311,671 | 1,308,980 | 2,691 | 1,144,109 |
| Waterfront | 41,057 | 40,500 | 557 | 38,500 |
| Total transportation and waterfront | 1,352,728 | 1,349,480 | 3,248 | 1,182,609 |

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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

| | Budget | Actual | Variance positive (negative) | 2016 Actual |
|---|-------------|-------------------|------------------------------------|-------------------|
| Expenditures, continued: | | | | |
| Current, continued: | | | | |
| Health, welfare, and social services: | | | | |
| Welfare: | | | | |
| Administration | \$ 109,063 | 104,981 | 4,082 | 94,255 |
| General assistance | 414,800 | 384,627 | 30,173 | 407,829 |
| Total welfare | 523,863 | 489,608 | 34,255 | 502,084 |
| Health | 19,000 | 16,500 | 2,500 | 19,750 |
| Total health, welfare, and social services | 542,863 | 506,108 | 36,755 | 521,834 |
| Intergovernmental - County tax | 2,504,088 | 2,504,088 | - | 2,434,056 |
| Other: | | | | |
| Contingency and abatement reserve | 112,000 | 93,670 | 18,330 | 67,832 |
| Total other | 112,000 | 93,670 | 18,330 | 67,832 |
| Education | 47,219,294 | 46,530,882 | 688,412 | 45,261,254 |
| Debt service (excluding education): | | | | |
| Administration | 3,000 | 50 | 2,950 | - |
| Principal | 861,408 | 861,407 | 1 | 858,583 |
| Interest | 249,374 | 243,891 | 5,483 | 64,773 |
| Total debt service | 1,113,782 | 1,105,348 | 8,434 | 923,356 |
| Total expenditures | 82,104,203 | 80,684,989 | 1,419,214 | 78,063,660 |
| Excess (deficiency) of revenues over (under) expenditures | (695,683) | 2,613,588 | 3,309,271 | 4,014,406 |
| Other financing sources (uses): | | | | |
| Budgeted use of surplus - City | 2,640,000 | - | (2,640,000) | - |
| Budgeted use of surplus - School | 500,000 | - | (500,000) | - |
| Transfers in | 922,306 | 921,231 | (1,075) | 844,399 |
| Transfers out | (3,366,623) | (3,643,485) | (276,862) | (4,482,992) |
| Total other financing sources (uses) | 695,683 | (2,722,254) | (3,417,937) | (3,638,593) |
| Net change in fund balance - budgetary basis | - | (108,666) | (108,666) | 375,813 |
| Reconciliation to GAAP basis: | | | | |
| Change in encumbrances - City | | 807,981 | | 15,042 |
| Change in encumbrances - School | | (25,455) | | (121,103) |
| Change in unbudgeted teacher summer benefits | | (29,123) | | 111,817 |
| Change in reserves | | (502,973) | | 1,033,533 |
| Net change in fund balance - GAAP basis | | 141,764 | | 1,415,102 |
| Fund balance, beginning of year | | 23,751,638 | | 22,336,536 |
| Fund balance, end of year | \$ | 23,893,402 | | 23,751,638 |

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, 2017
(with comparative actual amounts for the year ended June 30, 2016)

| | 2017 | | | 2016 Actual |
|---|---------------|------------------|------------------------------------|------------------|
| | Budget | Actual | Variance positive (negative) | |
| Revenues: | | | | |
| Local assessment | \$ 40,131,019 | 40,131,019 | - | 39,238,191 |
| State education subsidy | 6,278,169 | 6,278,170 | 1 | 6,066,906 |
| State agency client | 35,000 | 112,957 | 77,957 | 77,314 |
| MaineCare | 100,000 | 28,704 | (71,296) | 53,602 |
| Charges for services | 126,000 | 126,000 | - | 117,713 |
| Other | 90,800 | 94,468 | 3,668 | 80,940 |
| Total revenues | 46,760,988 | 46,771,318 | 10,330 | 45,634,666 |
| Expenditures: | | | | |
| Current: | | | | |
| Brown Elementary | 1,844,092 | 1,859,837 | (15,745) | 1,803,927 |
| Dyer Elementary | 1,624,562 | 1,419,683 | 204,879 | 1,515,704 |
| Kaler Elementary | 1,529,819 | 1,518,967 | 10,852 | 1,453,012 |
| Skillin Elementary | 2,611,780 | 2,662,941 | (51,161) | 2,450,870 |
| Small Elementary | 2,029,723 | 2,019,492 | 10,231 | 1,949,283 |
| Mahoney Middle School | 2,538,909 | 2,480,476 | 58,433 | 2,383,972 |
| Memorial Middle School | 2,824,008 | 2,801,422 | 22,586 | 2,762,913 |
| South Portland High School | 6,581,043 | 6,610,205 | (29,162) | 6,445,311 |
| K-12 instrumental music | 119,099 | 117,158 | 1,941 | 116,461 |
| 6-12 athletics | 790,777 | 754,884 | 35,893 | 712,891 |
| Special education | 8,822,579 | 8,624,242 | 198,337 | 8,340,716 |
| Health | 405,874 | 432,352 | (26,478) | 412,198 |
| Board of education | 247,050 | 160,105 | 86,945 | 139,671 |
| Superintendent of schools | 401,964 | 400,248 | 1,716 | 361,438 |
| Assistant superintendent | 1,945,922 | 1,890,874 | 55,048 | 1,688,495 |
| Curriculum | 367,960 | 293,615 | 74,345 | 320,576 |
| Technology | 761,717 | 773,621 | (11,904) | 715,772 |
| Business office | 832,856 | 873,253 | (40,397) | 830,750 |
| Operations/maintenance | 4,138,966 | 4,084,283 | 54,683 | 3,985,642 |
| Transportation | 1,918,829 | 1,871,468 | 47,361 | 1,952,672 |
| Debt service: | | | | |
| Principal | 3,442,093 | 3,442,092 | 1 | 3,608,363 |
| Interest | 1,439,672 | 1,439,664 | 8 | 1,310,617 |
| Total expenditures | 47,219,294 | 46,530,882 | 688,412 | 45,261,254 |
| Excess (deficiency) of revenues over (under) expenditures | (458,306) | 240,436 | 698,742 | 373,412 |
| Other financing sources (uses): | | | | |
| Transfers in | 398,306 | 397,231 | (1,075) | 395,399 |
| Transfers out | (440,000) | (615,000) | (175,000) | (828,759) |
| Budgeted use of surplus | 500,000 | - | (500,000) | - |
| Total other financing sources (uses) | 458,306 | (217,769) | (676,075) | (433,360) |
| Net change in fund balances - budgetary basis | - | 22,667 | 22,667 | (59,948) |
| Reconciliation to GAAP basis: | | | | |
| Change in encumbrances | | (25,455) | | (121,103) |
| Change in unbudgeted teacher summer benefits | | (29,123) | | 111,817 |
| Change in reserves | | (118,356) | | 66,549 |
| Net change in fund balance - GAAP basis | | (150,267) | | (2,685) |
| Fund balance, beginning of year | | 2,813,159 | | 2,815,844 |
| Fund balance, end of year | \$ | 2,662,892 | | 2,813,159 |

CITY OF SOUTH PORTLAND, MAINE
Reserves - General Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

| | Fund balance beginning of year | Revenues | | Expenditures | Other financing sources (uses) | Fund balance end of year |
|---------------------------------------|---|----------------|------------------------|------------------|-----------------------------------|-----------------------------------|
| | | Other | Investment earnings | | Transfers | |
| City committed reserves: | | | | | | |
| 1801 Equipment replacement | \$ 146,990 | 1,100 | 1,612 | 9,867 | 24,760 | 164,595 |
| 1803 Unemployment - City | 38,132 | - | 407 | 8,363 | 30,000 | 60,176 |
| 1804 Self-Insurance - City | 41,282 | 69,702 | 581 | 63,438 | 12,500 | 60,627 |
| 1805 Municipal facilities | 40,184 | - | 455 | - | 20,000 | 60,639 |
| 1806 Safety reserve | 168,751 | 44,698 | 1,767 | 2,244 | - | 212,972 |
| 1807 Computerization project | 122,682 | 23,212 | 951 | 37,270 | (84,000) | 25,575 |
| 1809 Litigation - legal | 630,194 | 124,738 | 5,275 | 772,726 | 500,000 | 487,481 |
| 1822 Communication equipment - police | 71,966 | - | 763 | 4,015 | 2,600 | 71,314 |
| 1824 Body armor - police | 15,180 | - | - | - | (2,835) | 12,345 |
| 1830 Fire | 308,658 | 93,439 | 3,446 | - | (375,000) | 30,543 |
| 1834 Traffic improvements | 33,481 | - | 376 | - | 10,000 | 43,857 |
| 1836 Public works equipment | 47,777 | - | 477 | - | (35,000) | 13,254 |
| 1840 Snow removal | 316,835 | - | 3,542 | - | 60,000 | 380,377 |
| 1842 Library | 3,440 | - | - | - | - | 3,440 |
| 1845 Cummings Road sewer | 212,084 | - | 2,351 | - | - | 214,435 |
| 1847 Bus | 192,518 | - | 1,176 | 42,285 | 5,931 | 157,340 |
| 1850 Senior Property Tax Program | 26,937 | - | - | - | 3,862 | 30,799 |
| 1858 Climate Action Plan | 76,109 | 1,000 | - | 35,684 | 34,000 | 75,425 |
| 1861 Tax stabilization | 1,517,713 | - | 16,825 | - | (25,000) | 1,509,538 |
| 1864 Call company retirement | 59,848 | - | - | - | - | 59,848 |
| 1869 Energy efficient | 199 | - | - | - | - | 199 |
| 1871 Solid waste | 118,053 | 400 | 1,317 | 7,900 | 28,000 | 139,870 |
| 1872 Municipal buildings & land acq. | 155,458 | 77,750 | - | 35,265 | - | 197,943 |
| Subtotal City committed reserves | 4,344,471 | 436,039 | 41,321 | 1,019,057 | 209,818 | 4,012,592 |
| City assigned reserves: | | | | | | |
| 1828 Vehicle replacement - police | 9,899 | 29,440 | - | 89,233 | - | (49,894) |
| 1867 Phone system | 75,020 | - | - | 8,380 | 14,184 | 80,824 |
| 1868 Compensated absences | 2,679,319 | - | - | - | - | 2,679,319 |
| 2172 Outside OT - Police | 602 | 169,178 | - | 160,309 | - | 9,471 |
| 2173 Outside OT - Fire | 12,027 | 5,652 | - | - | - | 17,679 |
| 2176 Fuel distribution | 128,245 | - | - | 13,270 | - | 114,975 |
| Subtotal City assigned reserves | 2,905,112 | 204,270 | - | 271,192 | 14,184 | 2,852,374 |
| Total City reserves | 7,249,583 | 640,309 | 41,321 | 1,290,249 | 224,002 | 6,864,966 |
| School reserves: | | | | | | |
| 0202 Restricted school reserve funds: | | | | | | |
| School consolidation | 293,433 | - | 2,493 | 3,195 | - | 292,731 |
| School tech upgrade | 557,384 | - | 4,634 | 38,268 | - | 523,750 |
| Unemployment - School | 61,612 | - | 485 | 11,742 | 10,000 | 60,355 |
| School bus | 288,782 | - | 2,464 | - | (86,925) | 204,321 |
| School resource officer | 14,237 | - | - | - | (8,457) | 5,780 |
| School elementary | 19,511 | - | - | - | - | 19,511 |
| Self-insurance - School | 10,008 | - | - | - | - | 10,008 |
| Musical program | 139,128 | - | - | 25,670 | - | 113,458 |
| Maintenance | 292,659 | - | 2,359 | 40,011 | 75,000 | 330,007 |
| Adult education | 13,578 | - | - | 8,100 | - | 5,478 |
| Student educational support | 10,564 | 27,245 | - | 27,279 | - | 10,530 |
| Laptop repair | 25,098 | 27,714 | - | 22,059 | - | 30,753 |
| Special Education | 200,000 | - | - | - | - | 200,000 |
| 0456 School facility | 86,223 | - | 956 | - | - | 87,179 |
| Total School reserves | 2,012,217 | 54,959 | 13,391 | 176,324 | (10,382) | 1,893,861 |
| Total reserves | \$ 9,261,800 | 695,268 | 54,712 | 1,466,573 | 213,620 | 8,758,827 |

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 |
|-------------|----------------------------|---------------|----------------|-------------------|---------------|----------------|---------------------|---------------|----------------|
| 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 |
| 2019 | \$35,205,632 | \$1,096,036 | 3.21% | \$2,785,695 | \$187,665 | 7.22% | \$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 |
| 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% |
| 2019 | \$50,346,899 | \$1,141,881 | 2.32% | \$50,346,899 | \$1,141,881 | 2.32% | \$88,338,226 | \$2,425,582 | 2.82% |

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% |
| 2018 | \$62,134,820 | \$1,183,281 | 1.94% | \$18.00 | 1.69% |
| 2019 | \$65,069,613 | \$2,934,793 | 4.72% | \$18.50 | 2.78% |

City of South Portland
FY2019 LD 1 Worksheet (with Comparison FY18)
PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A

| | FY18 | FY19 |
|---|-------------|-------------|
| 1. Prior Year Property Tax Levy/Limit for Municipal Services | 23,617,696 | 24,900,182 |
| 2. Income Growth Factor (State Planning Office calculation) | 0.0284 | 0.0261 |
| 3. Property Growth Factor (see property growth sheet) | 0.0204 | 0.0327 |
| 4. LD 1 Growth Limit Factor (Line 2 + Line 3) | 0.0488 | 0.0588 |
| 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.) | 1.0488 | 1.0588 |
| 6. Net New State Funding (see instruction sheet) | | |
| 6A. Net New Revenue Sharing | | 33,234 |
| 6B. Loss of Revenue Sharing | 129,942 | |
| 7. Multiply Line 1 by Line 5 | 24,770,240 | 26,364,313 |
| 8. FY2019 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) | 24,900,182 | 26,331,079 |
| 9. FY2019 Approved Municipal Appropriations (Do not include any school appropriations.) | 34,109,596 | 35,064,383 |
| 10. FY2019 Approved Total Deductions (Do not include any school revenues.) | 15,616,356 | 15,780,640 |
| 11. 2019 Municipal Property Tax Levy (Line 9 less Line 10) | 18,493,240 | 19,283,743 |
| 12. Over/(Under) Limit (Line 11 less Line 8)* | (6,406,942) | (7,047,336) |

* The purpose of this exercise is to estimate whether a community will be over or under the LD 1 limit in FY2019.

CITY OF SOUTH PORTLAND for 2019
 2019 MUNICIPAL PROPERTY TAX GROWTH FACTOR
 PURSUANT TO Sec. C-1. 30-A M.R.S.A. § 5721-A.1.C.

| | | |
|--------------------------|---|-----------------|
| 4/1/2017 Total Valuation | + | \$3,641,513,160 |
| Abatements | | \$4,173,700 |
| Supplements | + | \$0 |
| Adjust 2018 Valuation | = | \$3,637,339,460 |
| BETE increases | | \$23,838,800 |
| | | \$3,661,178,260 |
| Real Estate Growth | | 76,373,460.00 |
| Personal Property Growth | | 20,613,000 |
| BETE increases | | 22,606,000 |
| | | \$119,592,460 |
| Total | | \$119,592,460 |
| Property Tax Growth | | 3.27% |

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
 DATE: September 29, 2017
 RE: **Next Year's LD 1 Average Personal Income Growth is 2.61%**

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 1/1/2018 - 12/31/2018 budget year for municipalities on a calendar-year budget or the 7/1/2018 - 6/30/2019 budget year for municipalities on a fiscal-year budget), OPM has determined average personal income growth to be 2.61%. The table below shows how this figure was calculated.

Calculation of Maine's "Average Personal Income Growth"

| Calendar Year | Nominal Personal Income (thousands) | % Change |
|----------------|-------------------------------------|--------------|
| 2006 | \$45,402,329 | |
| 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 | \$54,763,126 | 3.87% |
| 2015 | \$56,928,613 | 3.95% |
| 2016 | \$58,655,433 | 3.03% |
| AVERAGE | | 2.61% |

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." 2016 is currently the most recent year for which data is available.

SOUTH PORTLAND SCHOOL DEPARTMENT

BOARD OF EDUCATION

FISCAL YEAR 2018-2019

BUDGET SUMMARY

PART I - BUDGET - LOCALLY SUPPORTED PROGRAMS

| | FY18 Budget | FY19 Budget | % Change |
|------------------------------------|----------------------------|----------------------------|---------------------|
| REGULAR INSTRUCTION | 19,098,623 | 20,426,897 | 7.0% |
| SPECIAL EDUCATION | 9,231,713 | 9,652,421 | 4.6% |
| CAREER & TECHNICAL ED | 347,500 | 0 | 0.0% |
| OTHER INSTRUCTION | 959,076 | 1,071,820 | 11.8% |
| STUDENT & STAFF SUPPORT | 3,991,389 | 3,488,139 | -12.6% |
| SYSTEM ADMINISTRATION | 1,437,657 | 1,485,665 | 3.3% |
| SCHOOL ADMINISTRATION | 2,497,874 | 2,549,908 | 2.1% |
| TRANSPORTATION & BUSES | 2,127,761 | 2,093,625 | -1.6% |
| FACILITIES MAINTENANCE | 4,389,601 | 4,565,535 | 4.0% |
| DEBT SERVICE | 4,660,304 | 4,509,412 | -3.2% |
| ALL OTHER EXPENDITURES | 438,520 | 478,477 | 9.1% |
| SUBTOTAL | <u>49,180,018</u> | <u>50,321,899</u> | |
| ADULT EDUCATION | 25,000 | 25,000 | 0.0% |
| TOTAL | <u>\$49,205,018</u> | <u>\$50,346,899</u> | 2.3% |

FY17 THROUGH FY19
BUDGET COMPARISON BY COST COMPONENT

BUDGET FOR LOCALLY SUPPORTED PROGRAMS

| STATE BUDGET CATEGORY | FY17 | | FY18 ORIGINAL BUDGET | FY19 PROPOSED BUDGET | FY18-19 % CHNG |
|-----------------------------------|---------------------|---------------------|----------------------|----------------------|----------------|
| | ORIGINAL BUDGET | ACTUAL EXPENSES* | | | |
| <i>Regular Instruction</i> | \$18,414,544 | \$18,073,711 | \$19,098,623 | \$20,426,897 | 7.0% |
| <i>Special Education</i> | 8,894,884 | 8,687,838 | 9,231,713 | 9,652,421 | 4.6% |
| <i>Career-Technical Education</i> | 290,559 | 290,559 | 347,500 | 0 | -100.0% |
| <i>Other Instruction</i> | 915,774 | 876,272 | 959,076 | 1,071,820 | 11.8% |
| <i>Student and Staff Support</i> | 3,842,182 | 3,829,778 | 3,991,389 | 3,488,139 | -12.6% |
| <i>System Administration</i> | 1,398,085 | 1,431,976 | 1,437,657 | 1,485,665 | 3.3% |
| <i>School Administration</i> | 2,410,127 | 2,390,794 | 2,497,874 | 2,549,908 | 2.1% |
| <i>Transportation</i> | 1,925,829 | 1,879,628 | 2,127,761 | 2,093,625 | -1.6% |
| <i>Facilities</i> | 4,247,233 | 4,190,262 | 4,389,601 | 4,565,535 | 4.0% |
| <i>Debt and Other Commitments</i> | 4,881,765 | 4,881,755 | 4,660,304 | 4,509,412 | -3.2% |
| <i>All Other Expenditures</i> | 438,312 | 438,312 | 438,520 | 478,477 | 9.1% |
| TOTAL | \$47,659,294 | \$46,970,883 | \$49,180,018 | \$50,321,899 | 2.3% |

* Does not include end-of-year Board of Education transfers to reserve accounts in the amount of \$175,000.

| SOUTH PORTLAND SCHOOL DEPARTMENT | | | | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|
| REVENUE COMPARISONS - PART I BUDGET | | | | | | |
| DESCRIPTION | FY15 BUDGETED REVENUES | FY16 BUDGETED REVENUES | FY17 BUDGETED REVENUES | FY18 BUDGETED REVENUES | FY19 ESTIMATED REVENUES | |
| USE OF FUND BALANCE | \$677,117 | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| TUITION FOR STATE AGENCY CLIENTS | 25,000 | 25,000 | 35,000 | 45,000 | 45,000 | 45,000 |
| STUDENT ADM. | 25,000 | 35,000 | 41,000 | 43,000 | 43,000 | 43,000 |
| ATHLETIC SPONSORSHIPS | - | - | 30,000 | 30,000 | 30,000 | 50,000 |
| OTHER REVENUE | 19,800 | 19,800 | 19,800 | 19,800 | 19,800 | 15,840 <i>estimated*</i> |
| STATE SUBSIDY | 5,275,585 | 5,662,701 | 6,278,169 | 6,988,219 | 6,988,219 | 6,165,597 |
| MAINE CARE | 50,000 | 100,000 | 100,000 | 50,000 | 50,000 | 25,000 |
| PORTLAND TRANSPORTATION AGRMT | 78,666 | 117,713 | 126,000 | 126,000 | 126,000 | 125,000 |
| TRANSFER IN FROM BRICKHILL TIF | 162,748 | 197,384 | 201,849 | 197,353 | 197,353 | 245,139 |
| TRANSFER IN SRO/BUS/TECH RESERVES | 95,863 | 198,015 | 196,457 | 162,096 | 162,096 | 169,897 |
| SUB TOTAL REVENUE | 6,409,779 | 6,855,613 | 7,528,275 | 8,161,468 | 8,161,468 | 7,384,473 |
| LOCAL EFFORT - OPERATING | 38,395,017 | 39,258,191 | 40,151,019 | 41,043,550 | 41,043,550 | 42,962,426 |
| TOTAL REVENUE | \$44,804,796 | \$46,113,804 | \$47,679,294 | \$49,205,018 | \$49,205,018 | \$50,346,899 |
| * Reduced to reflect estimated reduction in State subsidy due the availability of fewer pre-school slots than had been anticipated in Fall 2017 | | | | | | |

**SOUTH PORTLAND SCHOOL DEPARTMENT
TAX CALCULATION**

| | FY15 | FY16 | FY17 | FY18 | FY19 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| PART I Local Operating Budget | \$44,784,796 | \$46,093,804 | \$47,659,294 | \$49,180,018 | \$50,321,899 |
| 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>\$49,205,018</u> | <u>\$50,346,899</u> |
| Total School Operating/Debt Reserve Expense | <u>\$44,804,796</u> | <u>\$46,113,804</u> | <u>\$47,679,294</u> | <u>\$49,205,018</u> | <u>\$50,346,899</u> |
| Revenue and Adjustments: | | | | | |
| Non-Tax Revenue (e.g., GPA, SAC, MaineCare, etc.) | \$5,732,662 | \$6,355,613 | \$7,028,275 | \$7,661,468 | \$6,884,473 |
| 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>\$8,161,468</u> | <u>\$7,384,473</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>\$41,043,550</u> | <u>\$42,962,426</u> |
| Assessed Valuation (in thousands) | \$3,425,000 | \$3,444,000 | \$3,432,000 | \$3,452,000 | est. \$3,480,000 |
| Change in School Mil Rate - Total: | | | | | |
| Total Mil Rate | \$11.21 | \$11.40 | \$11.70 | \$11.89 | \$12.35 |
| Change in Mil Rate from Prior Year | <u>\$0.30</u> | <u>\$0.190</u> | <u>\$0.30</u> | <u>\$0.19</u> | <u>\$0.46</u> |
| Mil Rate Increase as Percentage | 2.75% | 1.69% | 2.63% | 1.62% | 3.87% |
| Tax Increase in Dollars | \$1,283,122 | \$863,174 | \$892,828 | \$892,531 | \$1,918,876 |
| Dollar Tax Increase as Percentage | 3.46% | 2.25% | 2.27% | 2.22% | 4.68% |
| Change in School Mil Rate - Operating Budget: | | | | | |
| Total Mil Rate | \$9.78 | \$9.97 | \$10.28 | \$10.54 | \$11.05 |
| Tax Increase in Dollars | \$859,409 | \$850,347 | \$930,043 | \$1,113,992 | \$2,069,768 |
| Change in Mil Rate from Prior Year | <u>\$0.18</u> | <u>\$0.193</u> | <u>\$0.31</u> | <u>\$0.26</u> | <u>\$0.51</u> |
| Change in School Mil Rate - Debt/Municipal Leases: | | | | | |
| Total Mil Rate | \$1.43 | \$1.43 | \$1.42 | \$1.35 | \$1.30 |
| Tax Increase in Dollars | \$423,713 | \$12,827 | -\$37,215 | -\$221,461 | -\$150,892 |
| Change in Mil Rate from Prior Year | <u>\$0.11</u> | <u>-\$0.004</u> | <u>-\$0.01</u> | <u>-\$0.07</u> | <u>-\$0.05</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.