



CITY OF SOUTH PORTLAND, MAINE

Comprehensive Annual Financial Report



Photo Courtesy of Denise Michaud

For Fiscal Year Ended June 30, 2017

CITY OF SOUTH PORTLAND, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2017



Photo Courtesy of Denise Michaud

Prepared By:
City of South Portland
Department of Finance

CITY OF SOUTH PORTLAND, MAINE
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION



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FINANCE DEPARTMENT

GREGORY N. L'HEUREUX
Director of Finance

December 29, 2017

Honorable Linda Cohen, Mayor,
Distinguished Members of the City Council,
and Citizens of the City of South Portland, Maine

Maine state statutes and the South Portland City Charter require that the City issue annually a financial report audited in accordance with generally accepted auditing standards. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the City of South Portland, Maine, for the fiscal year ended June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of South Portland, Maine's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is not audited, includes this transmittal letter, 2016 CAFR certificate of achievement, an organization chart, and a list of the City's principal elected and appointed officials. The financial section includes management's discussion and analysis of the City's financial activities, the basic financial statements and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The statistical section, which is not audited, includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The “Single Audit” is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of expenditures of federal awards, findings, recommendations, and the independent auditor’s reports on the internal control and compliance with applicable laws and regulations are included in a separately issued single audit report.

Profile of the City of South Portland

The City of South Portland is located on the southern coast of the State of Maine in the southeastern section of the County of Cumberland, the State’s most populous county. South Portland is the fourth largest city in Maine and the second largest in its region. The City currently occupies 12.93 square miles and serves a population of 25,002. Under Maine statutes, the City is empowered to levy a property tax on both real and personal property located within its boundaries.

The area of which the City is comprised was originally the northern part of the Town of Cape Elizabeth. Old Falmouth, incorporated in 1718, was formed of the area now encompassing the cities of Portland, South Portland and Westbrook and the towns of Cape Elizabeth and Falmouth. Due to the inconvenience of crossing the Fore River, Cape Elizabeth (then including the City) became established as the Second Parish of Falmouth in 1733, and on November 1, 1765 separated from Falmouth, being incorporated as the Town of Cape Elizabeth. On March 15, 1895, South Portland divided and set off the northern portion of Cape Elizabeth to become a town. A city charter was granted on March 22, 1898 and adopted on December 5, 1898 as the City of South Portland.

The City operates under the charter adopted on December 5, 1898, as amended, most recently in November of 1997, (the “Charter”) providing for a Council-Manager form of government. Policy making and legislative authority is vested in a seven-member City Council, all elected on a non-partisan basis. The Council is composed of seven members, one elected from each of the City’s five voting districts, and two members who are elected at-large. The Council members are elected for three-year staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City’s property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and giving effect to any vote of the City and to authorize the issuance of debt subject to referendum approval by the voters of the City. Through its Charter, the Council adopts an annual budget, provides for an annual audit, appoints committees, and hires the City Manager and City Clerk.

The City Manager is the chief executive officer and the head of the administrative branch of the City government. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City’s departments. Under the City Charter, the City of South Portland’s Education Department is a department of the City with an elected School Board and an appointed

Superintendent of Schools. The City of South Portland provides a full range of services, including police, ambulance and fire protection; construction and maintenance of highways, streets, sidewalks, parks and other infrastructure; sewer service and wastewater treatment; solid waste collection; public education; health and social welfare; public transportation; recreational and cultural activities; general administration and economic development.

The annual budget serves as the foundation for the City of South Portland's financial planning and control. All departments of the City of South Portland, with the exception of the Education Department, are required to submit requests for appropriation to the City Manager in January of each year. The City Manager uses these requests as the starting point for developing a proposed municipal budget. The City Manager then combines the proposed municipal budget with the Board of Education appropriation request for the Education Department and presents the total proposed budget to the City Council for review in March of each year. The City Council holds a public hearing on the proposed budget in April, and holds budget review workshops with the individual departments and the Board of Education in the months of April and May. The budget must be finally adopted by no later than 90 days after July 1, the beginning of the fiscal year, but is typically adopted in June.

The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The City Manager may transfer appropriations within a department. Transfers between departments, however, need approval from the City Council. Budget to actual comparisons are provided in this report for the general fund. This comparison is presented on page 36 as part of the basic financial statements for the governmental funds.

Relevant Financial Policies

The City's fund balance policy established a minimum unassigned fund balance in the general fund of 9%. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan implemented through the annual budget process to bring the balance back to the target level over a period of no more than three fiscal years. According to the policy, funds in excess of 12% may, with the approval of the City Council be used for capital improvements or other one-time expenditures. For the year ended June 30, 2017, the amount of unassigned fund balance totaled \$13,189,251 or 15.4% of the fiscal year 2018 general fund budget.

Local Economy

Once principally a residential community, South Portland now enjoys a diversified commercial and industrial aspect to its economy. The City has been referred to as two cities, with the eastern half of the city sporting residential neighborhoods, a traditional downtown district, a waterfront, and the second busiest oil port on the entire East Coast, and the western half of the city hosting commercial, industrial, and advanced technology property.

The eastern half of the City is home to many of the City's residential neighborhoods, a traditional downtown district with a diverse mix of retail stores, restaurants, residential housing and professional offices, an oil pipeline and storage tank farms, a municipal beach, a municipal boat ramp, numerous scenic parks, several marinas, two lighthouses, a maritime museum, and the State's largest community college.

The western half of the City is home to a regional mall that forms the hub of the largest shopping district in the State. Additionally, there are two world-class semiconductor factories and a number of major hotel chains. Major companies with headquarters or divisions located within the western half of the City include a semiconductor manufacturer, an international financial services company, and two insurance companies. The mall and surrounding businesses increase the population of the City from 25,002 to between 46,000 and 102,000 per day. According to the latest 2010 census figures, a total of 24,178 workers are employed in South Portland, and the City serves as a regional employment center.

The City exhibits above average wealth and housing levels relative to the State of Maine as a whole. The City experienced rapid tax base growth in the early part of the last ten years with its taxable base growing by \$1.1 billion or about 45% from 2004 to 2008. This increase included the impact of a full revaluation done in 2007. In more recent years, the City's valuation has been somewhat unstable with values dropping during the economic crisis of 2008-2009; with values rebounding nicely in the past few years. Additionally, there has also been a continued shift to exempt personal property with the implementation of the State of Maine Business Equipment Tax Exemption (BETE) reimbursement program. Under this program, the State reimburses the municipality for a portion of the taxes that would have been collected from this exempt property. For fiscal year 2017, the exempt value under BETE was \$218,824,290 and the City received BETE reimbursement at a rate 57.08% (and certain TIF property at 100%), totaling \$2,634,271. The City's current-year property tax collection rate is a healthy rate of 98.98% a slight decline from 99.01% the year before.

The City has a balanced and fairly diverse tax base with an approximately 50/50 split between residential (real) and commercial (real and personal) property value, its largest tax payer comprising 6.95% of its total tax base, and its top ten tax payers combined representing 20.45% of the total tax base.

Long-term Financial Planning

In preparing for the future, the City has identified several major programs necessary to meet citizens' needs for services, while continuing to meet the sharply rising fixed costs imposed on the City. Among these programs are a new municipal services facility, road repair, and reconstruction, storm water separation, upgrades to Thornton Heights area, recreational activities, vehicle and equipment purchases, and building renovations. These initiatives were done in accordance with the City's basic financial planning document, its seven-year Capital Improvement Program (CIP), which is reviewed and updated annually by the City Council.

This year's capital plan calls for continuing work on the City's street paving program and sidewalk replacement program, sewer and storm water separation, control system upgrade for Water Resources, various vehicle replacements, and improvements to pedestrian/bicycle projects.

This year's multi-year equipment and vehicle replacement plan calls for the purchase of two plow trucks for the Public Works Department and pumper truck for the Fire Department. Additionally, this year's CIP includes continued funding of the numerous other projects including improvements to the City's Fiber Optic infrastructure, body armor and body worn cameras for the Police Department, improvements to combined sewer overflow projects for water resources, and numerous recreation and parks projects.

Major Initiatives

In November of 2013, the voters of the City approved bonding of \$14 million for a new Municipal Services Facility on Highland Avenue. The new facility will allow for the Transportation, Public Works, and Parks Department to be in one new facility. The facility will feature partial covered parking, a maintenance garage, storage, and administrative offices. The City completed construction of the in the fall of 2017. In August of 2016, the City issued bonds totaling \$12,700,000 for the project at a net interest cost of 2.13%.

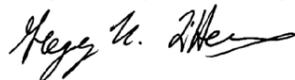
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Portland, Maine for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the tenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Appreciation is also extended to the accounting firm of Runyon Kersteen Ouellette for its assistance in the preparation and review of this report. Finally, credit must be given to the South Portland City Council and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Gregory N. L'Heureux
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of South Portland
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

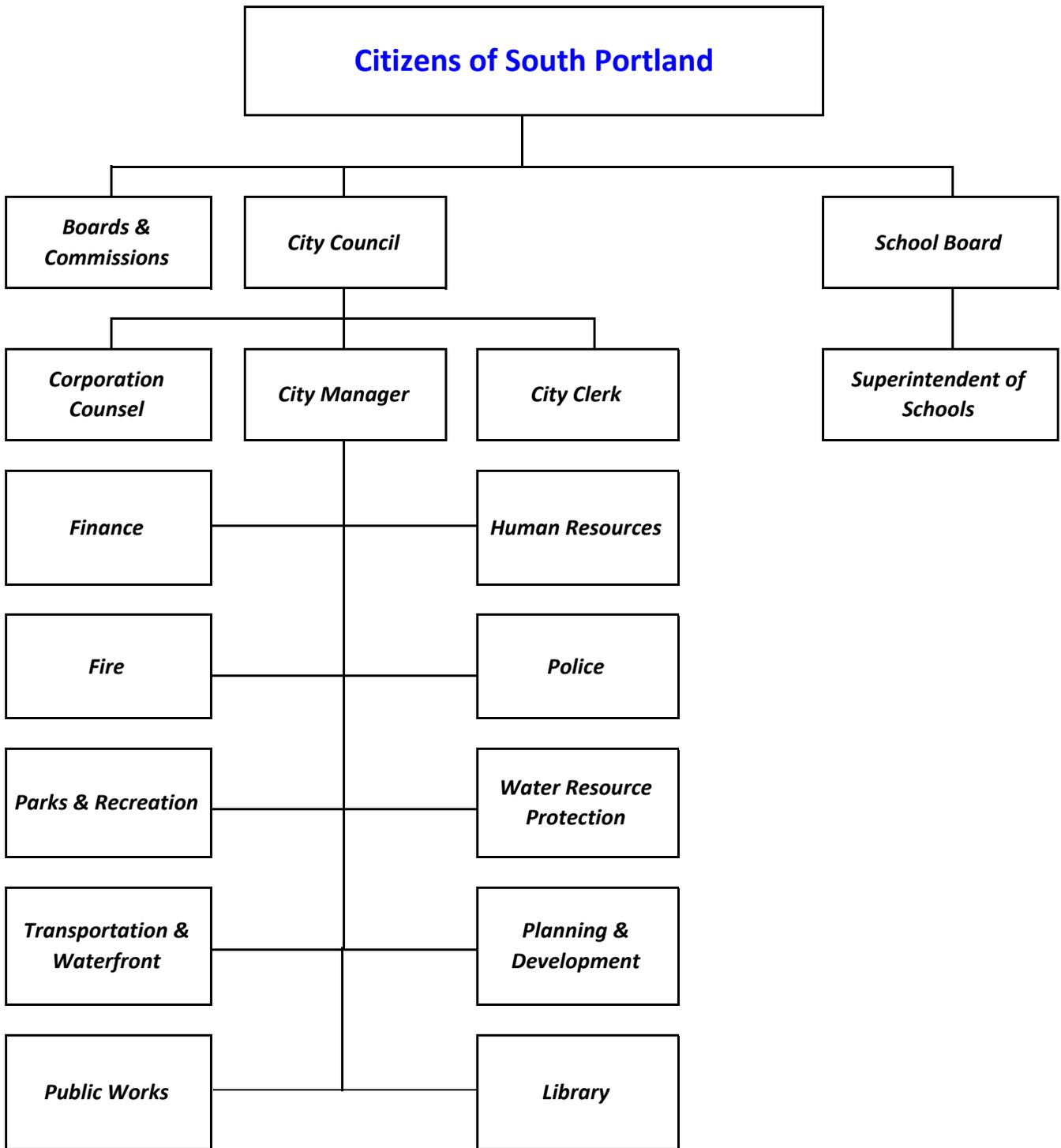
June 30, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF SOUTH PORTLAND, MAINE

Organizational Chart



CITY OF SOUTH PORTLAND, MAINE

LIST OF PRINCIPAL OFFICIALS (ELECTED AND APPOINTED)

June 30, 2017

Elected Officials

Council Member – District 2 - Mayor	Patricia Smith
Council Member – At Large	Susan Henderson
Council Member – District 4	Linda Cohen
Council Member – District 3	Eben Rose
Council Member – At Large	Maxine Beecher
Council Member – District 1	Claude Morgan
Council Member – District 5	Brad Fox
Board of Education – District 3 - Chairman	Richard Matthews
Board of Education – District 1	Jennifer Kirk
Board of Education – District 5	Elyse Tipton
Board of Education – At Large	Mary House
Board of Education – At Large	Karen U. Callaghan
Board of Education – District 2	Otis Thompson
Board of Education – District 4	Matthew Perkins

Appointed Officials

City Manager	Scott T. Morelli
Assistant City Manager	Joshua J. Reny
City Clerk	Emily F. Scully
Finance Director	Gregory N. L'Heureux
Fire Chief	James P. Wilson
Human Resource Director	Donald I. Brewer
Parks and Recreation Director	Kevin G. Adams
Public Works Director	Douglas R. Howard
Planning & Development Director	Charles A. Haeuser
Police Chief	Edward J. Googins
Superintendent of Schools	Kenneth E. Kunin
Transportation & Waterfront Director	Arthur Handman
Water Resource Protection Director	Patrick M. Cloutier

FINANCIAL SECTION



Photo Courtesy of Russ Lunt



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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

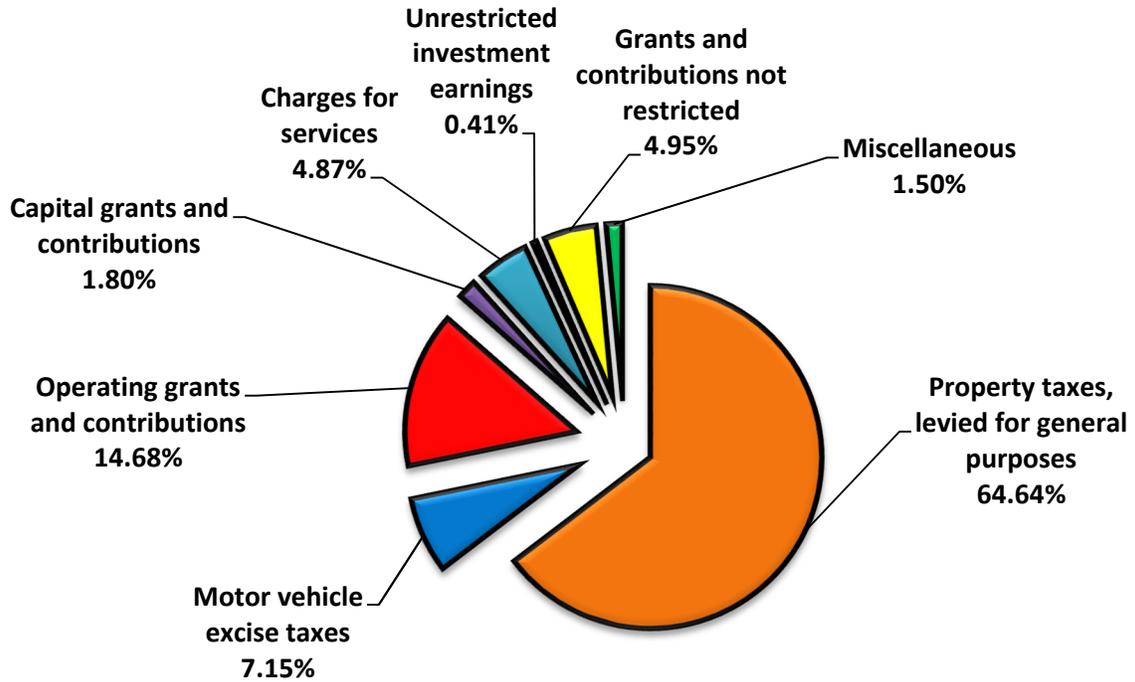
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,098,787	\$ 4,988,513	\$ 6,008,622	\$ 5,922,343	\$ 11,107,409	\$ 10,910,856
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	<u>99,357,957</u>	<u>96,827,107</u>	<u>6,343,071</u>	<u>6,099,087</u>	<u>105,701,028</u>	<u>102,926,194</u>
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	<u>94,785,445</u>	<u>91,321,670</u>	<u>6,203,347</u>	<u>6,154,095</u>	<u>100,988,792</u>	<u>97,475,765</u>
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	<u>6,380,807</u>	<u>3,648,828</u>	<u>(1,668,571)</u>	<u>1,801,601</u>	<u>4,712,236</u>	<u>5,450,429</u>
Net position - beginning of year	<u>105,803,868</u>	<u>102,155,040</u>	<u>63,005,701</u>	<u>61,204,100</u>	<u>168,809,569</u>	<u>163,359,140</u>
Net position - end of year	<u>\$ 112,184,675</u>	<u>\$ 105,803,868</u>	<u>\$ 61,337,130</u>	<u>\$ 63,005,701</u>	<u>\$ 173,521,805</u>	<u>\$ 168,809,569</u>

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:

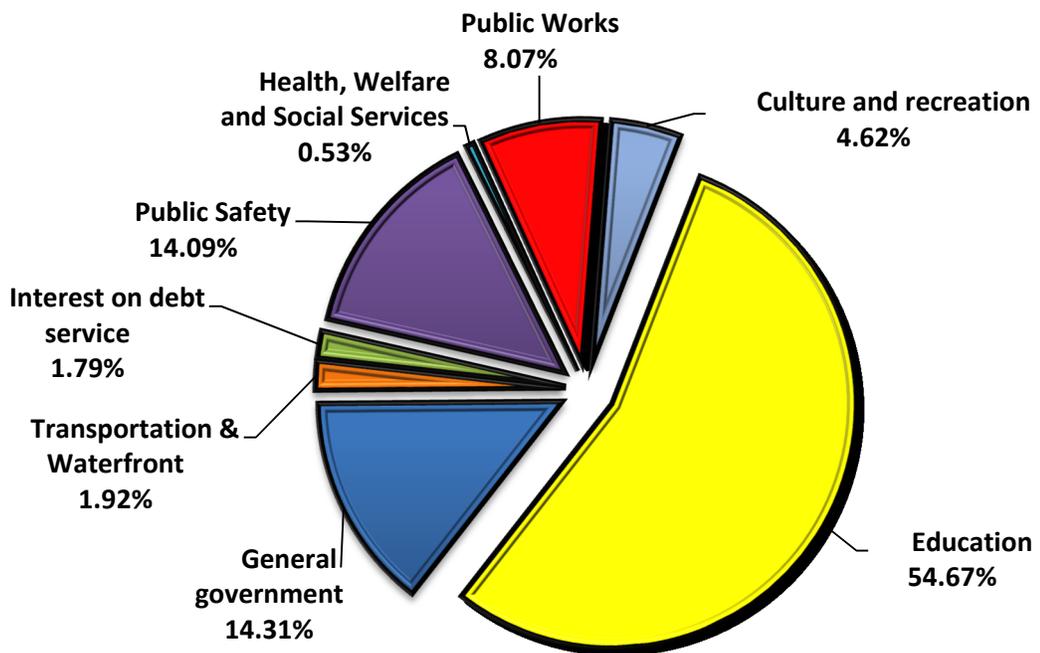
- Property and other taxes increased by \$841 thousand (1.19%). This was primarily due to an increase in taxes to support the School and City budgets and a slight decrease in motor vehicle excise revenues.
- Operating grants increased significantly from the prior year as a result of the States on behalf 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**



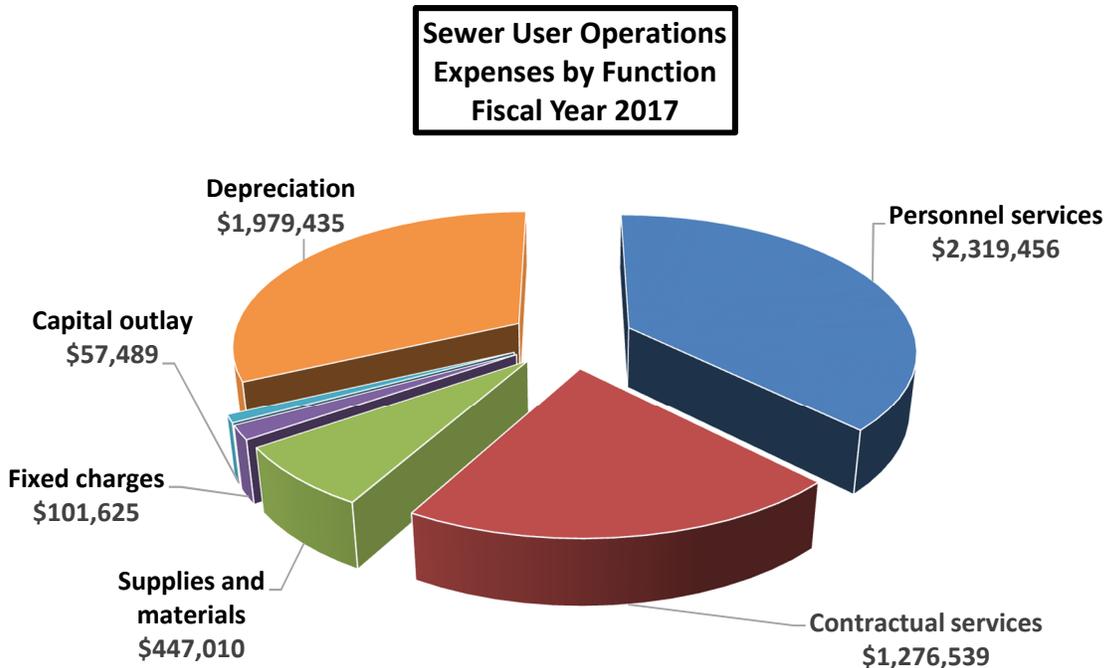
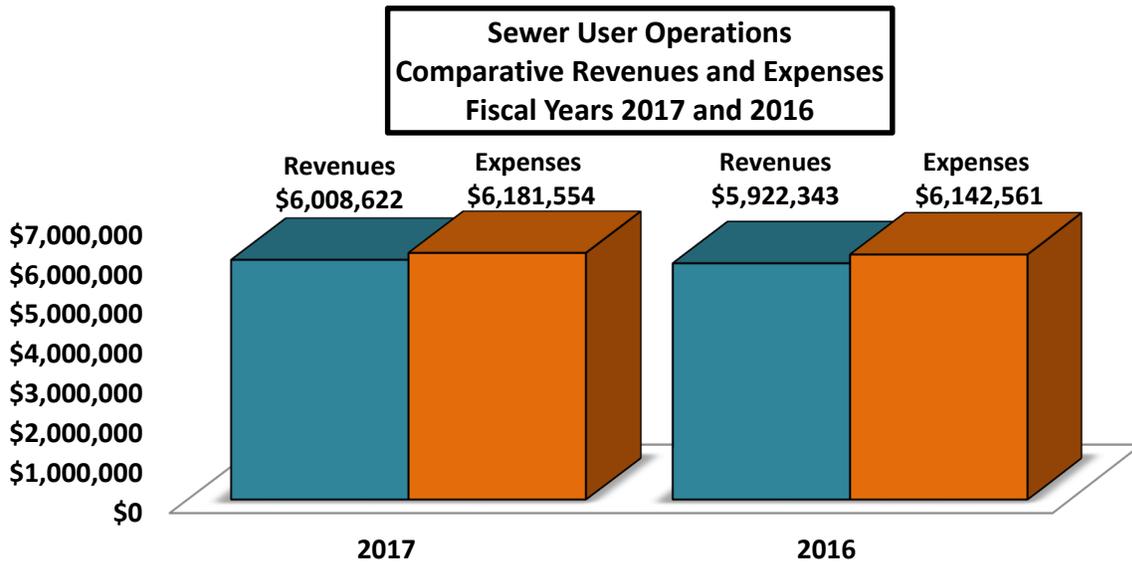
**Government - wide
 Expenses by Function - Governmental Activities
 Fiscal Year 2017**



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

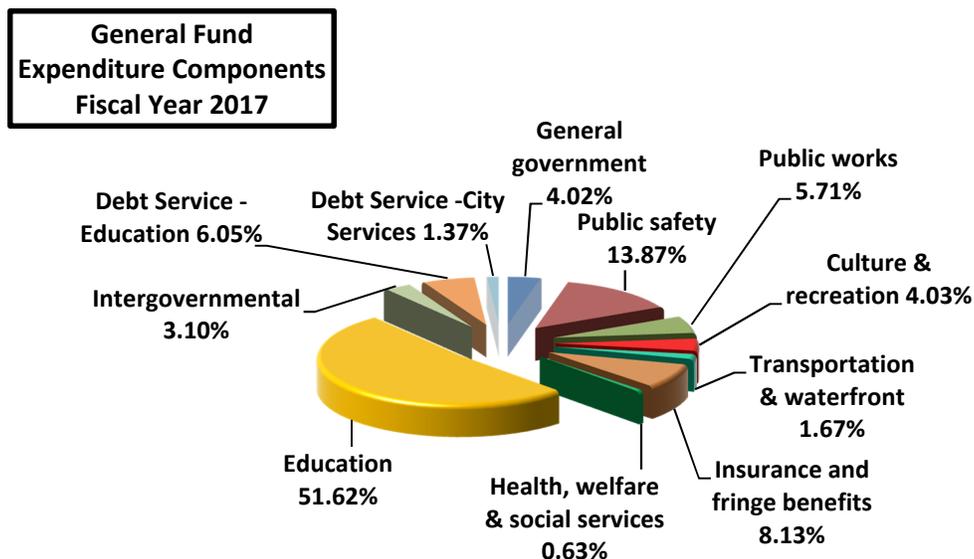
Expenditures for the general fund totaled \$80,684,989 (on the budgetary basis of accounting) in the fiscal year ended June 30, 2017.

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).



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

Capital Asset and Debt Administration

Capital assets. The City of South Portland's investment in capital assets for its governmental and business-type activities as of June 30, 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		Business-type		Total	
	Activities		Activities			
	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	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 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	981,785	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	1,783,472	(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	2,038,237	(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
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	-	-	-	-	-	
Other	112,000	112,000	93,670	18,330	944,400	944,400	960,018	(15,618)	
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				-		
Change in encumbrances - School			(25,455)				-		
Change in unbudgeted teacher summer benefits			(29,123)				-		
Change in reserves			(502,973)				-		
Net change in fund balance - GAAP basis			141,764				1,946,416		
Fund balance, beginning of year			23,751,638				7,450,075		
Fund balance, end of year	\$		23,893,402				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

Business-type Activities - Enterprise Funds		
	Sewer	
	2017	2016
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)	-
<u>Net investment in capital assets</u>	<u>\$ 82,323,833</u>	<u>49,737,946</u>

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:

Special Revenue Funds:

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 minimized.

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

PROPERTY TAX

Property taxes for the current period were committed on July 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	2,510,151	9,503,159	528,329	11,484,981
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	45,709,839	3,413,435	-	49,123,274
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	32,153,914	1,352,447	-	33,506,361
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	2,537,556
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.

	<u>Governmental activities</u>
2018	\$ 425,345
2019	377,621
2020	384,413
2021	391,481
2022	295,594
2023	204,387
Total minimum lease payments	2,078,841
<u>Less: amount representing interest</u>	<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
	<hr/>	<hr/>
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	-
	<hr/>	<hr/>
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 <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Inventory	\$ -	47,574	47,574
<u>Principal for permanent funds</u>	-	198,949	198,949
<u>Total nonspendable</u>	-	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
<u>Permanent funds</u>	-	140,089	140,089
<u>Total restricted</u>	2,662,892	15,821,856	18,484,748

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

FUND BALANCES, CONTINUED

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Committed:			
General government:			
Tax stabilization reserve	\$ 1,509,538	-	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 <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
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 <u>Total</u>	Percentage <u>Complete</u>	Billed <u>to Date</u>	Balance <u>Remaining</u>
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 <u>value</u>	Increase in <u>value</u>	TIF <u>cap</u>	Captured <u>value</u>	Captured <u>tax</u>
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.maineopers.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
<u>Interest</u>	<u>6,104</u>	<u>7,034</u>	<u>7,034</u>
Annual required contribution (ARC)	314,334	362,202	362,202
Interest on net OPEB obligation	71,270	62,222	53,259
<u>Adjustment to ARC</u>	<u>(103,039)</u>	<u>(89,958)</u>	<u>(76,999)</u>
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
<u>Less: Actual contributions</u>	<u>(95,146)</u>	<u>(108,262)</u>	<u>(114,380)</u>
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
<u>Percent contributed</u>	<u>33.67%</u>	<u>32.37%</u>	<u>33.79%</u>
Actuarial accrued liability	\$ 3,846,165	4,244,221	4,244,221
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
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 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		Variance positive (negative)	2016 Actual
	Budget	Actual		
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	
<u>City committed reserves:</u>						
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
<u>City assigned reserves:</u>						
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
<u>School reserves:</u>						
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

TIF FUNDS

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

	2501 Fairchild Semiconductor	2502 Texas Instruments	2503 One Wallace Avenue	2504 Cummings Road	2505 Long Creek	2507 Brick Hill	2508 Jared	2509 Hannaford	2510 Downtown	2511 Transit	Total
Revenues:											
Taxes	\$ 91,652	1,352,284	75,777	-	213,179	436,061	20,334	155,765	116,401	8,286	2,469,739
State BETE revenue	985,794	-	-	-	-	-	-	-	-	-	985,794
Investment earnings	35,487	13,558	7,468	6,314	5,910	2,393	783	6,751	3,567	702	82,933
Total revenues	1,112,933	1,365,842	83,245	6,314	219,089	438,454	21,117	162,516	119,968	8,988	3,538,466
Expenditures:											
Current:											
General government	37,471	1,499	22,563	49,829	6,655	-	-	3,985	178	-	122,180
Public works	36,454	36,454	-	26,551	16,294	-	6,595	-	-	-	122,348
Other	45,826	540,913	13,273	-	121,298	238,708	-	-	-	-	960,018
Total expenditures	119,751	578,866	35,836	76,380	144,247	238,708	6,595	3,985	178	-	1,204,546
Excess (deficiency) of revenues over (under) expenditures	993,182	786,976	47,409	(70,066)	74,842	199,746	14,522	158,531	119,790	8,988	2,333,920
Other financing uses:											
Transfers out	(140,609)	(6,000)	-	-	-	(201,849)	-	(29,046)	-	(10,000)	(387,504)
Total other financing uses	(140,609)	(6,000)	-	-	-	(201,849)	-	(29,046)	-	(10,000)	(387,504)
Net change in fund balances	852,573	780,976	47,409	(70,066)	74,842	(2,103)	14,522	129,485	119,790	(1,012)	1,946,416
Fund balances, beginning of year	2,893,114	1,350,226	670,403	605,002	575,387	296,441	72,459	607,116	316,761	63,166	7,450,075
Fund balances, end of year	\$ 3,745,687	2,131,202	717,812	534,936	650,229	294,338	86,981	736,601	436,551	62,154	9,396,491

CAPITAL PROJECTS FUND

CITY OF SOUTH PORTLAND, MAINE
Capital Projects
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	Intergov- ernmental	Investment earnings		Issuance of debt	Transfers	
City capital projects:								
4011 Paving	\$ 953,426	-	733,462	2,622	1,035,873	-	-	653,637
4012 Bug Light Park	15,999	2,562	-	-	1,267	-	-	17,294
4018 Chlorination/Dechlorinate	17,227	-	-	-	-	-	-	17,227
4040 East Broadway improvement	74	-	-	-	1	-	-	73
4045 City FY 03 projects	1,859	-	-	-	-	-	-	1,859
4051 City FY 06 projects	14,208	-	24,943	-	39,151	-	-	-
4061 Library CIP	33,782	-	-	-	-	-	70,000	103,782
4063 Police CIP	173,519	-	-	-	152,284	-	104,335	125,570
4064 Fire CIP	706,067	-	-	-	690,957	-	1,215,500	1,230,610
4072 Public works CIP	1,279,655	-	28,889	-	1,938,577	-	2,336,086	1,706,053
4077 Parks and recreation CIP	519,271	-	-	-	276,173	-	213,000	456,098
4079 Municipal services facility	(1,033,862)	-	43,553	27,538	8,806,602	13,707,015	-	3,937,642
4080 Bus CIP	231,079	-	938,232	-	1,022,640	-	44,069	190,740
4081 Waterfront CIP	15,240	-	-	-	-	-	(2,250)	12,990
4151 Municipal buildings CIP	43,819	-	-	-	14,096	-	17,250	46,973
4155 Information technology CIP	122,345	-	-	-	86,137	-	190,000	226,208
4156 Planning CIP	190,672	-	-	-	25,240	-	253,000	418,432
Total City capital projects	3,284,380	2,562	1,769,079	30,160	14,088,998	13,707,015	4,440,990	9,145,188
School capital projects:								
0300 Middle School Project	-	-	-	-	76,364	-	-	(76,364)
0301 School FY 02 projects	235,137	-	-	2,388	63,186	-	-	174,339
0303 SPHS construction/renovation	71,739	10,079	-	307	2,375	-	-	79,750
0400 School FY 03 projects	198,423	-	-	1,400	96,998	-	-	102,825
0401 School FY 04 projects	206,398	-	-	1,940	50,041	-	-	158,297
0402 School FY 01 projects	96,954	-	-	1,034	13,543	-	-	84,445
0403 School FY 05 projects	62,883	-	-	697	-	-	-	63,580
0404 School FY 07 projects	2,334	-	-	-	-	-	-	2,334
0455 School FY 08 projects	26,409	-	-	-	-	-	-	26,409
0405 School FY 10 projects	347,934	-	-	800	60,112	-	-	288,622
Total School capital projects	1,248,211	10,079	-	8,566	362,619	-	-	904,237
Total capital projects	\$ 4,532,591	12,641	1,769,079	38,726	14,451,617	13,707,015	4,440,990	10,049,425

ALL OTHER GOVERNMENTAL FUNDS

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

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS			
Investments	\$ 664,458	339,038	1,003,496
Due from other governments	732,854	-	732,854
Accounts receivable, net of allowance of \$3,445	299,548	-	299,548
Interfund loans receivable	4,054,483	-	4,054,483
Inventory	47,574	-	47,574
Total assets	\$ 5,798,917	339,038	6,137,955
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	136,408	-	136,408
Accrued liabilities	52,292	-	52,292
Accrued teachers' summer salaries	264,232	-	264,232
Total liabilities	452,932	-	452,932
Fund balances:			
Nonspendable	47,574	198,949	246,523
Restricted	1,979,262	140,089	2,119,351
Committed	3,334,865	-	3,334,865
Unassigned	(15,716)	-	(15,716)
Total fund balances	5,345,985	339,038	5,685,023
Total liabilities and fund balances	\$ 5,798,917	339,038	6,137,955

CITY OF SOUTH PORTLAND, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues:			
Taxes	\$ 20,000	-	20,000
Intergovernmental	4,370,445	-	4,370,445
Charges for services	1,827,616	-	1,827,616
Investment income (loss)	28,087	(2,789)	25,298
Other	665,439	-	665,439
Total revenues	6,911,587	(2,789)	6,908,798
Expenditures:			
General government	893,922	-	893,922
Public safety	295,708	-	295,708
Public works	129,541	-	129,541
Culture and recreation	750,753	-	750,753
Transportation and waterfront	70,409	-	70,409
Education	2,670,987	-	2,670,987
School lunch program	1,803,337	-	1,803,337
Other	-	1,737	1,737
Total expenditures	6,614,657	1,737	6,616,394
Excess (deficiency) of revenues over (under) expenditures	296,930	(4,526)	292,404
Other financing sources:			
Transfers in	263,443	-	263,443
Total other financing sources	263,443	-	263,443
Net change in fund balances	560,373	(4,526)	555,847
Fund balances, beginning of year	4,785,612	343,564	5,129,176
Fund balances, end of year	\$ 5,345,985	339,038	5,685,023

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

CITY OF SOUTH PORTLAND, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2017

	City Special Revenues Fund	School Grant Funds	School Adult Education	School Lunch Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Investments	\$ 664,458	-	-	-	664,458
Due from other governments	217,230	452,040	-	63,584	732,854
Accounts receivable, net of allowance of \$3,445	217,846	79,469	-	2,233	299,548
Interfund loans receivable	3,843,313	157,181	8,481	45,508	4,054,483
Inventory	-	-	-	47,574	47,574
Total assets	\$ 4,942,847	688,690	8,481	158,899	5,798,917
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	69,509	39,779	26	27,094	136,408
Accrued liabilities	46,650	-	2,831	2,811	52,292
Accrued teachers' summer salaries	-	264,232	-	-	264,232
Total liabilities	116,159	304,011	2,857	29,905	452,932
Fund balances:					
Nonspendable	-	-	-	47,574	47,574
Restricted	1,492,291	399,927	5,624	81,420	1,979,262
Committed	3,334,865	-	-	-	3,334,865
Unassigned	(468)	(15,248)	-	-	(15,716)
Total fund balances	4,826,688	384,679	5,624	128,994	5,345,985
Total liabilities and fund balances	\$ 4,942,847	688,690	8,481	158,899	5,798,917

CITY OF SOUTH PORTLAND, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	City Special Revenues Funds	School Grant Funds	School Adult Education	School Lunch Fund	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	\$ -	-	20,000	-	20,000
Intergovernmental	1,156,778	2,360,574	10,334	842,759	4,370,445
Charges for services	1,270,964	-	-	556,652	1,827,616
Investment income	28,087	-	-	-	28,087
Other	481,347	184,092	-	-	665,439
Total revenues	2,937,176	2,544,666	30,334	1,399,411	6,911,587
Expenditures:					
Current:					
General government	893,922	-	-	-	893,922
Public safety	295,708	-	-	-	295,708
Public works	129,541	-	-	-	129,541
Culture and recreation	750,753	-	-	-	750,753
Transportation and waterfront	70,409	-	-	-	70,409
Education	-	2,640,653	30,334	-	2,670,987
School lunch program	-	-	-	1,803,337	1,803,337
Total expenditures	2,140,333	2,640,653	30,334	1,803,337	6,614,657
Excess (deficiency) of revenues over (under) expenditures	796,843	(95,987)	-	(403,926)	296,930
Other financing sources (uses):					
Transfers in (out)	(173,357)	6,800	-	430,000	263,443
Total other financing sources and (uses)	(173,357)	6,800	-	430,000	263,443
Net change in fund balances	623,486	(89,187)	-	26,074	560,373
Fund balances, beginning of year	4,203,202	473,866	5,624	102,920	4,785,612
Fund balances, end of year	\$ 4,826,688	384,679	5,624	128,994	5,345,985

NONMAJOR PERMANENT FUNDS

Nonmajor permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF SOUTH PORTLAND, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2017

		7001	7002	7003	7004	7006	7007	7008	7009	
		Lillian Anderson Bequest	Lois V. Whitten Bequest	Reta Nappi Bequest	Virginia Boyd Bequest	Sandra Coolbroth Trust	Callahan Trust	Virginia Lewis Bequest	W.P. Adams Maintenance Liberty Ship Memorial	Total
ASSETS										
Investments	\$	27,791	9,774	2,785	3,781	94,090	126,985	44,413	29,419	339,038
Total assets	\$	27,791	9,774	2,785	3,781	94,090	126,985	44,413	29,419	339,038
FUND BALANCES										
Fund balances:										
Nonspendable principal		16,406	5,430	1,566	3,150	52,238	70,502	24,657	25,000	198,949
Restricted		11,385	4,344	1,219	631	41,852	56,483	19,756	4,419	140,089
Total fund balances		27,791	9,774	2,785	3,781	94,090	126,985	44,413	29,419	339,038
Total liabilities and fund balances	\$	27,791	9,774	2,785	3,781	94,090	126,985	44,413	29,419	339,038

CITY OF SOUTH PORTLAND, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	7001	7002	7003	7004	7006	7007	7008	7009	
	Lillian Anderson Bequest	Lois V. Whitten Bequest	Reta Nappi Bequest	Virginia Boyd Bequest	Sandra Coolbroth Trust	Callahan Trust	Virginia Lewis Bequest	W.P. Adams Maintenance Liberty Ship Memorial	Total
Revenues:									
Interest income	\$ 672	236	67	92	2,276	3,072	1,074	714	8,203
Unrealized gain/(loss)	(883)	(312)	(89)	(126)	(3,011)	(4,065)	(1,421)	(1,085)	(10,992)
Total revenues	(211)	(76)	(22)	(34)	(735)	(993)	(347)	(371)	(2,789)
Expenditures:									
Other	141	50	14	20	479	646	226	161	1,737
Total expenditures	141	50	14	20	479	646	226	161	1,737
Net change in fund balances	(352)	(126)	(36)	(54)	(1,214)	(1,639)	(573)	(532)	(4,526)
Fund balances, beginning of year	28,143	9,900	2,821	3,835	95,304	128,624	44,986	29,951	343,564
Fund balances, end of year	\$ 27,791	9,774	2,785	3,781	94,090	126,985	44,413	29,419	339,038

PROPRIETARY FUND

CITY OF SOUTH PORTLAND, MAINE
Proprietary Fund
Schedule of Revenues, Expenses, and Changes in Net Position -
Budget and Actual
For the year ended June 30, 2017

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 5,790,011	5,790,011	5,948,268	158,257
Interest and penalties	1,000	1,000	1,802	802
Licenses	64,770	64,770	58,552	(6,218)
Total operating revenues	5,855,781	5,855,781	6,008,622	152,841
Operating expenses:				
Administration	163,529	163,529	161,961	1,568
Treatment plant	977,593	977,593	862,110	115,483
Pump stations	558,329	558,329	529,497	28,832
Billing	182,384	182,384	192,411	(10,027)
Sewer maintenance	820,673	820,673	799,175	21,498
Engineering	240,650	240,650	201,694	38,956
Debt service	96,532	96,532	96,531	1
Compliance	100,693	100,693	92,033	8,660
Sludge disposal	365,389	365,389	317,339	48,050
Insurance	837,145	837,145	790,749	46,396
Total operating expenses	4,342,917	4,342,917	4,043,500	299,417
Operating income	1,512,864	1,512,864	1,965,122	452,258
Nonoperating expenses:				
Equipment reserve	(1,512,000)	(1,512,000)	(1,512,000)	-
Total nonoperating expenses	(1,512,000)	(1,512,000)	(1,512,000)	-
Income before transfers	864	864	453,122	452,258
Other financing uses:				
Transfers out	(864)	(864)	(864)	-
Total other financing uses	(864)	(864)	(864)	-
Change in net position - budgetary basis	-	-	452,258	452,258
Reconciliation to GAAP basis:				
Revenues and expenditures in the reserve funds are included on the GAAP basis, but not the budgetary basis:				
Reserve revenues			79,684	
Reserve expenditures			(447,597)	
Transfers into reserves			1,512,000	
Capital outlays are recorded as expenditures on the budgetary basis, but are capitalized and expensed over their useful life on the GAAP basis:				
Purchase of capital assets			192,447	
Depreciation expense			(1,979,435)	
Capital contribution			254,765	
Transfer out to other funds			(250,000)	
Transfer for non proprietary fund capital items			(1,680,040)	
Change in accruals are recorded on the GAAP basis, but not on the budgetary basis:				
Interest expense			245	
Bond proceeds provide current financial resources on a budgetary basis, but issuing debt increases long-term liabilities on the statement of net position.				
Repayment of bond principal is an expenditure on the budgetary basis, but reduces the long-term liability on the GAAP basis:				
Bond principal			197,102	
Change in net position - GAAP basis			(1,668,571)	
Net position, beginning of year			63,005,701	
Net position, end of year			\$ 61,337,130	

AGENCY FUNDS

CITY OF SOUTH PORTLAND, MAINE
 Agency Funds
 Statement of Changes in Assets and Liabilities
 Fiduciary Funds
 For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and cash equivalents	\$ 133,109	225,107	218,197	140,019
Total assets	133,109	225,107	218,197	140,019
LIABILITIES				
Due to others	133,109	225,107	218,197	140,019
Total liabilities	\$ 133,109	225,107	218,197	140,019

SCHEDULES

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

		Fund balance beginning of year	Revenues		Expenditures	Transfers	Fund balance end of year
			Inter- governmental	Other			
General Government:							
Federal grants:							
2115	CDBG - Entitlement Community	\$ 10,878	328,131	-	329,352	-	9,657
2155	Housing Revolving Loan	104,976	-	-	-	-	104,976
State grants:							
2031	Watershed Plan	15,710	9,800	233	16	-	25,727
2138	Greater Portland Public Development	52,005	-	25,000	-	-	77,005
2154	Land Use Regulation Grant	233	-	-	-	-	233
Other:							
2008	Restoration of Records	1,254	-	-	-	-	1,254
2042	Business Development Revolving Loan	58,667	-	275	-	-	58,942
2044	City Hall Water & Soda	960	-	9	941	-	28
2053	Wallace Avenue Directional	2,224	-	25	-	-	2,249
2057	Downeast Energy Traffic Improvement	4,777	-	53	-	-	4,830
2058	NE Audio/Tweeter Sidewalks	10,136	-	112	-	-	10,248
2067	Toys "R" Us Sidewalks	10,606	-	118	-	-	10,724
2088	SPCTV	666,948	-	315,644	181,630	(6,944)	794,018
2094	Gannett Traffic Signal Escrow	26,085	-	289	-	-	26,374
2097	Wellness Committee	(137)	-	9,589	8,862	-	590
2108	Longhorn Steakhouse Escrow	18,816	-	209	-	-	19,025
2114	Millcreek Traffic Impact	6,456	-	30,461	26,340	-	10,577
2120	Evan/Highland Toddle Inn Escrow	23,043	-	255	-	-	23,298
2129	Westbrook/Western Escrow	15,204	-	33,993	-	-	49,197
2136	Knightville/Mill Creek Plan	7,981	-	-	-	-	7,981
2139	Brick Hill Traffic Escrow	1,203	-	14	-	-	1,217
2146	Heating Assistance	498	-	-	966	-	(468)
2149	Westbrook/South Portland Assessing	873	204,370	-	201,599	(144)	3,500
2161	War Memorial	2,001	-	-	-	-	2,001
2165	Freshwater Wetland Fund	160,798	-	75,586	958	-	235,426
2169	John Roberts Road Escrow	2,100	-	-	-	-	2,100
2179	Land Bank Trust	943,108	-	27,457	143,258	35,000	862,307
2188	Long Creek Tragedy Memorial	237	-	-	-	-	237
Total General Government		2,147,640	542,301	519,322	893,922	27,912	2,343,253

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

		Fund balance beginning of year	Revenues <u>Inter-</u> governmental Other		Expenditures	Transfers	Fund balance end of year
Public Safety:							
Federal grants:							
2023	OUI Grant	\$ 918	7,101	-	7,101	-	918
2050	Asset Forfeiture - Federal	12,537	3,940	146	4,587	-	12,036
2064	Seat Belt Enforcement Grant	2,228	24,104	-	24,104	-	2,228
2102	Body Armor	680	-	-	-	-	680
2121	Supplemental Homeland Security	-	132,706	-	132,706	-	-
2125	County Hazmat Grant	13,160	8,750	-	13,481	-	8,429
2126	State Hazmat Grant	3,172	2,054	-	-	-	5,226
2151	Justice Assistance Grant	7,398	35,702	-	35,702	-	7,398
2160	Speed Enforcement	2,165	8,633	-	8,633	-	2,165
2167	Underage Drinking Enforcement	568	-	-	-	-	568
2181	Language Access New America	1,711	-	-	-	-	1,711
2195	Drug Free Community	-	65,910	-	65,910	-	-
State grants:							
2049	Asset Forfeiture - State	3,333	15,998	87	-	-	19,418
Other:							
2018	Hazardous Materials	94,033	-	19,503	-	-	113,536
2086	Police Donations	7,089	-	1,600	13	-	8,676
2107	Tobacco Cessation	9,352	-	-	332	-	9,020
2142	SP Police Youth Program	8,215	-	250	2,642	-	5,823
2174	Fire Donation	11,581	-	785	-	-	12,366
2178	Outside OT - Code Enforcement	5,041	-	-	-	-	5,041
2182	Compliance Check	970	-	-	-	-	970
2186	County Underage Drinking Enforcement	7,104	1,353	-	319	-	8,138
2194	Fire Training	14,185	-	-	178	-	14,007
Total Public Safety		205,440	306,251	22,371	295,708	-	238,354

CITY OF SOUTH PORTLAND, MAINE
City Special Revenues
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance:
For the year ended June 30, 2017

		Fund balance beginning of year	Revenues		Expenditures	Transfers	Fund balance end of year
			Inter- governmental	Other			
Public Works:							
Federal grants:							
2096	FEMA Disaster Relief	\$ 104,967	16,354	-	-	-	121,321
State grants:							
2046	State Aid Highway Block Grant	417,653	256,444	6,040	-	(250,000)	430,137
Other:							
2024	Recycling	4,874	-	370	-	-	5,244
2082	Street Openings	342,970	-	67,891	68,387	(72)	342,402
2084	Sewer Impact	383,635	-	235,860	61,154	-	558,341
Total Public Works		1,254,099	272,798	310,161	129,541	(250,072)	1,457,445
Culture and Recreation:							
Other:							
2035	Tree Fund	300	-	-	-	-	300
2037	Debevoise Tennis Court	2,127	-	-	-	-	2,127
2056	Library Donations	45,173	-	1,406	263	-	46,316
2071	Golf Course	125,057	-	149,476	152,926	10,433	132,040
2072	Recreation	109,857	-	691,093	561,989	58,370	297,331
2073	Donations to Parks and Recreation	69,501	-	21,018	8,308	(20,000)	62,211
2076	Art in the Park	33,677	-	23,788	20,995	-	36,470
2116	Ge Erskine Park	1,987	-	-	-	-	1,987
2152	Friends of South Portland Libraries	-	-	6,272	6,272	-	-
2189	Communities Promoting Health	575	-	-	-	-	575
Total Culture and Recreation		388,254	-	893,053	750,753	48,803	579,357
Transportation and Waterfront:							
Federal grants:							
2041	Planning/Capital Grants	21,436	35,428	-	36,919	-	19,945
2093	Rural Transit Assistance Grant	2,283	-	-	-	-	2,283
Other:							
2074	Boat Ramp	-	-	13,549	16,818	3,269	-
2075	Portland Street Pier	182,697	-	20,497	16,082	(3,269)	183,843
2117	Thomas Knight Boat Landing	1,353	-	1,445	590	-	2,208
Total Transportation and Waterfront		207,769	35,428	35,491	70,409	-	208,279
Total		\$ 4,203,202	1,156,778	1,780,398	2,140,333	(173,357)	4,826,688

CITY OF SOUTH PORTLAND, MAINE
School Grant Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

		Fund balance beginning of year	Revenues	Expenditures	Transfers	Fund balance end of year
Federal Grants:						
0230	Title IA - Disadvantaged	\$ -	596,010	596,010	-	-
0242	Smaller Learning Community	-	497,570	497,570	-	-
0247	Local Entitlement	-	985,185	985,185	-	-
0251	Preschool Grant	-	19,129	19,129	-	-
0264	Title V	(2)	-	-	-	(2)
0268	Title III - Language Acquisition	-	29,582	29,582	-	-
0270	Title II A - Supporting Effective Instruction	14,087	152,708	152,708	-	14,087
0275	Elementary School Program	500	-	-	-	500
0295	Adult Basic Education	-	17,440	17,440	-	-
Total federal grants		14,585	2,297,624	2,297,624	-	14,585
State Grants:						
0216	MMSA Cooperating School	2,704	-	-	-	2,704
0220	MSLN Grant	68,001	-	68,001	-	-
0221	Health & Wellness Grants:					
	Health & Wellness	420	-	-	-	420
	Dental Study	3,427	-	-	-	3,427
	Action for Healthy Kids	10	-	-	-	10
	Integrated Youth Health Survey	300	-	-	-	300
	AE College Transitions	-	6,503	6,503	-	-
0223	State Proficiency Grants	24,970	40,445	20,587	-	44,828
0224	Partners in Arts & Learning	735	-	-	-	735
0225	Reading Recovery	1,248	-	-	-	1,248
0226	Learning Results	(405)	-	-	-	(405)
0228	Art Department Grant	2,000	-	-	-	2,000
0229	State Agency Clients	17,082	-	-	-	17,082
0284	E-Rate	(7,586)	16,002	10,967	-	(2,551)
Total state grants		112,906	62,950	106,058	-	69,798
Local Grants and Other Special Funds:						
0200	SPHS Auditorium:					
	SPHS Auditorium	16,868	15,973	5,150	-	27,691
	Elaine Wolfson Memorial	1,158	-	-	-	1,158
0201	Local SPHS:					
	High School Musical	10,780	22,547	23,184	-	10,143
	High School Aspirations	18,296	16,500	18,170	-	16,626
	SPHS Friends	6,816	-	-	-	6,816
	SPHS Class of 1940	100	-	-	-	100
	Readiness Partnership	178	-	-	-	178
	Sustainability Committee	(87)	-	-	-	(87)
	Vicious Cycle	1,783	-	-	-	1,783
	Substance Abuse Prevention	1,235	-	-	-	1,235
0203	Primary Books	4,810	-	-	-	4,810

CITY OF SOUTH PORTLAND, MAINE
School Grant Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Fund balance beginning of year	Revenues	Expenditures	Transfers	Fund balance end of year
Local Grants and Other Special Funds, Continued:					
0204 Local Grants:					
Memorial Tech Grant Koelker	\$ (1,237)	-	-	-	(1,237)
National Semiconductor (Morneault)	174	-	-	-	174
National Semiconductor (Brown)	(3,683)	-	-	-	(3,683)
National Semiconductor (Stem Grant)	28,501	-	21,147	-	7,354
Texas Instruments (Stem Grant)	23,543	54,575	58,117	-	20,001
Innovative Idea (Thurlow)	1,558	-	-	-	1,558
Summer Music (Memorial)	1,693	1,130	1,269	-	1,554
Kids Consortium Memorial	477	-	-	-	477
Memorial Friends	5,472	2,000	3,022	-	4,450
Great Bay Foundation - Kaler	1,231	-	234	-	997
Target Kaler Prof. Development Grant	4,000	-	3,250	-	750
Girls Leadership Initiative	31	-	-	-	31
Donations	5,213	-	-	-	5,213
Transition Books	1,414	-	-	-	1,414
Opportunity Alliance	10,000	-	-	-	10,000
School Nutrition Donations	120	5,600	3,049	-	2,671
Project Based Learning	900	-	-	-	900
MEA Wellness Program	-	500	-	-	500
0205 Local Boosters:					
Baseball Boosters	500	-	-	-	500
Lacrosse Club Boys	1,891	-	-	-	1,891
Lacrosse Club Girls	1,886	-	-	-	1,886
MSSPA Playoffs	6,578	-	-	-	6,578
SPHS Athletic Shed	5,000	-	-	-	5,000
Johnson Athletic	28,804	-	10,200	-	18,604
Athletic Sponsorship Program	-	34,400	19,200	-	15,200
0206 Southern Maine (LCA) Project	137	-	-	-	137
0207 Dyer Friends	(531)	1,000	623	-	(154)
0208 Staff Computer Training	(476)	-	-	-	(476)
0209 Future Builders/Summer School	6,291	6,600	19,376	-	(6,485)
0211 Robotics	14,793	12,771	10,224	-	17,340
0212 21st Century Donations	96,410	150	22,325	-	74,235
0213 Quest	7,551	-	-	-	7,551
0214 Skillin Local:					
Skillin Playground	655	-	-	-	655
Friends Skillin Library	235	1,190	1,593	-	(168)
Skillin Natural Science	1,007	-	70	-	937
Skillin Friends	628	-	-	-	628
0215 Gates Teacher Leader Grant	1,500	-	-	-	1,500
0217 Art Donations	857	-	-	-	857
0218 Small Friends	(281)	1,426	200	-	945
0219 Local Friends Grants:					
Brown Friends	2,594	400	200	-	2,794
Mary F Marsh Book	5,651	-	-	-	5,651
Mahoney Friends	2,421	2,000	1,349	-	3,072
Kaler Friends	2,045	198	-	-	2,243
0222 Special Education Access Channel	12,078	-	10,900	6,800	7,978
0227 Teamwork for Kids - Fallon	1,000	-	-	-	1,000
0615 Adult Ed Enrichment	5,807	5,132	4,119	-	6,820
Total local grants and other special funds	346,375	184,092	236,971	6,800	300,296
Total	\$ 473,866	2,544,666	2,640,653	6,800	384,679

CITY OF SOUTH PORTLAND, MAINE
Private-purpose Trust Funds
Combining Schedule of Changes in Fiduciary Net Position
For the year ended June 30, 2017

		Net position beginning of year	Additions			Deductions	Net position end of year
			Donations/ other	Interest income	Realized and Unrealized gain (loss)		
Private-purpose trusts:							
0801	Dora Small Trust	\$ 9,770	-	233	(308)	49	9,646
0803	Lewis Trust (School)	1,472,674	-	36,088	(53,627)	54,080	1,401,055
0804	Alley Scholarship	10,370	-	271	(413)	562	9,666
0805	Davidson Scholarship	4,553	-	118	(183)	227	4,261
0806	Elliot Scholarship	6,865	-	178	(269)	440	6,334
0807	Friese Scholarship	5,299	-	147	(225)	534	4,687
0808	Harvie Scholarship	4,398	-	120	(138)	824	3,556
0809	Naylon Scholarship	5	-	-	-	-	5
0810	Norwood Scholarship	57,417	-	3,405	4,935	1,500	64,257
0811	Reynolds Scholarship	79	-	2	(3)	-	78
0812	Robinson Scholarship	32	-	1	(1)	-	32
0813	Schwartz Scholarship	860	-	21	(30)	5	846
0814	Smart Scholarship	14,546	-	383	(551)	1,585	12,793
0815	Super Runion Scholarship	7,680	-	193	(297)	344	7,232
0816	Wiggin Scholarship	8,134	-	210	(318)	448	7,578
0817	Paul Fiore Scholarship	6,617	-	158	(222)	34	6,519
0818	John Millington Scholarship	13,604	-	361	(497)	1,078	12,390
0819	Stu Brown Scholarship	79	-	1	-	-	80
0820	William Linskey Memorial	9,473	-	250	(384)	557	8,782
0821	SPHS Recycle Club Scholarship	1	-	-	-	-	1
0822	Governor's Restaurant Scholarship	3	-	-	-	-	3
0823	Book Trust	1,948	-	53	(84)	312	1,605
0824	Eagles Association Scholarship	1	-	-	-	-	1
0825	Sherrie Libby Scholarship	9,695	-	238	(353)	553	9,027
0826	Gustaf W Johnson Scholarship	573,338	-	14,451	(21,633)	23,757	542,399
0827	A Varanelli Scholarship	(149)	-	-	(54)	-	(203)
0828	Downing Trust	198	-	-	-	-	198
0829	Robert Graff Scholarship	3,306	-	103	(59)	16	3,334
0830	Rosella Loveitt Trust	1,848	-	54	(37)	209	1,656
0831	Deveboise Scholarship	18,814	350	212	-	2,000	17,376
0832	TJ Michaud	329	-	3	-	-	332
0833	Walker Scholarship	2,366	1,190	33	-	1,000	2,589
0835	Ralph Baxter Scholarship	1,845	-	-	-	-	1,845
7506	Eleanor Hatch Trust	15,666	-	374	(495)	79	15,466
Total private-purpose trusts		\$ 2,261,664	1,540	57,661	(75,246)	90,193	2,155,426

STATISTICAL SECTION



Photo Courtesy of Russ Lunt

STATISTICAL SECTION

This part of City of South Portland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Tables</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	1-5
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	6-11
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	12-14
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	15-16
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	17-19

CITY OF SOUTH PORTLAND, MAINE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 61,842,283	\$ 62,710,640	\$ 58,877,233	\$ 65,465,039	\$ 68,914,663	\$ 72,207,636	\$ 73,600,630	\$ 75,413,372	\$ 79,523,948	\$ 82,323,833
Restricted	5,617,965	5,231,382	20,519,257	16,473,151	11,783,906	11,601,604	12,642,454	11,581,748	12,399,159	14,425,257
Unrestricted	27,506,644	28,222,514	14,161,211	14,713,818	17,843,882	18,392,216	11,423,557 (a)	15,159,920	13,880,761	15,435,585
Total governmental activities net position	\$ 94,966,892	\$ 96,164,536	\$ 93,557,701	\$ 96,652,008	\$ 98,542,451	\$ 102,201,456	\$ 97,666,641	\$ 102,155,040	\$ 105,803,868	\$ 112,184,675
Business-type activities:										
Net investment in capital assets	\$ 46,308,755	\$ 46,316,298	\$ 45,994,633	\$ 47,843,440	\$ 49,501,248	\$ 49,690,446	\$ 49,898,598	\$ 50,967,438	\$ 50,111,131	\$ 49,737,946
Restricted	59,260	3,695,284	9,527,765	6,884,009	5,877,132	4,543,966	4,060,384	2,152,583	4,617,231	3,434,257
Unrestricted	7,982,872	5,484,960	4,297,811	4,452,700	5,562,693	6,922,600	7,328,083	8,084,079	8,277,339	8,164,927
Total business-type activities net position	\$ 54,350,887	\$ 55,496,542	\$ 59,820,209	\$ 59,180,149	\$ 60,941,073	\$ 61,157,012	\$ 61,287,065	\$ 61,204,100	\$ 63,005,701	\$ 61,337,130
Primary government:										
Net investment in capital assets	\$ 108,151,038	\$ 109,026,938	\$ 104,871,866	\$ 113,308,479	\$ 118,415,911	\$ 121,898,082	\$ 123,499,228	\$ 126,380,810	\$ 129,635,079	\$ 132,061,779
Restricted	5,677,225	8,926,666	30,047,022	23,357,160	17,661,038	16,145,570	16,702,838	13,734,331	17,016,390	17,859,514
Unrestricted	35,489,516	33,707,474	18,459,022	19,166,518	23,406,575	25,314,816	18,751,640 (a)	23,243,999	22,158,100	23,600,512
Total primary government net position	\$ 149,317,779	\$ 151,661,078	\$ 153,377,910	\$ 155,832,157	\$ 159,483,524	\$ 163,358,468	\$ 158,953,706	\$ 163,359,140	\$ 168,809,569	\$ 173,521,805

(a) Restated for GASB #68 pension recognition effective June 30, 2014.

CITY OF SOUTH PORTLAND, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 8,751,896	\$ 9,495,321 (c)	\$ 9,688,052	\$ 9,760,459 (d)	\$ 10,384,706 (d)	\$ 10,512,718	\$ 11,234,446	\$ 10,584,081	\$ 13,747,918	\$ 13,548,355
Public safety	10,932,053	10,957,606	11,199,775	11,475,123	11,883,029	12,030,128	12,553,773	12,766,963	13,000,756	13,344,042
Public works	8,471,162	10,588,187 (b)	8,857,599	7,919,091	7,333,922	7,282,274	7,519,818	7,510,853	6,873,549	7,641,737
Culture and recreation	4,385,614	4,508,966	4,118,351	4,271,160	4,349,852	4,333,705	4,431,468	4,440,715	4,587,976	4,372,866
Transportation and waterfront	1,206,499	1,240,071	1,114,584	1,100,308	1,220,037	1,218,546	1,381,048	1,519,381	1,596,383	1,814,621
Health, welfare and social services	365,874	411,092	422,295	346,737	321,795	329,143	335,866	369,616	521,834	506,108
Education	40,304,149	42,048,840	43,115,348	43,299,040	43,451,415	42,854,439	45,825,021	47,485,069	47,943,450	50,058,768
School lunch	1,508,487	1,537,754	1,471,687	1,471,687	1,591,951	1,547,688	1,681,737	1,693,739	1,721,538	1,803,337
Other	95,030	-	-	-	-	-	-	-	-	-
Interest on debt service	1,299,549	1,131,499	1,018,182	1,020,873	853,840	1,761,281	1,464,950	1,436,958	1,328,266	1,695,611
Total governmental activities expenses	77,320,313	81,919,336	81,005,873	80,664,478	81,390,547	81,869,922	86,428,127	87,807,375	91,321,670	94,785,445
Business-type activities:										
Sewer	5,269,243	5,385,925	5,588,572	5,721,362	5,632,254	5,885,557	6,133,807	6,147,313	6,154,095	6,203,347
Total business-type activities expenses	5,269,243	5,385,925	5,588,572	5,721,362	5,632,254	5,885,557	6,133,807	6,147,313	6,154,095	6,203,347
Total primary government expenses	\$ 82,589,556	\$ 87,305,261	\$ 86,594,445	\$ 86,385,840	\$ 87,022,801	\$ 87,755,479	\$ 92,561,934	\$ 93,954,688	\$ 97,475,765	\$ 100,988,792
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 394,785	\$ 451,215	\$ 460,562	\$ 291,417	\$ 305,479	\$ 514,857	\$ 417,451	\$ 510,092	\$ 831,509	\$ 442,734
Public safety	1,663,068	1,297,109	1,281,955	1,222,605	1,188,407	1,506,952	1,448,532	1,358,246	1,715,339	2,090,407
Public works	288,339	251,918	227,948	76,690	200,634	331,600	283,953	300,711	308,979	386,056
Culture and recreation	967,556	961,885	1,026,341	945,933	923,531	922,237	922,321	974,204	1,078,408	1,119,989
Transportation and waterfront	239,178	254,240	249,769	285,060	393,663	418,198	439,386	417,158	389,317	376,949
Education	-	104,088	94,400	114,136	119,035	57,030	37,159	55,695	105,425	126,000
School lunch program	677,501	666,218	617,646	559,536	559,536	559,536	559,536	559,536	559,536	556,652
Operating grants and contributions	12,534,281	13,129,038	13,495,633	11,296,237	12,254,487	10,382,263	12,995,004	13,459,862	13,373,025	14,780,259
Capital grants and contributions	427,728	666,143	438,734	1,888,618	479,280	518,319	1,574,695	382,528	1,917,714	1,783,472
Total governmental activities program revenues	17,192,436	17,781,854	17,892,988	16,680,232	16,424,052	15,210,992	18,678,037	18,018,032	20,279,252	21,662,518
Business-type activities:										
Charges for services:										
Sewer	4,830,444	4,828,439	4,934,609	5,397,938	5,436,377	5,637,193	5,927,684	5,927,684	5,922,343	6,008,622
Capital grants and contributions	175,000	-	207,671	63,392	110,000	138,232	-	-	100,000	254,765
Total business-type activities program revenues	5,005,444	4,828,439	5,142,280	5,461,330	5,546,377	5,775,425	5,927,684	5,927,684	6,022,343	6,263,387
Total primary government program revenues	\$ 22,197,880	\$ 22,610,293	\$ 23,035,268	\$ 22,141,562	\$ 21,970,429	\$ 20,986,417	\$ 24,605,721	\$ 23,945,716	\$ 26,301,595	\$ 27,925,905

CITY OF SOUTH PORTLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (60,127,877)	\$ (64,137,482)	\$ (63,112,885)	\$ (63,984,246)	\$ (64,966,495)	\$ (66,658,930)	\$ (67,750,090)	\$ (69,789,343)	\$ (71,042,418)	\$ (73,122,927)
Business-type activities	(263,799)	(557,486)	(446,292)	(260,032)	(85,877)	(110,132)	(206,123)	(326,984)	(131,752)	60,040
Total primary government net (expense)/revenue	<u>\$ (60,391,676)</u>	<u>\$ (64,694,968)</u>	<u>\$ (63,559,177)</u>	<u>\$ (64,244,278)</u>	<u>\$ (65,052,372)</u>	<u>\$ (66,769,062)</u>	<u>\$ (67,956,213)</u>	<u>\$ (70,116,327)</u>	<u>\$ (71,174,170)</u>	<u>\$ (73,062,887)</u>
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 54,792,790	\$ 55,427,763	\$ 54,915,627	\$ 55,589,394	\$ 57,176,484	\$ 58,939,831	\$ 59,778,935	\$ 61,874,477	\$ 63,183,208	\$ 64,164,888
Motor vehicle excise tax	4,778,818	4,989,942	4,076,731	4,942,156	5,037,900	5,453,056	5,829,497	6,374,595	7,241,370	7,100,567
Cable television franchise	167,000	167,000	175,000	180,000	185,000	176,253	166,543	151,779	120,000	120,000
Unrestricted grants and contributions	2,799,221	3,656,803	4,140,782	4,234,142	4,244,228	4,391,399	4,259,604	4,321,318	4,427,881	4,911,784
Miscellaneous	971,453	1,503,264	976,023	1,224,520	1,400,096	1,224,458	1,088,123	1,169,599	945,284	986,617
Gain (Loss) on sale of assets/property	2,000	-	-	289,956	(121,631)	-	-	-	-	-
Interest and investment earnings	2,077,877	1,247,382	948,180	829,187	751,519	431,930	592,776	581,216	630,112	411,583
Transfers	66,033	(1,657,028)	(4,726,293)	(210,802)	(1,816,658)	(298,992)	(306,075)	(195,242)	(1,856,609) (a)	1,808,295
Total governmental activities	<u>\$ 65,655,192</u>	<u>\$ 65,335,126</u>	<u>\$ 60,506,050</u>	<u>\$ 67,078,553</u>	<u>\$ 66,856,938</u>	<u>\$ 70,317,935</u>	<u>\$ 71,409,403</u>	<u>\$ 74,277,742</u>	<u>\$ 74,691,246</u>	<u>\$ 79,503,734</u>
Business-type activities:										
Interest and investment earnings	110,957	46,113	43,666	30,537	30,143	27,079	30,101	48,777	76,744	79,684
Gain (Loss) on sale of assets/property	-	-	-	(621,367)	-	-	-	-	-	-
Transfers	(47,150)	1,657,028	4,726,293	210,802	1,816,658	298,992	306,075	195,242	1,856,609 (a)	(1,808,295)
Total business-type activities	<u>63,807</u>	<u>1,703,141</u>	<u>4,769,959</u>	<u>(380,028)</u>	<u>1,846,801</u>	<u>326,071</u>	<u>336,176</u>	<u>244,019</u>	<u>1,933,353</u>	<u>(1,728,611)</u>
Total primary government	<u>\$ 65,718,999</u>	<u>\$ 67,038,267</u>	<u>\$ 65,276,009</u>	<u>\$ 66,698,525</u>	<u>\$ 68,703,739</u>	<u>\$ 70,644,006</u>	<u>\$ 71,745,579</u>	<u>\$ 74,521,761</u>	<u>\$ 76,624,599</u>	<u>\$ 77,775,123</u>
Change in Net Position										
Governmental activities	\$ 5,527,315	\$ 1,197,644	\$ (2,606,835)	\$ 3,094,307	\$ 1,890,443	\$ 3,659,005	\$ 3,659,313	\$ 4,488,399	\$ 3,648,828	\$ 6,380,807
Business-type activities	(199,992)	1,145,655	4,323,667	(640,060)	1,760,924	215,939	130,053	(82,965)	1,801,601	(1,668,571)
Total primary government	<u>\$ 5,327,323</u>	<u>\$ 2,343,299</u>	<u>\$ 1,716,832</u>	<u>\$ 2,454,247</u>	<u>\$ 3,651,367</u>	<u>\$ 3,874,944</u>	<u>\$ 3,789,366</u>	<u>\$ 4,405,434</u>	<u>\$ 5,450,429</u>	<u>\$ 4,712,236</u>

(a) The business-type activities transfer was a result of sewer pipe infrastructure entered into Public Works, but should have been attributed to Water Resource Protection.

(b) Fiscal year 2009 public works includes a one time contribution towards a state road interchange project of \$2,050,000.

(c) Fiscal year 2009 was the first year of GASB #45 which includes the recognition of the annual required contribution for other post employment benefits.

(d) Fiscal years 2012 and 2013 have been restated to correct an actuarial error in the calculation of the OPEB liability.

CITY OF SOUTH PORTLAND, MAINE
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 551,765	\$ 1,223,949	\$ 1,088,768	\$ 1,023,181	\$ 1,203,520	\$ 1,385,648	\$ 1,061,168	\$ 1,186,539	\$ 1,404,226	\$ 1,109,773
Public safety	1,984,122	1,790,751	1,825,941	2,370,744	1,987,659	2,240,012	2,015,605	1,765,083	1,919,288	2,472,100
Public works	737,532	928,021	676,642	420,743	551,896	828,918	887,641	683,239	1,738,026	1,187,743
Culture and recreation	166,204	984,385	1,026,341	947,023	923,531	922,237	922,321	974,204	1,078,408	1,119,989
Transportation and waterfront	492,824	452,590	438,416	1,581,186	690,767	677,047	1,560,803	883,678	1,438,633	2,084,690
Health, welfare and social services	114,320	138,875	169,058	131,513	99,697	113,648	125,937	124,747	284,231	250,007
Education	11,819,435	12,263,283	12,667,822	10,205,842	10,966,982	9,043,482	12,104,562	12,400,542	12,416,440	13,438,216
Total governmental activities	15,866,202	17,781,854	17,892,988	16,680,232	16,424,052	15,210,992	18,678,037	18,018,032	20,279,252	21,662,518
Business-type activities:										
Sewer	5,005,444	4,828,439	5,142,280	5,461,330	5,546,377	5,775,425	5,927,684	5,820,239	6,022,343	6,263,387
Total business-type activities	5,005,444	4,828,439	5,142,280	5,461,330	5,546,377	5,775,425	5,927,684	5,820,239	6,022,343	6,263,387
Total primary government	\$ 20,871,646	\$ 22,610,293	\$ 23,035,268	\$ 22,141,562	\$ 21,970,429	\$ 20,986,417	\$ 24,605,721	\$ 23,838,271	\$ 26,301,595	\$ 27,925,905

CITY OF SOUTH PORTLAND, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund:										
Nonspendable	\$ -	\$ -	\$ - (a)	\$ 28,138	\$ -	\$ -	\$ -	\$ 100,382	\$ 104,615	\$ -
Restricted	-	-	6,759,738	5,918,192	5,284,024	4,072,226	3,693,988	2,715,462	2,708,544	2,662,892
Committed	-	-	3,469,215	3,679,767	3,340,240	4,419,099	4,482,037	3,458,710	4,344,471	4,012,592
Assigned	-	-	2,492,458	2,658,767	2,820,042	3,035,817	3,117,547	3,234,394	3,273,424	4,028,667
Unassigned	-	-	8,866,245	9,686,895	10,591,915	10,144,040	10,838,800	12,827,588	13,320,584	13,189,251
General fund:										
Reserved	75,761	86,254	-	-	-	-	-	-	-	-
Unreserved	20,933,104	22,182,284	-	-	-	-	-	-	-	-
Total general fund	\$ 21,008,865	\$ 22,268,538	\$ 21,587,656	\$ 21,971,759	\$ 22,036,221	\$ 21,671,182	\$ 22,132,372	\$ 22,336,536	\$ 23,751,638	\$ 23,893,402
All other governmental funds:										
Nonspendable	\$ -	\$ -	\$ 198,949 (a)	\$ 218,310	\$ 218,310	\$ 218,310	\$ 228,559	\$ 228,559	\$ 241,859	\$ 246,523
Restricted	-	-	13,560,570	10,356,010	39,370,502	18,401,015	16,551,026	9,578,044	9,344,141	15,821,856
Committed	-	-	7,971,945	8,528,436	7,688,035	7,003,092	6,715,850	8,160,788	8,585,144	9,154,640
Unassigned	-	-	(147,328)	(137,479)	(263,166)	(116,930)	(69,544)	(8,263)	(1,059,302)	(92,080)
All other governmental funds:										
Reserved	1,682,034	511,768	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	7,578,863	9,707,555	-	-	-	-	-	-	-	-
Capital project funds	11,052,928	8,408,461	-	-	-	-	-	-	-	-
Permanent funds	80,652	96,812	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 20,394,477	\$ 18,724,596	\$ 21,584,136	\$ 18,965,277	\$ 47,013,681	\$ 25,505,487	\$ 23,425,891	\$ 17,959,128	\$ 17,111,842	\$ 25,130,939

(a) 2010 and 2011 have been restated for the purposes of GASB Statement Number 54.

CITY OF SOUTH PORTLAND, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 59,703,389	\$ 60,190,887	\$ 58,841,558	\$ 60,530,950	\$ 62,378,384	\$ 64,110,887	\$ 65,352,432	\$ 68,968,072	\$ 70,623,578	\$ 71,188,455
Intergovernmental	15,761,230	17,451,984	18,075,149	17,418,997	16,977,995	15,291,981	18,629,968	18,163,708	19,718,620	21,350,777
Licenses and permits	1,034,769	753,670	768,097	843,138	785,020	1,025,315	966,203	893,186	1,162,225	1,224,384
Charges for services	2,288,552	3,647,254	3,497,817	2,953,646	3,090,265	3,461,348	3,308,678	3,434,235	3,946,288	3,731,786
Unclassified	2,047,559	1,418,758	830,707	1,697,113	1,332,902	1,358,674	1,127,061	1,377,045	1,607,267	1,541,682
Interest	2,077,877	1,247,382	948,180	829,187	751,519	431,930	592,776	581,216	630,112	411,583
Total revenues	82,913,376	84,709,935	82,961,508	84,273,031	85,316,085	85,680,135	89,977,118	93,417,462	97,688,090	99,448,667
Expenditures										
General government	7,597,359	8,379,854	8,551,477	8,734,685	9,341,619	9,552,893	9,951,423	10,446,432	10,826,767	11,397,541
Public safety	9,310,380	9,622,443	9,725,959	9,889,615	10,178,386	10,816,601	10,731,258	10,860,700	11,055,139	11,456,415
Public works	7,158,444	7,197,276	4,489,408	4,963,506	4,763,557	4,673,417	4,593,184	5,170,020	4,856,565	4,521,156
Culture and recreation	3,886,781	4,035,270	3,823,890	3,765,412	3,817,090	3,853,346	3,819,006	3,848,406	3,886,368	3,893,759
Transportation and waterfront	1,082,421	1,096,823	968,877	1,065,623	1,012,745	1,084,511	1,147,881	1,214,276	1,288,456	1,465,393
Health, welfare and social services	365,874	411,092	422,295	346,737	321,795	329,143	335,866	369,616	521,834	506,108
Education	38,968,017	40,834,771	42,234,372	41,929,483	42,467,517	41,791,370	43,572,441	45,667,455	45,586,692	47,698,940
School lunch program	1,508,487	1,537,754	1,471,687	1,487,170	1,591,951	1,547,688	1,681,737	1,693,739	1,721,538	1,803,337
County tax	1,941,542	1,999,427	2,034,422	2,058,577	2,072,476	2,075,037	2,215,084	2,327,942	2,434,056	2,504,088
Other	40,846	59,571	1,822,481	1,741,346	1,526,050	1,508,810	1,474,662	1,297,458	1,036,573	991,155
Capital projects	3,200,346	5,850,981	3,445,901	7,543,276	6,948,842	28,017,777	15,811,139	9,356,651	6,148,201	14,578,120
Debt Service: (a)										
Principal	2,835,000	2,675,000	2,425,000	2,663,000	2,686,396	2,478,832	4,077,856	4,465,751	4,466,946	4,303,499
Interest expense	1,263,209	1,136,482	1,017,285	1,066,355	767,911	1,277,701	1,708,713	1,766,373	1,625,390	1,683,605
Total expenditures	79,158,706	84,836,744	82,433,054	87,254,785	87,496,335	109,007,126	101,120,250	98,484,819	95,454,525	106,803,116
Excess (deficiency) of revenues over (under) expenditures	3,754,670	(126,809)	528,454	(2,981,754)	(2,180,250)	(23,326,991)	(11,143,132)	(5,067,357)	2,233,565	(7,354,449)

(a) Prior years reports have been restated to show debt service for both Education and City and School debt service removed from Education classification.

CITY OF SOUTH PORTLAND, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses)										
Proceeds - Bonds	\$ -	\$ 6,182,810	\$ 4,712,173	\$ -	\$ 32,642,580	\$ -	\$ 9,747,306	\$ -	\$ -	\$ 13,707,015
Proceeds capital leases	-	-	1,470,637	957,800	-	1,152,750	83,000	-	190,860	-
Refunding bonds issued	-	-	1,934,957	-	9,584,150	-	1,928,405	-	-	-
Payment to refunded bond escrow agent	-	-	(1,921,934)	-	(9,516,956)	-	(1,927,910)	-	-	-
Transfers in	4,315,184	2,464,669	809,829	4,448,190	6,043,689	2,943,319	2,786,789	5,002,623	4,675,598	6,456,501
Transfers out	(3,872,068)	(2,748,068)	(5,355,458)	(4,658,992)	(7,860,347)	(3,242,311)	(3,092,864)	(5,197,865)	(6,532,207)	(4,648,206)
Total other financing sources (uses)	<u>443,116</u>	<u>5,899,411</u>	<u>1,650,204</u>	<u>746,998</u>	<u>30,893,116</u>	<u>853,758</u>	<u>9,524,726</u>	<u>(195,242)</u>	<u>(1,665,749)</u>	<u>15,515,310</u>
Net change in fund balances	<u>\$ 4,197,786</u>	<u>\$ 5,772,602</u>	<u>\$ 2,178,658</u>	<u>\$ (2,234,756)</u>	<u>\$ 28,712,866</u>	<u>\$ (22,473,233)</u>	<u>\$ (1,618,406)</u>	<u>\$ (5,262,599)</u>	<u>\$ 567,816</u>	<u>\$ 8,160,861</u>
Total Debt Service including education	4,098,209	3,811,482	3,442,285	3,729,355	3,454,307	3,756,533	5,786,569	5,786,569	6,092,336	5,987,104
Debt service as a percentage of noncapital expenditures	5.36%	4.66%	4.39%	4.71%	4.33%	4.72%	6.78%	7.03%	6.90%	6.49%

CITY OF SOUTH PORTLAND, MAINE
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes (b)	Vehicle Taxes	Other (a)	Subtotal	TIF Property Taxes	Capital Project Property Taxes	Total
2008	\$ 51,091,582	4,778,818	365,804	56,236,204	3,467,185	-	59,703,389
2009	51,743,235	4,989,942	339,008	57,072,185	3,118,702	-	60,190,887
2010	51,925,202	4,076,731	370,741	56,372,674	2,468,884	-	58,841,558
2011	52,436,750	4,942,156	376,974	57,755,880	2,399,132	375,938	60,530,950
2012	53,525,182	5,037,900	364,869	58,927,951	2,400,433	1,050,000	62,378,384
2013	54,659,082	5,453,056	341,440	60,453,578	2,303,339	1,353,970	64,110,887
2014	56,837,797	5,829,497	350,795	63,018,089	2,334,343	-	65,352,432
2015	59,781,351	6,374,595	359,164	66,515,110	2,452,962	-	68,968,072
2016	60,517,323	7,241,370	379,194	68,137,887	2,485,691	-	70,623,578
2017	61,266,181	7,100,567	351,968	68,718,716	2,469,739	-	71,188,455

(a) Interest and penalties and payments in lieu of taxes.

(b) includes property taxes allocated to adult education.

Table 7

CITY OF SOUTH PORTLAND, MAINE
State Aid Revenues by Source
Last Ten Fiscal Years

Fiscal Year	State Revenue Sharing	School Aid	General Assistance	Homestead Reimb	Business Equipment Tax Exemption (b)	Other State Aid (a)	Total State Aid
2008	\$ 2,291,242	\$ 5,681,482	\$ 114,320	\$ 498,227	\$ -	\$ 230,216	8,815,487
2009	2,185,778	4,335,654	138,875	524,979	663,651	243,137	8,092,074
2010	1,896,769	3,331,791	169,058	540,909	832,201	253,495	7,024,223
2011	1,751,872	2,308,208	131,513	442,112	897,637	257,048	5,788,390
2012	1,888,773	2,350,219	99,697	466,578	921,472	244,323	5,971,062
2013	1,901,233	2,802,491	113,648	475,200	1,071,126	261,755	6,625,453
2014	1,315,198	5,584,653	125,937	478,706	1,135,762	440,909	9,081,165
2015	1,264,320	5,356,835	124,747	477,176	1,259,322	545,061	9,027,461
2016	1,285,328	6,197,822	284,231	484,938	1,522,086	598,505	10,372,910
2017	1,243,362	6,419,831	250,007	729,461	1,648,477	801,921	11,093,059

(a) MDEA Revenue, MDOT Revenue, Section 9, Veterans exemption and FEMA Snowstorm assistance.

(b) Starting in fiscal year ended June 30, 2009, the State of Maine exempted certain personal property taxes and in lieu provided reimbursement to the municipality under the Business Equipment Tax Exemption (BETE) program. Revenue is recognized under the BETE program in the general fund and TIF fund. BETE revenue reported in the TIF fund is not reported on this table.

CITY OF SOUTH PORTLAND, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Roll Year	Taxable Real Property		Taxable Personal Property	Total Taxable Assessed Value	Less TIF Property Value	Total Taxable General	Total Direct Tax Value	Estimated Actual Taxable Value (a)	Assessed Value as a Percentage of Actual Value
	Residential	Commercial							
2008	\$ 1,990,118,400	\$ 1,486,787,400	\$ 507,143,200	\$ 3,984,049,000	\$ 259,305,300	\$ 3,724,743,700	13.17	\$ 3,844,400,000	96.9%
2009	2,001,840,100	1,499,315,500	444,400,100 (b)	3,945,555,700	222,764,400	3,722,791,300	13.46	3,843,700,000	96.9%
2010	1,902,934,000	1,430,791,200	400,422,500	3,734,147,700	167,951,200	3,566,196,500	14.13	3,875,800,000	92.0%
2011	1,847,604,000	1,334,587,200	341,033,200	3,523,224,400	152,811,000	3,370,413,400	15.09	3,738,950,000	90.1%
2012	1,855,163,100	1,339,392,500	337,351,900	3,531,907,500	149,095,240	3,382,812,260	14.13	3,556,500,000	95.1%
2013	1,863,390,300	1,361,640,500	328,347,700	3,553,378,500	139,596,280	3,413,782,220	15.89	3,516,250,000	97.1%
2014	1,871,920,200	1,364,111,100	326,665,500	3,562,696,800	139,781,030	3,422,915,770	16.05	3,537,700,000	96.8%
2015	1,892,251,700	1,379,303,000	329,605,300	3,601,160,000	143,448,080	3,457,711,920	15.48	3,580,100,000	96.6%
2016	1,907,528,200	1,389,683,400	323,423,000	3,620,634,600	142,855,880	3,477,778,720	16.42	3,696,350,000	94.1%
2017	1,894,613,500	1,392,736,100	323,280,800	3,610,630,400	139,533,280	3,471,097,120	16.97	3,738,700,000	92.8%

(a) Maine Bureau of Property Taxation, state equalized values.

(b) In 2008, the State of Maine created a Business Equipment Tax Exemption (BETE) program for certain personal property which is summarized below.

	Homestead Assessed Values	Homestead Estimated Actual Values	BETE Assessed Values	BETE Estimated Actual Values
2008	74,787,000	74,787,000	-	-
2009	74,997,000	74,997,000	77,861,300	77,861,300
2010	73,593,000	73,593,000	131,230,200	131,230,200
2011	56,320,000	5,630,000	141,235,000	141,235,000
2012	57,960,000	57,960,000	140,425,200	140,425,200
2013	57,600,000	57,600,000	164,089,100	164,089,100
2014	57,330,000	57,330,000	196,012,700	196,012,700
2015	55,810,000	55,810,000	200,539,700	200,539,700
2016	55,740,000	55,740,000	215,867,700	215,867,700
2017	82,425,000	82,425,000	218,824,290	218,824,290

Table 9

CITY OF SOUTH PORTLAND, MAINE
Direct and Overlapping Property Tax Rates (Per \$1,000 of Assessed Value)
Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Year	Direct Rates			Overlapping Rate	
	General Municipal	Education	Total	Cumberland County (a)	Total
2008	4.46	8.71	13.17	0.52	13.69
2009	4.30	9.16	13.46	0.54	14.00
2010	4.61	9.52	14.13	0.57	14.70
2011	4.92	10.17	15.09	0.61	15.70
2012	4.61	9.52	14.13	0.57	14.70
2013	5.10	10.79	15.89	0.61	16.50
2014	5.14	10.91	16.05	0.65	16.70
2010	5.02	10.46	15.48	0.62	16.10
2016	5.30	11.40	16.70	0.71	17.40
2017	5.31	11.66	16.97	0.73	17.70

The City annually adopts an annual budget for which property taxes are levied. The education and County Tax are part of the total property tax levy. The distribution shown above reflects the amount each component requires of the tax levy.

(a) Cumberland County assesses a county tax to the City of South Portland. The City includes the county assessment in the City's total direct tax rate. The rate shown here reflects the portion of the City's total direct tax rate levied by the City to pay the county tax assessment.

CITY OF SOUTH PORTLAND, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Assessed Valuation	Rank	Percentage of Total Assessed Value	Assessed Valuation	Rank	Percentage of Total Assessed Value
GGP - Maine Mall	\$ 251,008,200	1	6.95%	\$ 263,598,000	1	6.62%
Texas Instruments (National Semiconductor) (a)	179,320,900	2	4.97%	262,474,500	2	6.59%
Hannaford	57,297,800	3	1.59%	56,413,700	5	1.42%
Portland Pipe Line	44,714,500	4	1.24%	48,339,000	6	1.21%
Central Maine Power	44,496,200	5	1.23%	32,045,700	8	0.80%
Portland Portfolio (Home Properties)	43,054,100	6	1.19%	66,894,200	4	1.68%
ON Semiconductor (Fairchild Semiconductor) (b)	39,756,200	7	1.10%	106,112,600	3	2.66%
Oprock Portland	27,117,500	8	0.75%			0.00%
Anthem	25,799,500	9	0.71%	28,283,200	9	0.71%
Asgrec Two, Inc/Macy's	25,691,400	10	0.71%	26,725,200	10	0.67%
Portland Newspapers				46,561,900	7	1.17%
	738,256,300		20.45%	937,448,000		23.53%
Total Assessed Valuation	\$ 3,610,630,400			\$ 3,984,049,000		
Includes:						
Municipal valuation	3,471,097,120			3,724,743,700		
TIF valuation	139,533,280			259,305,300		
	\$ 3,610,630,400			\$ 3,984,049,000		

(a) National Semiconductor was acquired by Texas Instruments on September 23, 2011.

(b) Fairchild Semiconductor was acquired by ON Semiconductor on September 19, 2016.

Table 11

CITY OF SOUTH PORTLAND, MAINE
Total Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 54,424,090	53,687,629	98.65%	725,289	54,412,918	99.98%
2009	55,191,170	54,287,615	98.36%	903,555	55,191,170	100.00%
2010	54,605,827	53,622,159	98.20%	983,495	54,605,654	100.00%
2011	55,253,882	54,175,209	98.05%	1,020,919	55,196,128	99.90%
2012	56,829,326	55,608,726	97.85%	1,180,673	56,789,399	99.93%
2013	58,630,745	57,515,651	98.10%	1,082,598	58,598,249	99.94%
2014	59,449,469	58,468,581	98.35%	947,054	59,415,635	99.94%
2015	61,546,876	60,720,014	98.66%	788,205	61,508,219	99.94%
2016	62,846,082	62,226,796	99.01%	447,975	62,674,771	99.73%
2017	63,908,158	63,257,315	98.98%	-	63,257,315	98.98%

CITY OF SOUTH PORTLAND, MAINE
Ratios of Net General Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Personal Income (a)	Percentage of Personal Income	Population (b)	Per Capita	Percentage of Estimated Actual Taxable Value of Property (c)
	General Obligation Bonds (f)	Capital Lease	General Obligation Bonds	Total					
2008	\$ 25,430,000	37,679	1,220,000	26,687,679	531,344,044	5.02%	23,324	1,144	0.66%
2009	22,755,000	103,293	915,000	23,773,293	531,344,044	4.47%	23,324	1,019	0.59%
2010	24,943,000	1,591,184	1,138,494	27,672,678	531,344,044	5.21%	23,324	1,186	0.64%
2011	22,280,000	2,458,226	806,392	25,544,618	569,570,562	4.48%	25,002	1,022	0.60%
2012	49,590,000 (d)	2,198,587	474,289	52,262,876	569,570,562	9.18%	25,002	2,090	1.39%
2013	49,850,862	3,133,341	447,187	53,431,390	569,570,562	9.38%	25,002	2,137	1.42%
2014	55,335,688 (e)	2,870,232	420,085	58,626,005	569,570,562	10.29%	25,002	2,345	1.56%
2015	50,772,746	2,491,412	392,983	53,657,141	569,570,562	9.42%	25,002	2,146	1.42%
2016	46,348,658	2,307,319	3,765,881	52,421,858	569,570,562	9.20%	25,002	2,097	1.25%
2017	55,767,421	1,910,278	3,568,778	61,246,477	569,570,562	10.75%	25,002	2,450	1.49%

(a) See Table 16. Amount shown is per capita income multiplied by population.

(b) For years 2008 through 2010, 2000 Census, U.S. Department of Commerce, Bureau of the Census.

For years 2011 through 2017, 2010 Census, U.S. Department of Commerce, Bureau of the Census.

(c) See Table 8. General Obligation Bond divided by the Estimated Actual Taxable Value.

(d) \$30 Million in GOB's issued for phase one of High School Project.

(e) \$9.3 Million in GOB's issued for phase two of High School Project.

(f) Includes unamortized bond premiums.

CITY OF SOUTH PORTLAND, MAINE
Direct and Overlapping Governmental Activities Debt
June 30, 2017

Jurisdiction	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of South Portland General Obligation	\$ 55,767,421	100.00%	\$ 55,767,421
City of South Portland Capital Leases	1,910,278	100.00%	1,910,278
Total direct debt	57,677,699		57,677,699
Overlapping:			
Portland Water District	45,980,073	13.34%	6,133,742
Cumberland County	37,435,000	8.87%	3,321,280
Total overlapping debt	83,415,073		9,455,022
Total direct and overlapping debt	\$ 141,092,772		\$ 67,132,721

Note: Annually, Cumberland County assesses each municipality its proportionate share of the County tax required to fund the County budget. The County tax assessment applicable to the City of South Portland is included in the total property tax levy of the City of South Portland.

Sources: The outstanding debt for Cumberland County has been provided by the County. The percentage applicable to the City of South Portland is based on the ratio of the State equalized assessed valuation for the City of South Portland versus the equalized State valuation for Cumberland County.

The outstanding debt for Portland Water District has been provided by the District. The percentage applicable to the City of South Portland is based on the ratio of the State equalized assessed valuation for the City of South Portland versus the equalized State valuation of all municipalities located within the District.

CITY OF SOUTH PORTLAND, MAINE
Legal Debt Margin Information
June 30, 2017

The amount of debt a Maine municipality may have is governed by title 30-A.M.R.S.A. section 5702. The law limits total debt and debt for specific categories. Total debt cannot exceed 15% of the City's last full State Valuation. Debt for specific categories is limited to a percentage of State Valuation. As the following table indicates, based on a 2017 State Valuation of \$3,738,700,000, the City is in compliance with the total and categorical debt limits:

Debt Limit by Category

<u>Type of Debt</u>	<u>Maximum Percent Allowable</u>	<u>Maximum Amount Allowable</u>	<u>Principal Amount Outstanding</u>	<u>Legal Debt Margin</u>
School	10.00%	\$ 373,870,000	\$ 39,880,580	\$ 333,989,420
Storm or Sanitary Sewer	7.50%	280,402,500	3,568,778	276,833,722
Municipal	7.50%	280,402,500	13,120,000	267,282,500
Total Maximum Debt	15.00%	\$ 560,805,000	\$ 56,569,358	\$ 504,235,642

Legal Debt Margin Calculation for Fiscal Year 2017

State Valuation	\$ 3,738,700,000
Debt Limit - 15% of State Valuation	560,805,000
Less outstanding debt applicable to debt limit	<u>(56,569,358)</u>
Legal Debt Margin	<u>\$ 504,235,642</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 576,660,000	\$ 576,555,000	\$ 581,370,000	\$ 560,842,500	\$ 533,475,000	\$ 527,437,500	\$ 530,655,000	\$ 537,015,000	\$ 554,452,500	\$ 560,805,000
Total debt applicable to limit	<u>26,650,000</u>	<u>23,670,000</u>	<u>26,081,494</u>	<u>23,806,392</u>	<u>50,064,289</u>	<u>47,722,187</u>	<u>53,200,200</u>	<u>51,165,729</u>	<u>48,067,972</u>	<u>56,569,358</u>
Legal debt margin	\$ 550,010,000	\$ 552,885,000	\$ 555,288,506	\$ 537,036,108	\$ 483,410,711	\$ 479,715,313	\$ 477,454,800	\$ 485,849,271	\$ 506,384,528	\$ 504,235,642
Total debt applicable to the limit as a percentage of debt limit	4.62%	4.11%	4.49%	4.24%	9.38%	9.05%	10.03%	9.53%	8.67%	10.09%

(a) Total outstanding debt does not include bond premiums as bond premiums are not subject to the State debt limit.

Table 15

CITY OF SOUTH PORTLAND, MAINE
Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	(a) Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
UnumProvident Life Insurance Co.	3,500	1	14.00%	3,500	1	14.89%
Anthem/Blue Cross & Blue Shield of Maine	1,000	2	4.00%	950	3	4.04%
City of South Portland	866	3	3.46%	828	4	3.52%
Fairchild Semiconductor	775	4	3.10%	1,100	2	4.68%
WEX Inc. (formerly Wright Express)	744	5	2.98%	704	5	3.00%
Southern Maine Community College	739	6	2.96%	250	7	1.06%
Texas Instruments (formerly National Semi)	540	7	2.16%	520	6	2.21%
United Parcel Service	200	8	0.80%	200	8	0.85%
Macy's	150	9	0.60%	150	9	0.64%
Marriott Corporation	148	10	0.59%	148	10	0.63%
	8,662		34.65%	8,350		35.53%

Source for Data: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2000 & 2010 data.

(a) Source for employees was each company's human resource department.

CITY OF SOUTH PORTLAND, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (d)	Unemployment Rate (c)
2008	23,324	531,344,044	22,781	37.90	3,064	4.00%
2009	23,324	531,344,044	22,781	37.90	3,024	4.20%
2010	23,324	531,344,044	22,781	37.90	3,120	6.40%
2011	25,002	569,570,562	22,781	39.40	3,075	6.10%
2012	25,002	569,570,562	22,781	39.40	3,116	5.70%
2013	25,002	569,570,562	22,781	39.40	3,135	5.20%
2014	25,002	569,570,562	22,781	39.40	3,093	4.80%
2015	25,002	569,570,562	22,781	39.40	3,064	4.00%
2016	25,002	569,570,562	22,781	39.40	3,080	3.10%
2017	25,002	569,570,562	22,781	39.40	3,068	2.90%

(a) For years 2008 through 2010, 2000 Census, U.S. Department of Commerce, Bureau of the Census.

For years 2011 through 2017, 2010 Census, U.S. Department of Commerce, Bureau of the Census.

(b) Personal income equals per capita income times the population.

(c) Portland - South Portland Metropolitan Area, State of Maine, Department of Labor, Division of Economic Analysis and Research as of December prior to fiscal year end.

(d) State of Maine Department of Education, April 1 Census.

Table 17

CITY OF SOUTH PORTLAND, MAINE
Full-time Employees by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Executive department	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
City clerk	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Corporation council	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance department	18.0	17.0	17.0	16.0	17.0	17.0	17.0	17.0	17.0	17.0
Information technology	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Planning department	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Human resources	3.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
City building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police	57.0	56.0	55.0	56.0	55.0	56.0	58.0	59.0	59.0	59.0
Fire	65.5	65.0	64.0	65.0	67.0	68.0	69.0	69.5	69.5	69.5
Dispatch	12.0	12.0	11.0	10.0	9.0	8.0	6.0	5.0	3.0	3.0
Code	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Public Works										
Public Works	21.0	21.0	21.0	20.0	20.0	20.0	21.0	22.0	22.0	22.0
Parks and Recreation										
Parks	12.0	11.5	11.5	11.5	11.5	11.5	11.5	13.5	13.5	13.5
Recreation	26.5	22.0	22.0	22.0	22.0	22.0	22.0	21.0	21.0	21.0
Public Library										
Main Library	12.0	12.0	11.0	11.0	11.0	11.0	11.0	11.0	10.0	10.0
Branch Library	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Transportation and Waterfront										
Transportation and Waterfront	14.0	14.0	13.0	12.0	13.0	12.0	13.0	15.0	15.0	15.0
Health and Welfare										
Health and Welfare	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0
School										
School	527.5	559.8	579.0	571.0	571.0	561.0	568.0	570.0	565.0	570.0
Water Resource										
Water Resource	25.0	25.0	26.0	28.0	29.0	29.0	29.0	29.5	29.0	29.0
Total	828.0	849.8	865.0	858.0	861.0	851.0	861.0	869.5	861.0	866.0

Source: Payroll Department.

Note: Neither the municipal nor the education departments have maintained their employment numbers on a full-time equivalents basis. The above represents the department's best estimates of full-time positions for the various fiscal years. Many seasonal and part-time positions have not been included or converted to full-time equivalents. Further, the determination of which positions have been counted as full-time may have varied from year to year. All of the positions may or may not have been filled as of June 30 of any given year.

CITY OF SOUTH PORTLAND, MAINE
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police (b)										
Physical arrests	814	814	750	833	693	745	636	676	599	551
Calls for Service	34,692	30,648	32,028	33,009	30,740	34,071	37,391	36,361	36,337	33,738
UCR - Crime Index	1,058	1,253	1,085	946	923	1,013	923	1,012	804	620
Fire										
Fire calls	1,129	1,071	1,283	1,192	1,173	1,137	1,327	1,366	1,222	1,166
Medical calls	3,056	3,173	2,768	3,026	3,240	3,142	2,915	3,089	3,279	3,295
Inspections	2,268	2,310	1,600	1,698	1,749	1,670	1,808	1,923	1,915	2,186
Refuse Collection										
Refuse collected (tons)	7,525	6,947	6,633	6,253	6,244	5,878	5,705	5,643	5,519	5,643
Recyclables collected (tons)	2,093	2,036	2,457	2,461	2,323	2,278	2,292	2,333	2,243	2,333
Other public works										
Street resurfacing (miles)	5.87	4.59	5.21	5.01	4.50	4.00	3.50	2.90	2.90	2.90
Potholes repaired	217	200	241	250	225	235	255	220	125	220
Parks and Recreation										
Community center admissions	116,840	111,582	158,224	155,153	177,390	185,868	190,549	189,242	190,143	190,143
Library										
Items in collection (a)	101,828	106,817	106,527	104,062	99,316	102,906	103,838	103,104	107,109	107,109
Total items circulated (a)	256,623	224,929	277,641	288,602	262,125	267,654	213,668	200,337	260,865	260,865
Total items borrowed (a)	17,307	20,624	24,826	21,242	21,088	21,183	19,184	19,353	25,836	25,836
Water Resource										
Average daily sewage treatment (thousands of gallons)	7,140	8,100	7,613	6,610	6,740	6,273	6,139	6,078	5,496	6,078
Transit										
Total route miles	214,326	224,847	210,169	193,242	196,295	189,007	203,469	203,469	200,557	209,286
Passengers	202,299	223,575	219,749	211,634	247,370	263,124	258,617	259,824	246,931	270,930

Sources: Various city departments.

(a) Items are books, periodicals, audio, books and music on cassette and CD, tapes and videos and art prints.

(b) Operating indicators are based on the calendar year from 2008-2017.

Table 19

CITY OF SOUTH PORTLAND, MAINE
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Buildings	6	6	6	7	7	7	7	7	7	7
Vehicles	1	1	1	1	1	1	1	1	1	1
Police Department										
Buildings	2	2	2	2	2	2	2	2	2	2
Vehicles	35	36	39	38	35	39	38	34	34	35
Fire Department										
Buildings	7	7	7	7	7	7	7	7	7	7
Vehicles	23	24	26	27	27	28	28	28	28	25
Code Enforcement										
Buildings	-	-	-	1	1	1	1	1	1	1
Vehicles	4	4	4	4	4	5	5	6	6	6
Public Works										
Buildings	7	7	7	7	7	7	7	7	7	7
Streets (miles)	115	115	115	115	115	115	115	115	115	115
Vehicles/Trucks	10	10	11	10	11	12	12	12	12	12
Heavy Vehicles	37	36	37	38	39	39	39	39	39	34
Culture and recreation										
Buildings	13	14	14	14	14	14	15	15	15	15
Vehicles	18	18	18	18	18	17	18	19	19	24
Transportation & Waterfront										
Buildings	2	2	2	2	2	2	3	3	3	3
Buses	7	7	7	12	12	8	10	10	10	8
Vehicles	2	2	2	2	2	2	2	2	2	2
Water Resources										
Buildings	38	38	38	38	38	38	38	38	38	38
Vehicles	22	23	23	24	23	23	23	23	23	23
School Department										
Schools	9	9	9	8	8	8	8	8	8	8
Buildings	4	4	4	4	4	4	4	4	4	4
Portable Classrooms	2	2	2	2	3	3	3	3	3	3
School Buses	23	23	23	22	22	23	23	23	23	29
Vehicles	8	8	8	7	8	7	7	7	7	7

Sources: Various city departments and the City's capital asset database.