

City of Portland, Maine
Joint City/School Finance Committee Meeting
Thursday, March 22, 2018
5:30 p.m., Room 209

1. Joint City/School Finance Committee Meeting Agenda

Documents:

[FC AGENDA 03-22-18.PDF](#)

1.I. Back-Up #1

Documents:

[PPS PRESENTATION ON FY19 SUPERINTENDENT PROPOSED
BUDGET_3-22-18 DRAFT.PDF](#)

1.II. Back-Up #2

Documents:

[PORTLAND CAFR 2017 - FINAL.PDF](#)

1.III. Back-Up #3

Documents:

[AUDITOR PRESENTATION SUMMARY AND MANAGEMENT LETTER - FY17
AUDIT.PDF](#)

1.IV. Back-Up #4

Documents:

[CITY OF PORTLAND - FUND BALANCE STATUS REPORT AND
RECOMMENDED USAGE.PDF](#)

**City of Portland, Maine
Joint City/School Finance Committee Meeting
Thursday, March 22, 2018
5:30 p.m., Room 209**

AGENDA

- 1. Introductions**
- 2. Presentation on FY17 CAFR and Audit Results (20 minutes - City Staff and Runyon Kersteen and Ouelette)**
- 3. Presentation on PPS FY19 Superintendent Recommended Budget (PPS staff)**
- 4. Future Finance Committee Dates and Agenda Items**
 - a. April 5 – Joint City/School Finance Committee Meeting #2**
 - i. Action on FY19 – FY23 Capital Improvement Plan**
 - ii. FY19 Portland Public Schools FY19 Budget**
 - iii. Appropriation of 0 Hancock Street Sale Proceeds**
 - b. April 12, April 17, April 26, May 3 – Budget Review**

At a Crossroads:

Superintendent's Recommended FY2019 Budget

March 6, 2018

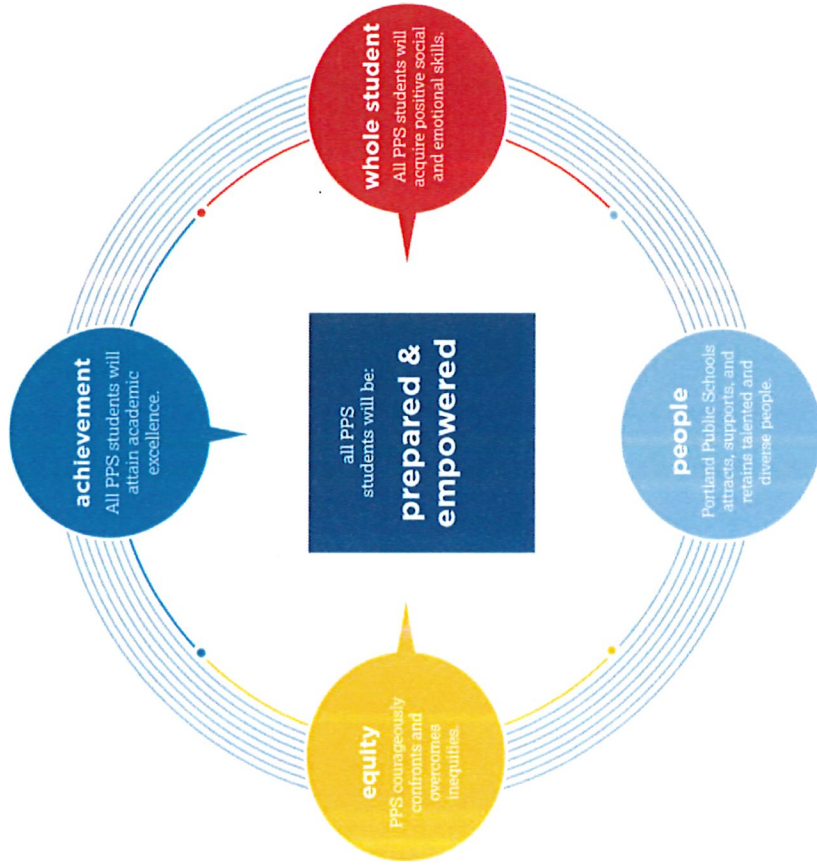


Agenda

- Schools worth sustaining
 - Our past, our present, our future
- Why we are at a crossroads
 - Overview of school funding in Maine
 - Impact of valuation on local responsibility
- Superintendent's Budget Proposal
 - Revenues
 - Expenditures
 - Tax rate needed
- Wrap up and next steps



Great Things Happen at PPS



Recognitions

TheUpshot

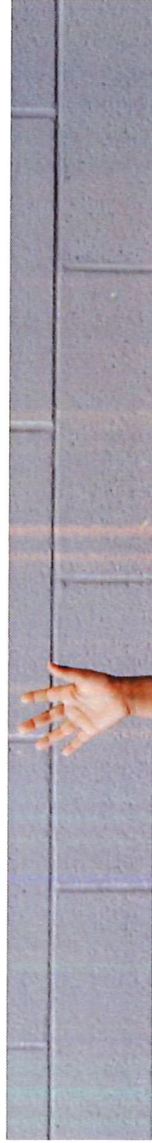
The New York Times

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SHARE

How Effective Is Your School District? A New Measure Shows Where Students Learn the Most

By EMILY BADGER and KEVIN QUEALY DEC. 5, 2017



PORTLAND PUBLIC SCHOOLS

Among Top in Maine for Growth

DISTRICT	GROWTH AFTER 5 YEARS	NAT. PCT.*	MEDIAN INC.
RSU 26	6.5 yrs.	100th	\$87k
Brunswick School Department	6.5 yrs.	100th	\$77k
MSAD 28	6.0 yrs.	97th	\$69k
MSAD 51	5.8 yrs.	95th	\$103k
MSAD 22	5.8 yrs.	94th	\$76k
Brewer School Department	5.7 yrs.	92nd	\$74k
Acton School Department	5.7 yrs.	93rd	\$78k
Orrington School Department	5.7 yrs.	92nd	\$66k
Portland Public Schools	5.6 yrs.	91st	\$54k
Cape Elizabeth School Department	5.6 yrs.	90th	\$114k
Falmouth School Department	5.4 yrs.	82nd	\$111k
Scarborough School Department	5.2 yrs.	76th	\$96k
Bangor School Department	4.9 yrs.	54th	\$54k
Westbrook School Department	4.8 yrs.	47th	\$59k
South Portland School Department	4.4 yrs.	25th	\$59k
Lewiston School Department	4.4 yrs.	25th	\$36k
Biddeford School Department	4.3 yrs.	22nd	\$52k

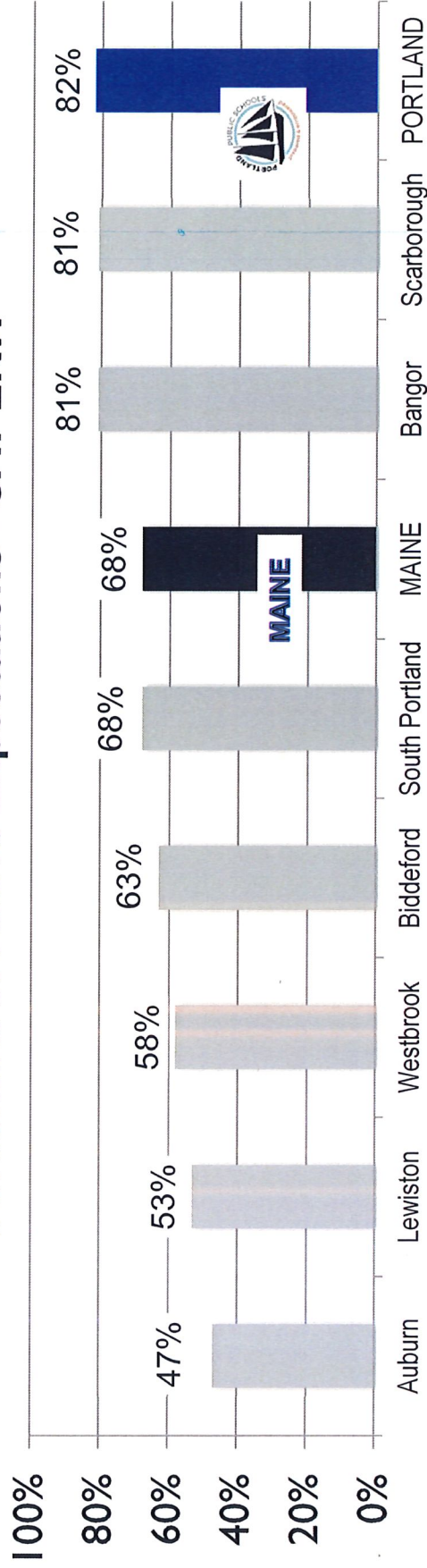
*National percentiles are based on school districts with reliable data.

HS Reading & Writing

2017 MEA Regional Comparisons

*Colleen
1/3/2018*

Percent At or Above Expectations - SAT ERW



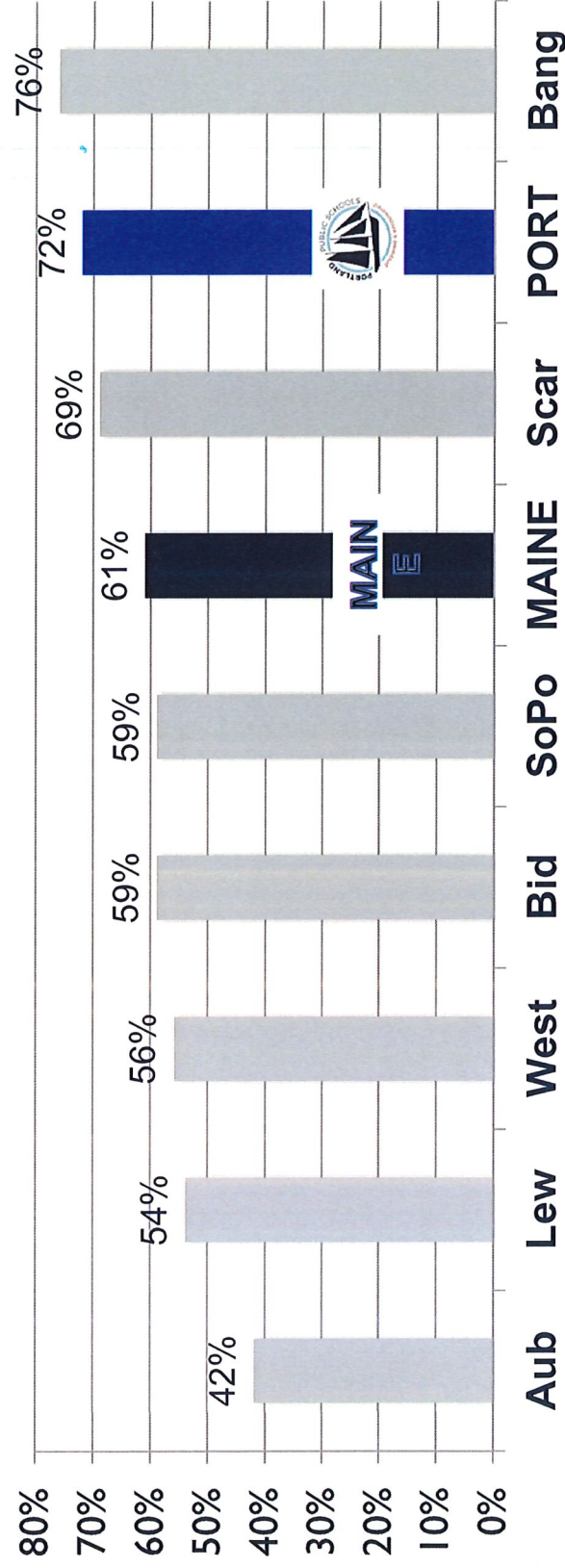
Not Economically Disadvantaged



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3rd Grade Reading

2017 MEA Regional Comparisons



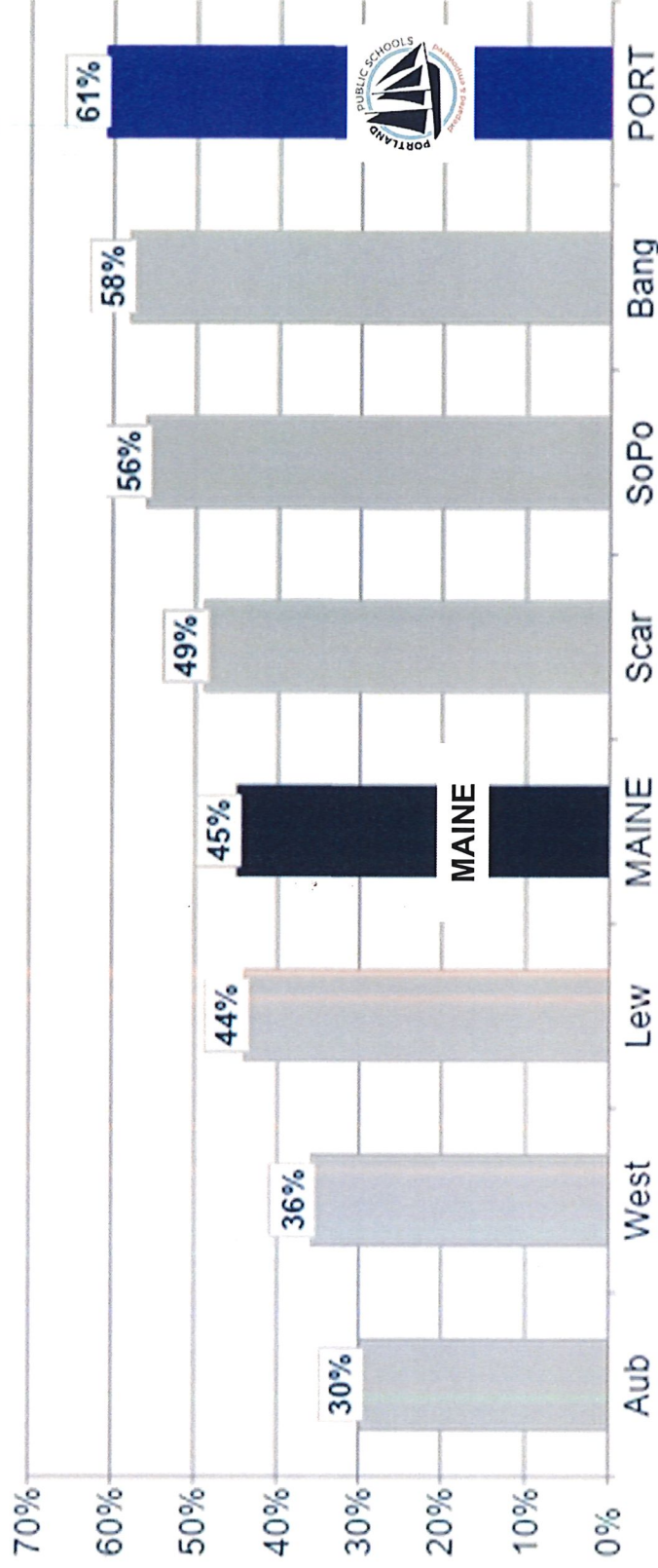
Not Economically Disadvantaged



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8th Grade Math

2017 MEA Regional Comparisons



Not Economically Disadvantaged



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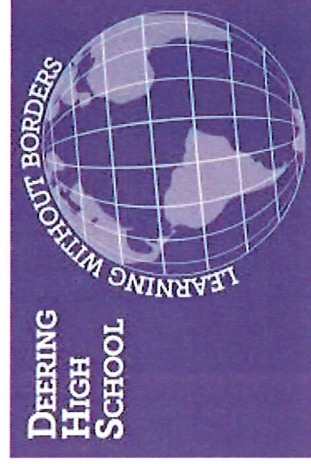
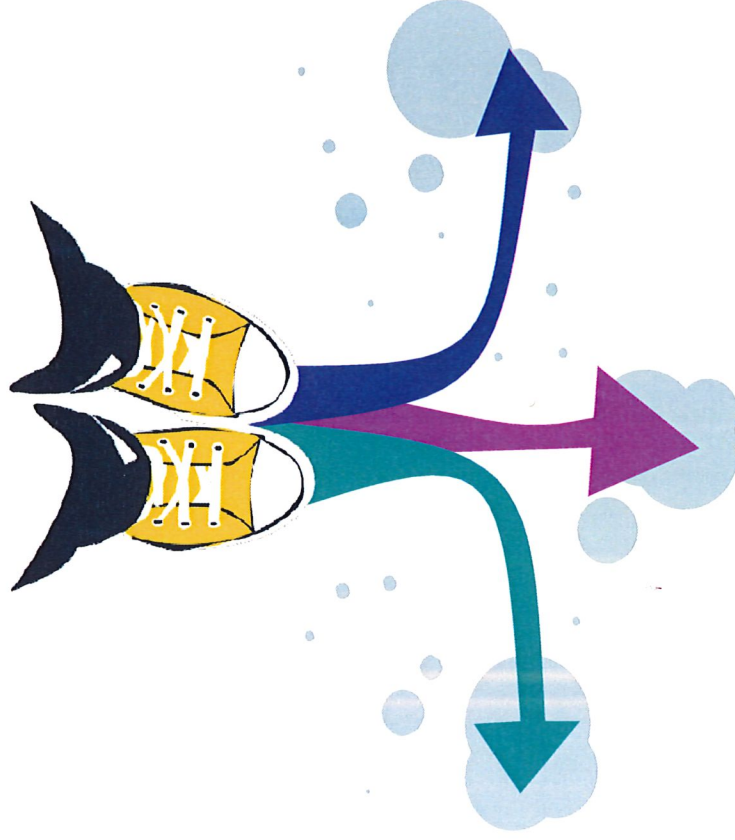
Educational Benefits of Diversity

- Improved Cognitive Skills
 - *Critical Thinking*
 - *Problem Solving*
- Increased Intercultural Knowledge
 - *Understanding and Empathy*
 - *Decreased Implicit Bias*
- Increased Democratic Outcomes
 - *Engagement in Civic Society*
 - *Participation in Democratic Processes*
- Better Participation for Employment



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Choice

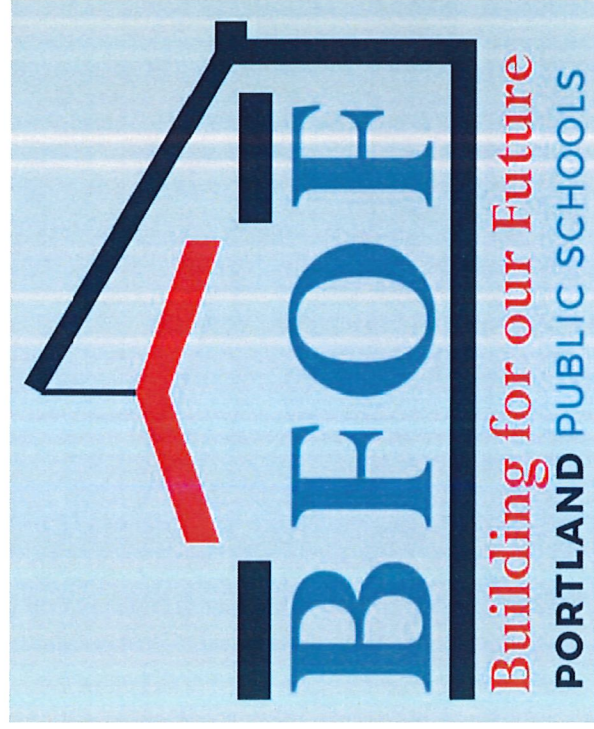


Access to a Great Community

- Public transportation
- Vibrant arts and leadership development opportunities
- Volunteers and mentors



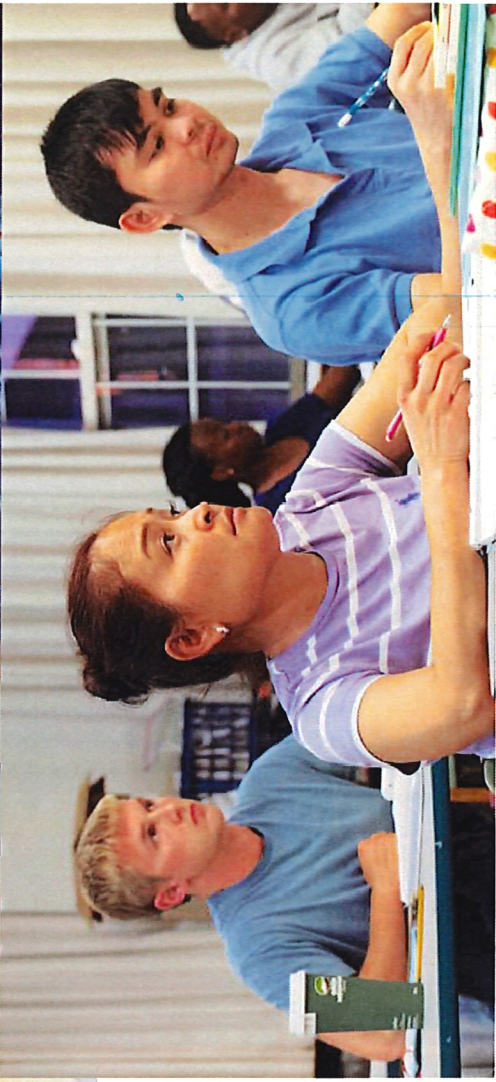
School Construction



PEF

PORTLAND EDUCATION FOUNDATION





Portland Maine

**Portland
Adult Education**
centers for lifelong learning

Universal Pre-K



Achievement Gap

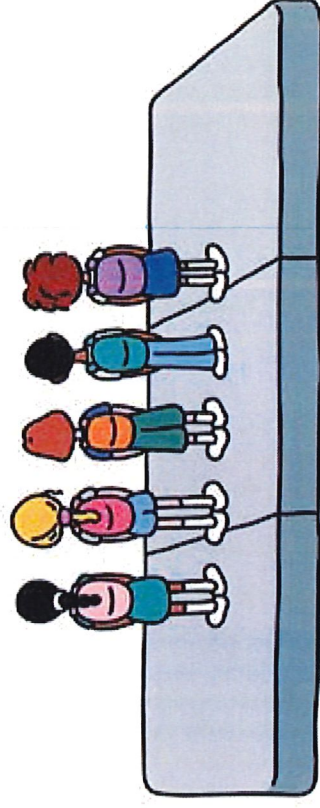
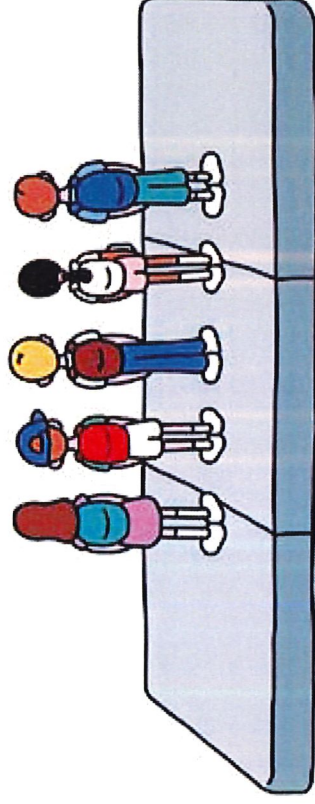


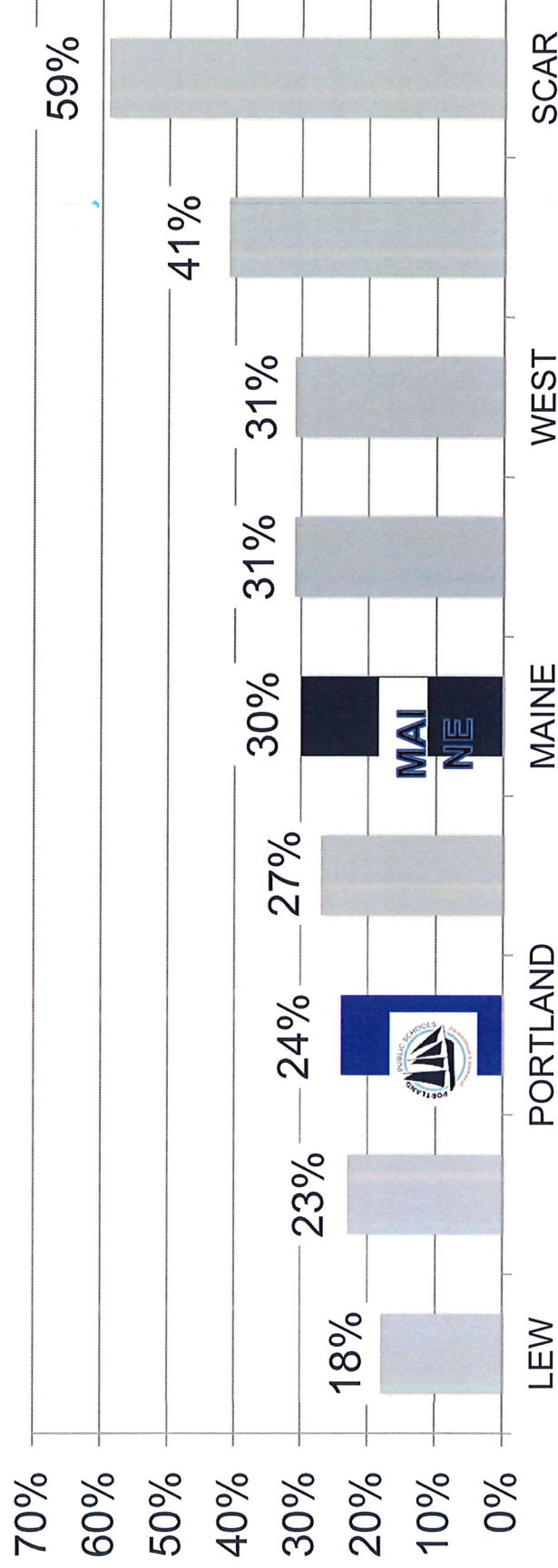
Photo Credit: New York Times



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4th Grade Math: Economic Disadvantage

2017 MEA Regional Comparisons



Equity Measure

Increase academic outcomes for all and reduce gaps between student subgroups



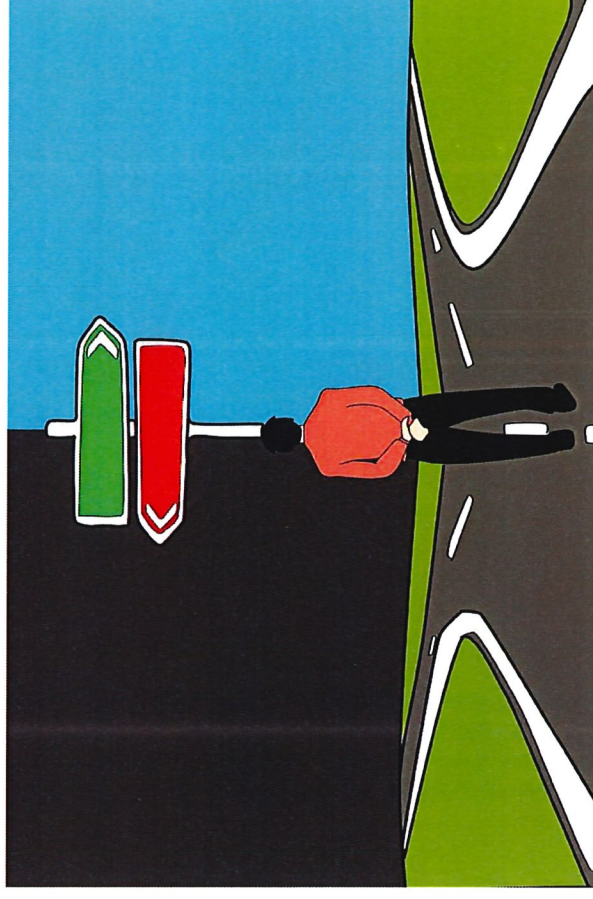
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Decision Point

Do we continue to support great schools and invest in making them even better?

OR

Do we allow the degradation of the school system by failing to sustain the investment needed to maintain quality schools?



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Maine State Education Subsidy

How does the state determine what PPS will receive?

State determines
the funding for:
**Minimum Baseline
Education**

-

State determines
local community
contribution based
on its wealth:
**Required Local
Share**

=

**STATE
SUBSIDY**

Note: The state subsidy does not cover much in relatively wealthy communities like Portland.



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Minimum Baseline Education

	FY2019	
Adjusted Total Operating Allocation	62,122,475.88	4.22%
Gifted & Talented	368,070.43	2.65%
CTE	3,298,868.98	207.89%
Special Ed	12,602,493.51	3.86%
Transportation	2,579,346.93	1.30%
Bus Allocation	101,669.00	-31.52%
Teacher Retirement	2,210,630.07	2.75%
Regionalization & Efficiency	92,101.20	0.00%
Debt	3,662,244.21	75.42%
Total Allocation (A)	87,037,900.21	8.65%

FY2018 Total = \$80,107,520

Increase of \$6,930,380



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Local Community Contribution

Valuation	8,248,950,000.00	6.42%
x Mill Rate	8.51	3.91%
Local Expectation (B)	70,198,564.50	10.57%

FY2018 Total = \$63,486,150

Increase of \$6,712,415

If we divide the increase in allocation by the increase in local responsibility, it shows that the City of Portland is expected to pick up 96.9% of all new spending in FY2019.



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State Funding Changes

- \$76M new dollars went into the formula
- New changes increased cost of education by \$158M
 - 100% of EPS
 - Increases to Special Education
 - Decreases to Kindergarten student/teacher ratios
- Additional \$82M needed - raised the mill rate to \$8.51 from \$8.19
- 100% of CTE in formula has long been part of the funding law
 - Did not vote to defer to future years



Valuation Change

FY2019 dropped 2015 from the State Equalized Valuation (2016/2017)

3 Year Average \$8,068,367,000

2 Year Average \$8,248,950,000

2015 \$ 180,583,000 increase in valuation due to loss of

\$180,583,000 * \$8.51 = \$1,536,761 shift to local responsibility in
FY2019



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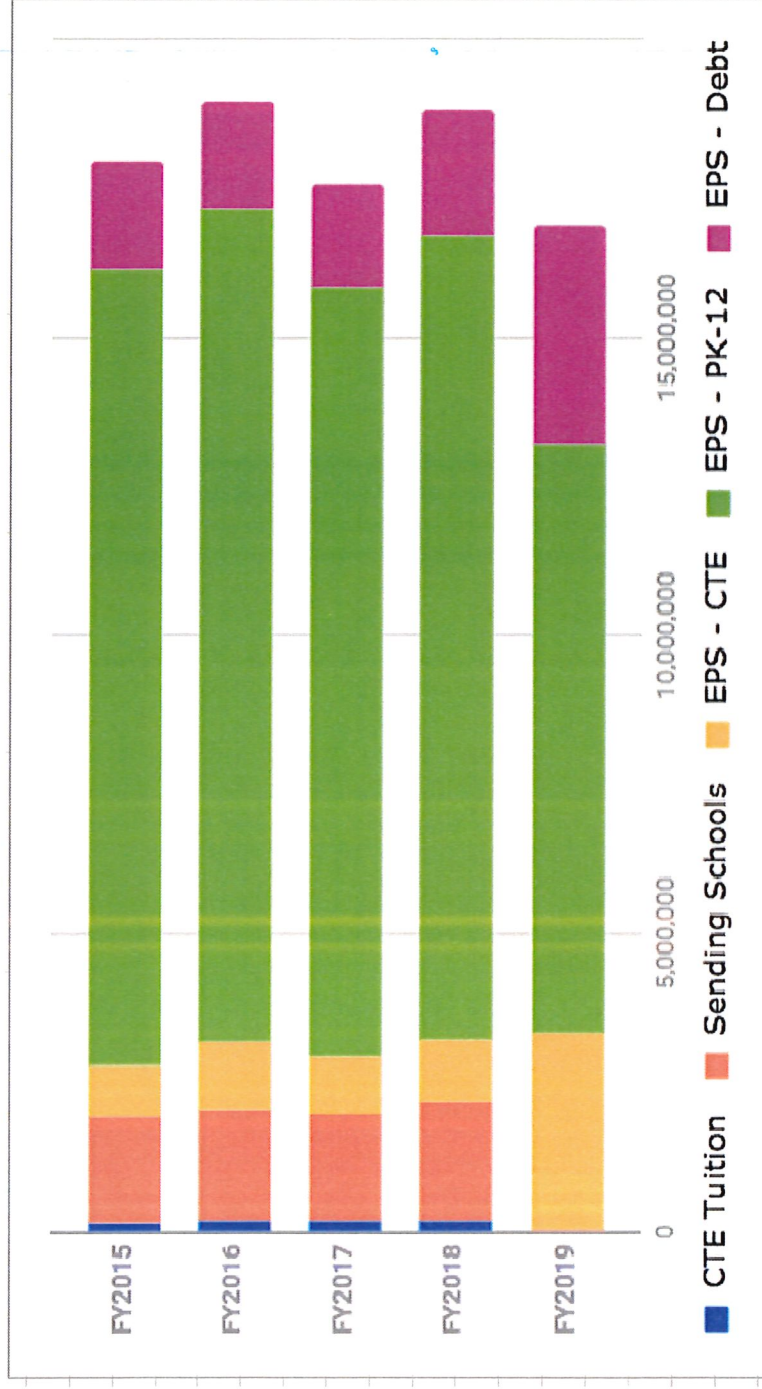
Mill Rate Increase

- Indirect relationship with valuation
 - Higher valuation*lower mill rate = Lower valuation*higher mill rate
- PPS anticipated a **DROP** in the mill rate for FY2019 due to the increased valuation statewide (increased by \$1.4B)
 - More money in the formula to cover DOE cost = shift away from local responsibility = lower mill rate
 - After discussing with DOE, there was not enough new money to cover new costs
 - This may not have been made clear to State Legislators during FY2018 budget deliberations



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Revenue Comparison to Prior Years



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Understanding the Total “Loss”

	FY2018	FY2019		
State Contribution	16,621,369.79	16,839,335.71	217,965.92	1.31%
PPS Seed Reduction	420,000.00	500,000.00	80,000.00	19.05%
Budgeted State Contribution	16,201,369.79	16,339,335.71	137,965.92	0.85%
Sending Schools Revenue	1,974,356.70	0.00	-1,974,356.70	
Total Revenue	18,175,726.49	16,339,335.71	-1,836,390.78	
Hall Debt Service	401,552.73	2,017,881.40	1,616,328.67	
Total Loss			-3,452,719.45	



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Summary - Changes to the ED 279

- The State expects Portland to pick up 96.85% of new spending
- Our State required allocation increased \$6,930,380 – includes regular instruction, CTE, Special Ed, Debt Service, regionalization
- Our local contribution increased \$6,712,415 based on \$438M of new value from the prior year
- We increased our MaineCare revenue but also must increase our anticipated Seed reduction to **\$500,000**
- Portland can no longer bill for tuition to PATHS – loss of **\$1,974,357**
- FY2019 represents a loss of **\$3,452,719** in funding due to losses in other revenues and increases to our debt budget.



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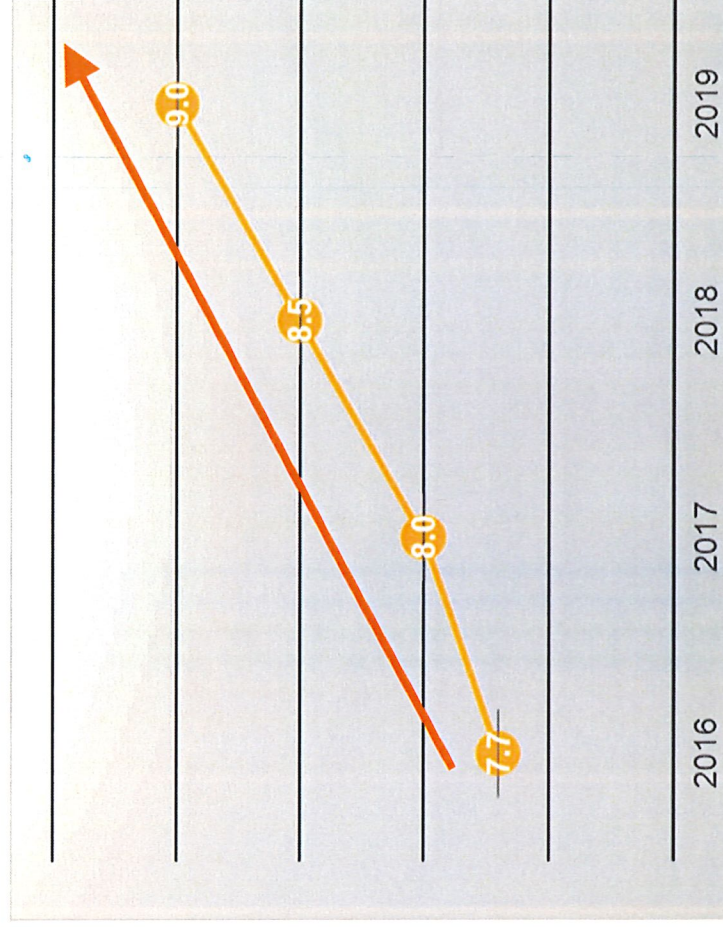
Valuation

2016 \$7.7 Billion

2017 \$8.0 Billion

2018 \$8.5 Billion

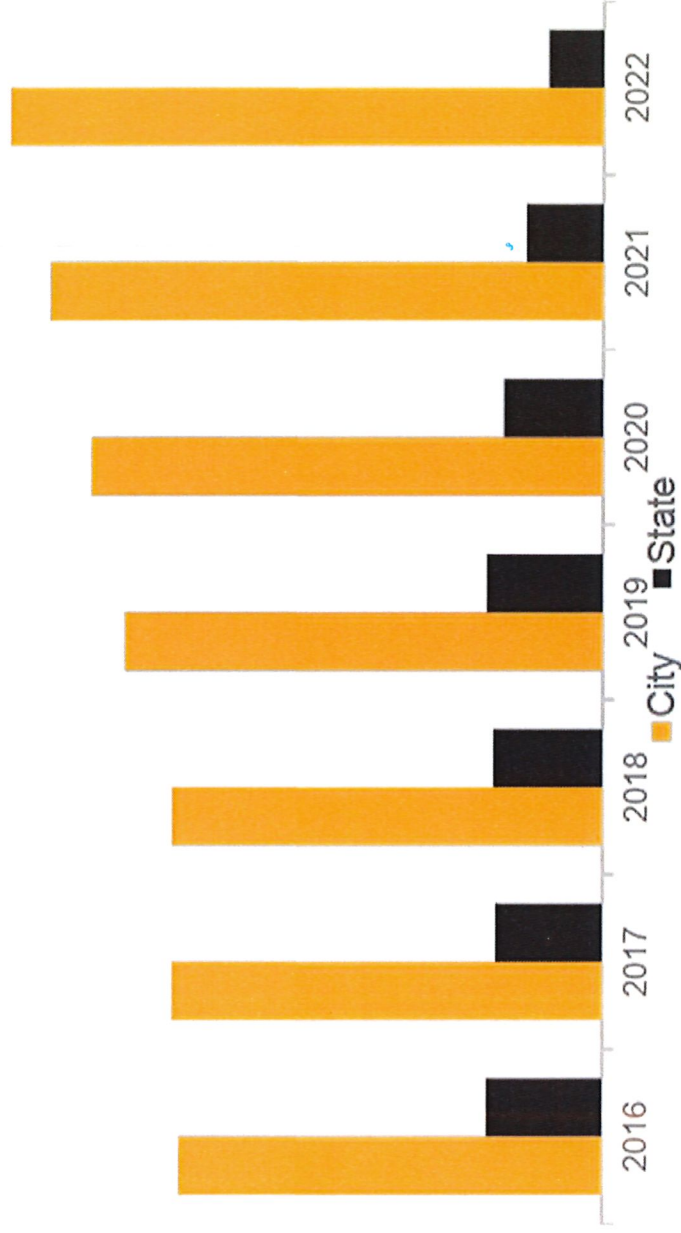
2019 \$9.0 Billion



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Key Takeaway

As the City's value increases, the percentage of the budget that the state pays for will decrease.



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Superintendent's Recommended Budget

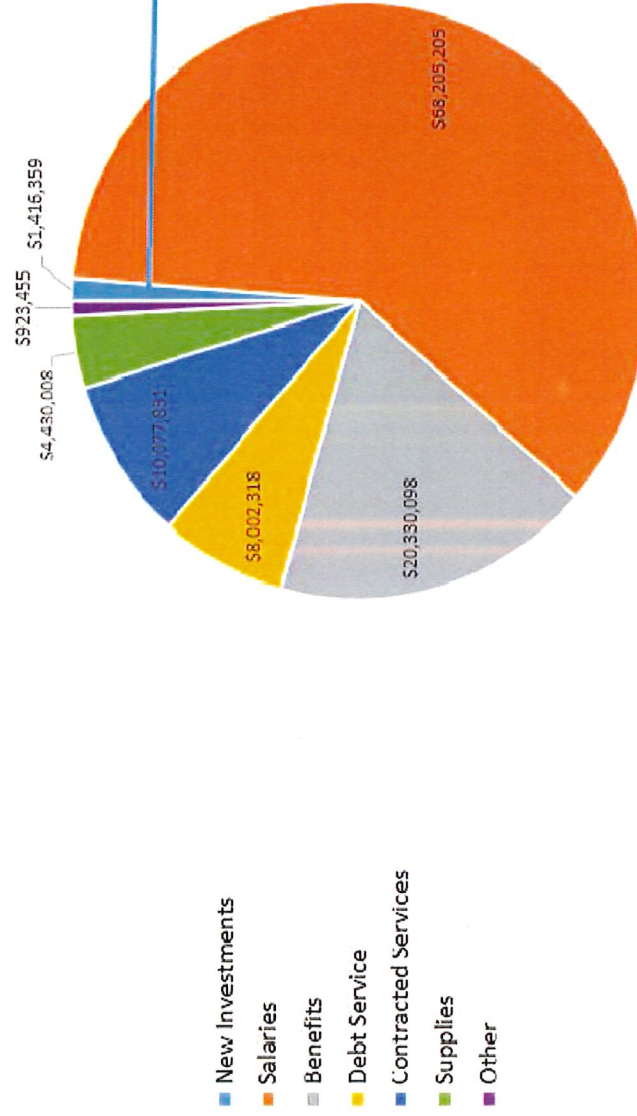
	FY2019 Budget	FY2018 Budget	Change	% Change
Salaries	69,192,870	66,228,977	2,963,893	4%
Benefits	20,504,392	18,247,724	2,256,668	12%
Debt Service	7,967,516	6,016,755	1,950,761	32%
Other	15,720,496	15,255,133	465,363	3%
	113,385,274	105,748,589	7,636,685	7.2%



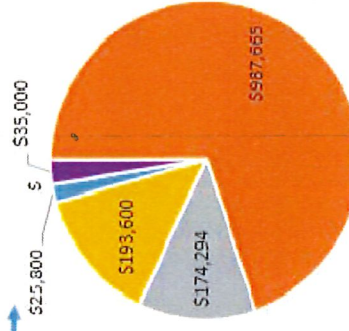
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Total Budget

FY2019 Superintendent's Recommended Budget



New Investments



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Salaries

	FY2019	FY2018	Change	% Change
Salaries	64,455,646	62,036,494	2,419,152	3.9%
Temp/Subs	1,966,181	1,783,951	182,227	10.2%
OT	143,000	128,500	14,500	11.3%
Stipends/Other	2,628,043	2,283,389	344,654	15.1%
	69,192,870	66,232,337	2,960,533	4.5%

- Approximately 65% of salary increase (\$1.9M) is due to planned increases and contractual obligations for current positions
- Remainder (\$1.0M) due to professional development, bringing positions onto local due to an expiration in grant funding, and additions to content leadership



Benefits

	FY2019	FY2018	Change	% Change
Benefits	20,504,392	18,247,724	2,256,668	12.4%

- 91% of the benefit increase is due to projected increases in health insurance
- The majority of the remaining increase is in retirement, which is directly correlated to the increase in salaries
- Approximately \$200,000 of the benefit increase is due to the increase in investments and stipends
- We anticipate unemployment, workers comp and life insurance to remain fairly flat



Debt Service

	FY2019	FY2018	Change	% Change
Debt Service	7,967,516	6,016,755	1,950,761	32.42%

Debt service is increasing due to Hall School Debt Service, had this not been part of the FY2019 budget, our debt service would have gone down by approximately \$172,000 over the prior year

Other Expenses

	FY2019	FY2018	Change	% Change
Contracted Services	8,397,027	8,265,961	131,066	1.6%
Supplies	6,365,014	6,037,571	327,443	5.4%
Equipment	184,119	225,223	(41,104)	-18.3%
Other	774,336	723,018	51,318	7.1%
	15,720,496	15,255,133	465,363	3%

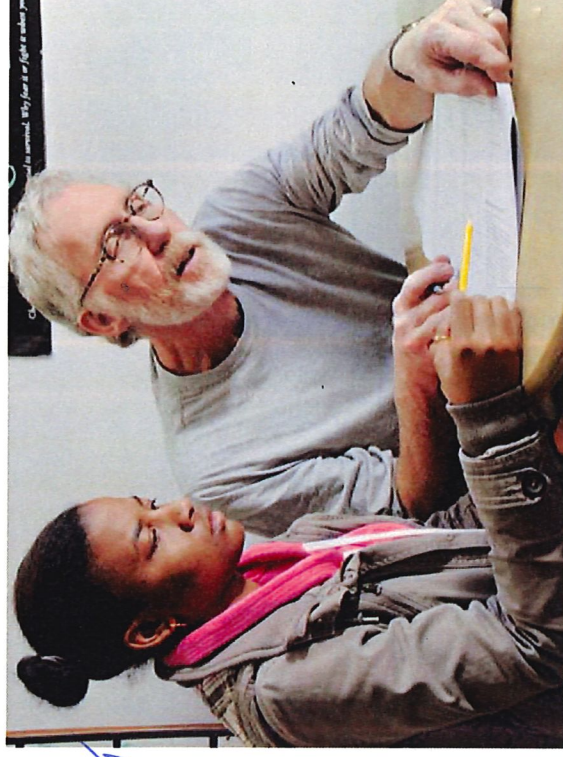
- The total amount allocated to the schools increased \$200,000
 - \$135 per elementary student
 - \$150 per middle school student
 - \$165 per high school student
- The remaining \$200,000 of investments is from the new leases for teacher and student devices



Investments in the Portland Promise

Continuing Investments made in
FY2018 Supplemental Budget

- Make it Happen Coordinator
- Mentoring Coordinator
- Seal of Biliteracy
- Newcomer Center Positions



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Investments in the Portland Promise – FY19

- Student & Teacher Laptops at High Schools
- Local Support of Prior Grant Programs
 - ConnectEd
 - Director of SEL
 - Nellie Mae
 - Expanded Learning Opportunity Coordinator
 - School Model CBHS
 - PHS Stipends
- Adult Ed Positions
- Planning Institute for Teachers (Middle and High School)
- Social Worker FTE Increase – Riverton, Longfellow
- Content Area Leadership



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Tax Levy

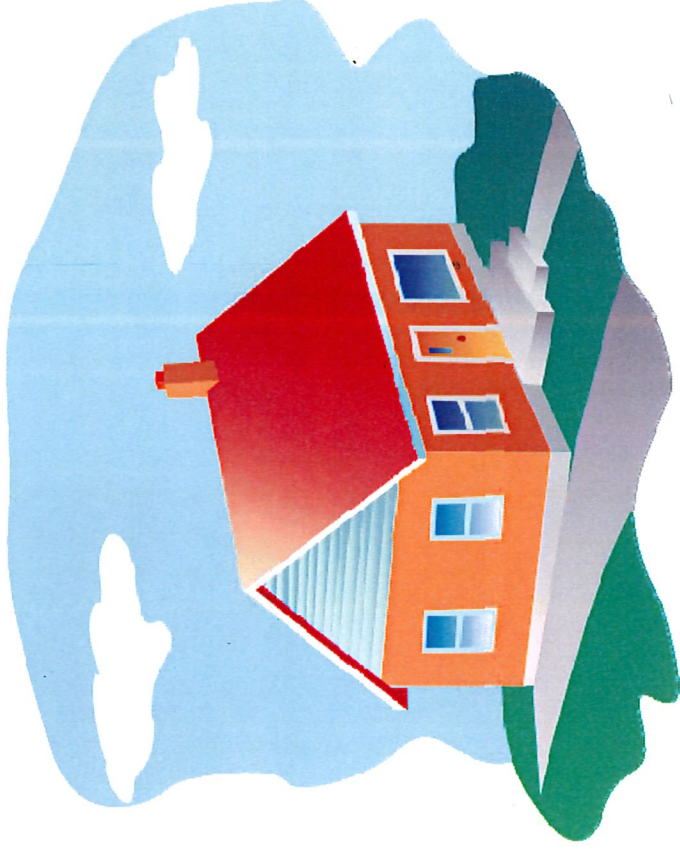
	FY2018	FY2019	Change	% Change
General Fund	81,456,771	89,042,741	7,585,970	9.3%
Adult Ed	1,297,914	1,700,352	402,438	35%
Food Service	33,236	47,166	13,930	41.9%
	82,787,921	90,790,259	8,002,338	9.7%



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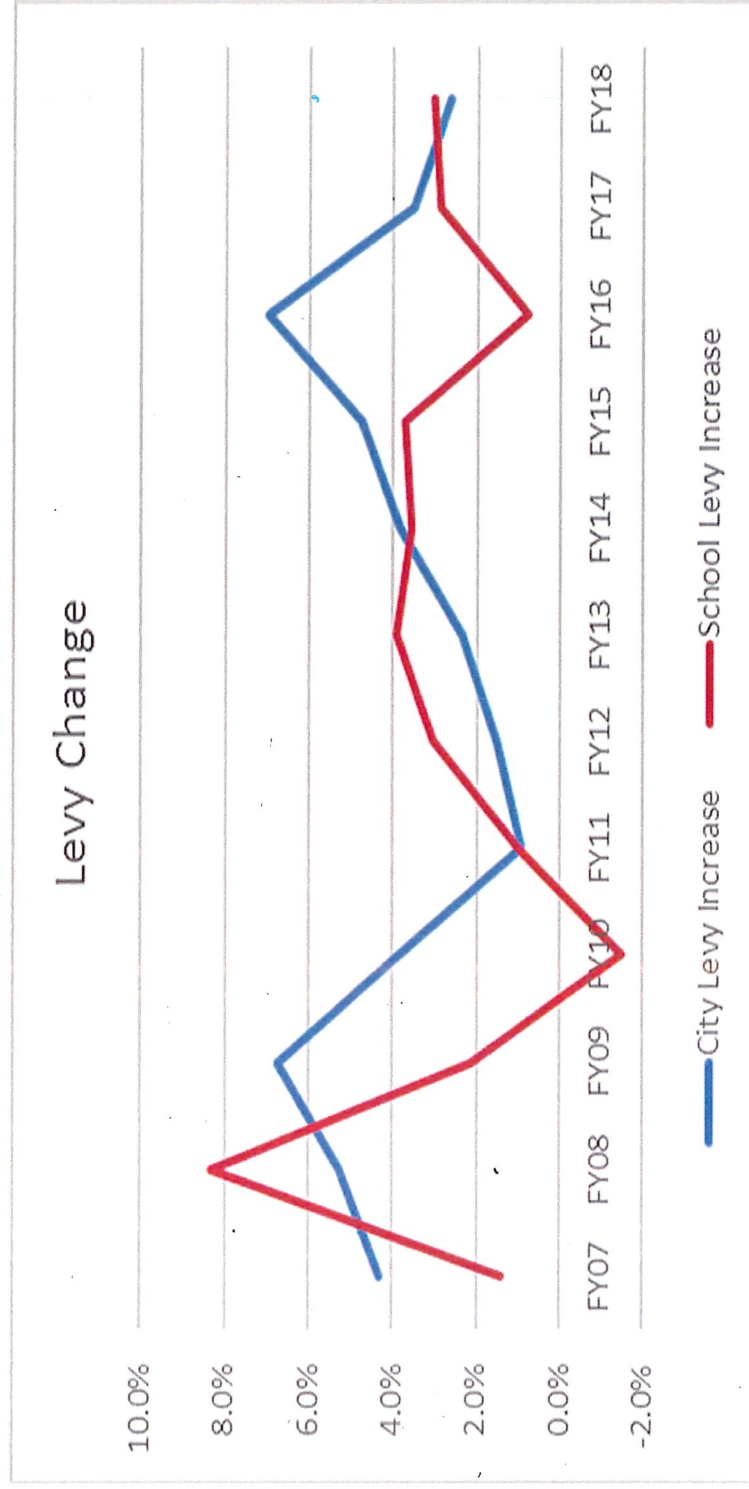
Property Tax Impact

- An increase of \$238 per year for a \$240,000 home
 - Represents an additional investment of just under \$20 per month
- Adds \$0.99 to the school portion of the tax rate



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This is not unprecedented



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District Comps

Community	Number of Students	Total Budget (2018)	% of Budget Paid for by State	Spending Per Pupil	Tax Rate (school only)
Falmouth	2,120	36,073,493	22.33%	17,016 16,897	\$12.21
South Portland	3,031	48,807,418	12.24%	16,103	\$11.89
Scarborough	2,966	47,563,168	4.52%	16,036	\$11.24
Cape Elizabeth	1,602	24,879,014	7.34%	15,530	\$12.74
Portland	6,740	99,569,444	14.15%	14,773	\$10.51
Westbrook	2,510	36,126,447	40.79%	14,393	\$9.98



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District Comps

Community	FY2010 Spending	FY2018 Budget	Increase	% Increase
Falmouth	24,325,789	35,794,615	11,468,826	47.15%
Scarborough	33,946,929	49,549,264	15,602,335	45.96%
South Portland	38,513,723	47,679,294	11,035,541	28.65%
Cape Elizabeth	19,435,938	24,879,014	5,443,076	28.01%
Portland	82,014,873	100,281,795	18,266,922	22.27%
Westbrook	31,648,776	36,126,447	4,477,671	14.15%



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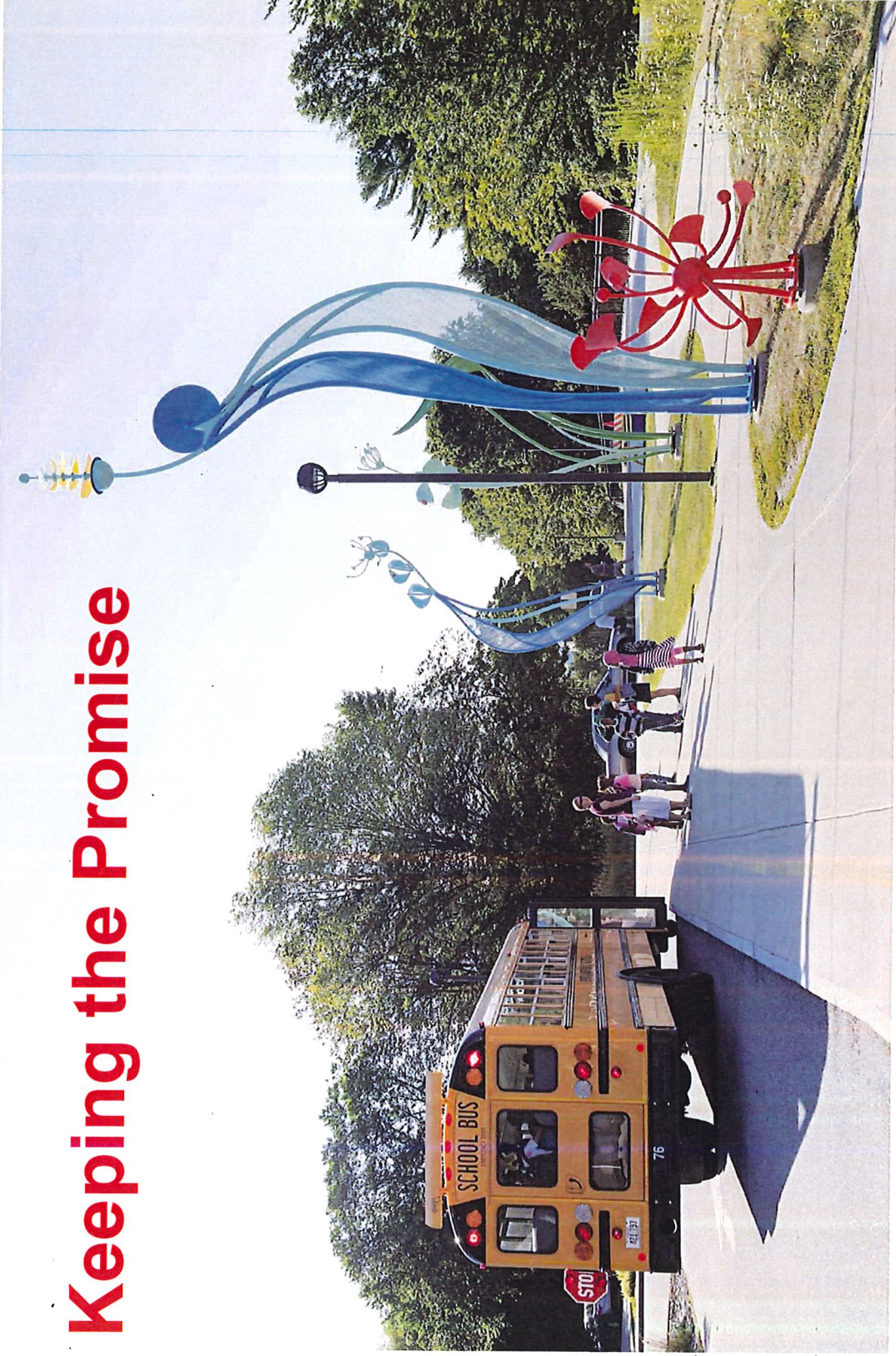
Portland Promise

PPS Alumni Video



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Keeping the Promise



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



City of Portland, Maine

All photos courtesy of Corey Templeton, www.coreytempletonphotography.com

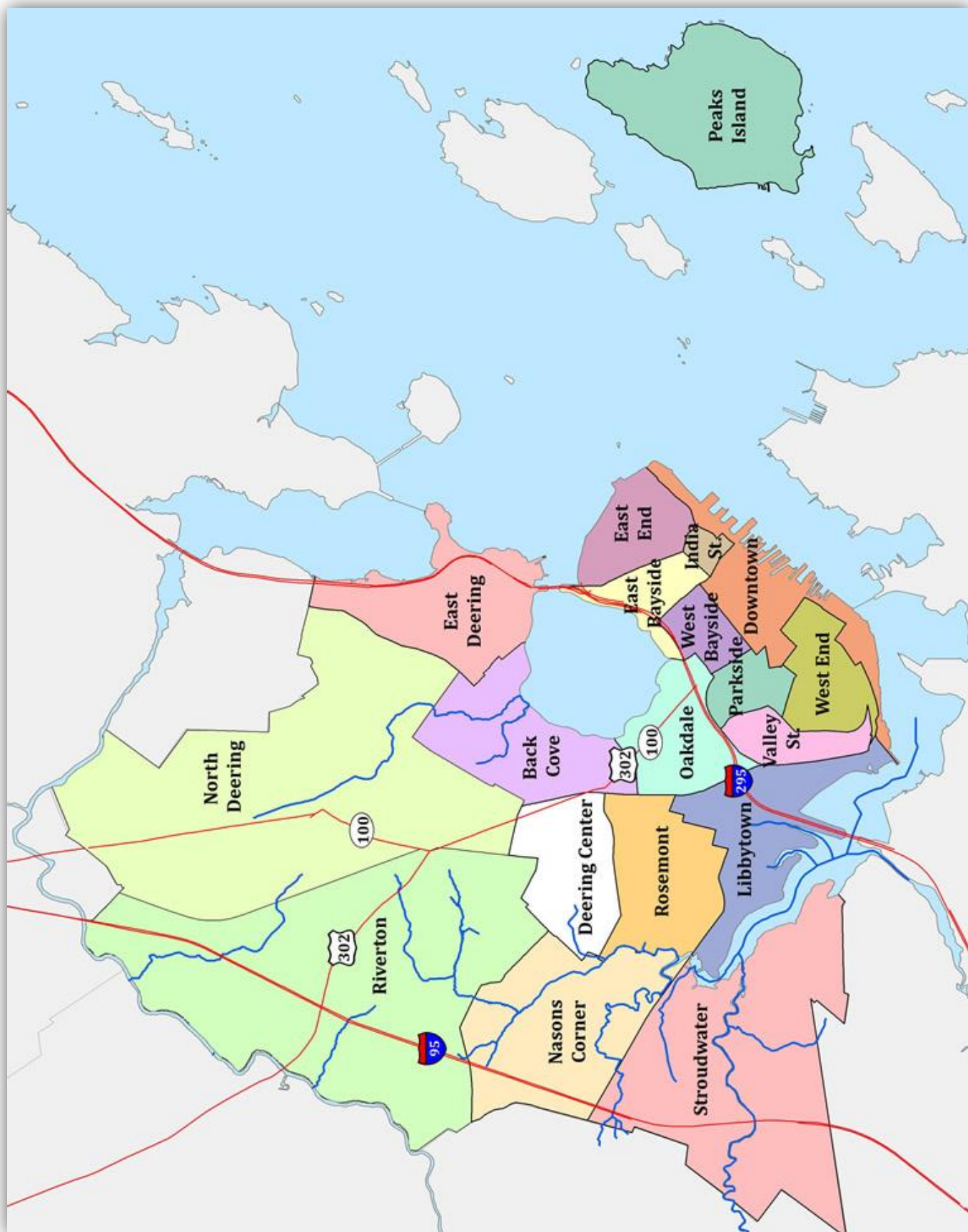
CITY OF PORTLAND, MAINE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



Prepared by the City of Portland, Maine
Finance Department



CITY OF PORTLAND, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2017

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**CITY OF PORTLAND, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

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Introduction



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February 15, 2018

Ethan K. Strimling, Mayor
Members of the City Council
Citizens of Portland, Maine

In accordance with the requirements of our charter and the laws of the State of Maine to prepare a complete set of audited financial statements and in recognition of the increased interest in public officials' accountability to citizens and potential investors, this comprehensive annual financial report (CAFR) of the City of Portland, Maine for the fiscal year ended June 30, 2017, is submitted.

The City is also required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996), and the U.S. Office of Management and Budget Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards*. Information pertaining to this single audit, including a schedule of expenditures of federal awards, findings and questioned costs, recommendations and the independent auditor's reports on the internal control and compliance with applicable laws and regulations, are reported in a separate document.

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 the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, a licensed firm of Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of 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.

Profile of the Government

The City of Portland, Maine is located in the state's southern coastal region, along the shores of Casco Bay. The City occupies 52.60 square miles and serves a population of nearly 70,000. The City is empowered to levy a tax on real property and business owners' personal property located within its boundaries.

The City was first settled in 1632, and incorporated in 1786. The first City charter was granted in 1832, its original charter was adopted in 1923. It has been amended several times, most recently, November 2, 2010. A nine member City council constitutes the legislative body, which includes a popularly elected mayor. The City manager is the chief executive officer of the City.

The City adopts fiscal year budgets for its general and enterprise funds. Special revenue funds do not have legally adopted budgets, but do have program budgets. Budgetary controls are maintained on the other governmental funds through formal authorizations by the City council and through grant agreements. Debt service requirements (principal and interest) are budgeted as expenditures in the general fund. Budgets are legally adopted by the City council through the passage of an appropriation order.

A nine-member board of education has general authority for the public schools. The board annually presents a budget for school purposes for the ensuing municipal year. The City council approves the school budget through a series of council orders. The orders must be ratified by the voters by referendum usually held in May before the start of the new fiscal year.

The city provides a full range of municipal services that include police and fire, highways and sanitation, health and human services, parks, recreation, education, public improvements, planning and urban development, parking, airport, sanitary sewer, and general administrative services.

The financial reporting entity of the City includes all the funds of the City of Portland, Maine as well as all its component units. Component units are legally separate entities for which the City (the primary government) is financially accountable. Blended component units, although legally separate, are in substance, part of the primary government's operations and are included as part of the primary government. The Portland Development Corporation and the Fish Pier Authority are reported as enterprise funds in the City's fund financial statements and are included in the business-type activities column in the government-wide financial statements. The Portland Public Library is a discretely presented component unit which is reported in a separate column in the government-wide financials only. The notes to financial statements provide additional information on component units.

Local economy

Portland is a healthy, vibrant City with diverse sectors driving its economy. It is a major center in Northern New England for commerce, finance, arts and entertainment, food and drink, health care, IT, the marine industry, post-secondary education, and tourism. Mixed use office, retail, residential and commercial districts as well as marine and industrial areas provide wide ranging development opportunities and remain ongoing priorities for the future. Portland's healthy real estate tax base ratio is at 41 percent commercial/industrial and 59 percent residential. With a population of 66,937 in the City, Portland is the hub of a Metropolitan Statistical Area of 530,000 people. A city of growing population diversity, there are over 40 languages spoken in the Portland Public School System. The unemployment rate in the City, as of Nov. 2017, was 2.4% as compared with Maine at 3.3% and the U.S. at 4.1%.

Among the 36 million people who visit Maine each year and generate close to \$6 billion, about 25% of those visitors come through Portland. In addition, the City is attracting new residents from all over the country and around the world, including an ever-growing creative sector of young entrepreneurs. Portland's food sector continues to bring the City extraordinary accolades. Recognized as hosting a culinary boom, the Boston Globe wrote that Portland, Maine is what it looks like when a small city becomes an innovative and nationally recognized hub of cuisine. Bon Appetit and Wine Enthusiast Magazines have both recognized Portland as among the best foodie cities in America. The local farm to table movement is an integral part of the food sector's growth in Portland.

In addition to our booming restaurant industry, there is also a growing craft beer industry. Portland has more microbreweries per capita than any other city in the nation. There are now about 26 breweries in the City and over 90 in Maine. Two of the largest are in Portland and have won international awards – Shipyard Brewing Company and Allagash Brewing Company. Their beers are distributed throughout the United States and beyond.

Portland has two major hospitals: Maine Medical Center (MMC), the largest medical facility in northern New England and Portland's largest employer, and Mercy Hospital. Bridging health care and academia, the University of New England (UNE) has invested \$17 million to open the UNE College of Dental Medicine on its Portland campus. The College welcomed its first class of dental students in September 2013. In 2009, UNE opened the State of Maine's first College of Pharmacy and graduated its first class of pharmacists in the spring of 2013.

The City is a transportation hub for air, rail and shipping, and fully recognizes that transportation is a vital economic driver, connecting Portland to the world. Portland owns and operates the Portland International Jetport and Ocean Gateway which is an International Marine Passenger Terminal. The International Marine Cargo Terminal is owned by the City but operated by the Maine Port Authority. This facility continues to expand in size and is connected directly to rail service. Eimskip USA (the Icelandic Steamship Company) established its U.S. Port of Call in Portland in 2014, moving its base of operations from Norfolk Virginia. The company offers direct transatlantic services between the U.S., Canada and Europe and is planning further expansion of their operations on Portland's waterfront. In addition, a large, multi-million dollar cold storage facility will be constructed at the Terminal to support Maine and Portland's growing food production industry.

Ocean Gateway provides berthing for the international ferry that travels between Portland and Yarmouth, Nova Scotia, as well as for cruise ships. For the 2017 season, the Port of Portland hosted 93 cruise ships, with 145,000 passengers and 48,600 crew. The largest of these vessels carried close to 6,000 passengers and crew, docking at the City's megaberth. 2018 bookings promise substantial growth, with 126 cruise ships expected and a passenger count set to exceed 170,000 and 68,200 crew.

The Portland International Jetport, located just 10 minutes from downtown, is Maine's largest airport and the fastest growing airport in New England. The Jetport is served by six airlines and continues to set records for passenger counts. There are daily non-stop flights to eleven U.S. cities, four additional seasonal flights including to Halifax, Nova Scotia and one-stop connections to over 200 cities worldwide. In 2018, it will be adding new service including Southwest Airlines direct seasonal flights to Orlando and Chicago Midway and American Airlines direct flights to LaGuardia Airport in New York City and Chicago O'Hare.

The Portland Transportation Center is an intermodal facility at Thompson's Point. It hosts Concord Coach Lines and the AMTRAK Downeaster. Concord provides bus service to Boston, Logan Airport and various Maine locations as far north as Orono, the home of the University of Maine campus. The Downeaster provides passenger rail service from Portland to Boston. It completed a \$38.3 million track expansion in 2014, with service now extended beyond Portland, to Freeport and Brunswick, Maine.

Portland's downtown contributes to the City's growing reputation as a vibrant center for arts and culture, shopping, dining and entertainment. Young professionals, retirees and entrepreneurs of all ages are choosing to move to Portland for these reasons as well as its culture of innovation, and pedestrian orientation. The Old Port and the Arts District are the two districts that comprise the heart of the downtown. Among the recent downtown redevelopment projects is the completed \$9 million renovation of what was formerly the old Asylum nightclub on Center Street and is now Aura. This 24,000 sf live music and restaurant facility will accommodate concert occupancy up to 1,000 people as well as business and entertainment event space.

The downtown continues to experience huge growth in hotel rooms. Previously reported new hotels in the Arts District were the 110-room Press Hotel with a restaurant on the first floor in the former Portland Press Herald building. It joined the Westin Harborview, formerly the Eastland Park Hotel, which reopened at the end of 2013 after undergoing a \$30 million renovation; In the Old Port is the 123-room Hyatt Place Hotel on Fore Street (\$15 million), the 131-room Courtyard by Marriot on the western section of Commercial Street (\$17 million), and the \$10 million Inn at Diamond Cove on Great Diamond Island which accommodates 22 hotel condo units. Most recently, the Francis Hotel, a boutique venue with 15 rooms and a restaurant, opened in what was a former funeral home and historic building on Congress Street.

There continue to be more new hotels under development and proposed. Two new waterfront hotels on Commercial Street are in the planning stages at 383 Commercial Street and at 58 Fore Street (as part of the Portland Company complex) totaling 278 rooms. Another proposed 96 room hotel will be part of a waterfront office and retail complex and an AC Hotel by Marriott in the East End with 150 rooms.

Major initiatives

New residential developments continue to be constructed all over the City. In 2017, 550 new dwelling units came on line with more to come. Future multi-use developments, include the 10-acre Portland Company site on the waterfront; Midtown in Bayside with plans for 440 market rate apartments, 90,000 sf of retail/restaurant space and a parking garage; and Thompson's Point which is estimated to be a \$100 million development with a wide range of commercial uses including entertainment, a brewery and winery, several museums, offices, restaurants and a hotel. This project is already well underway.

The technology and bioscience sectors are growing in Portland. Two leading technology firms are building headquarters in Portland, viewing the City to be attractive for young talent recruitment. Tilson Technologies, a telecommunications and IT company, is expanding into a new 50,000 sf office building. For the seventh consecutive year, Tilson was named to Inc. magazine's 5,000 fastest growing companies. WEX will be moving into a new 100,000 sf headquarters on Portland's waterfront. The company is a leading business payment processing and information management solutions leader, with offices all over the world. The bioscience animal health company, ImmuCell, has just expanded its presence in Portland with a \$20 million new production facility.

The Portland Technology Park is a business campus that is being developed by the City. It provides an option for bioscience, high tech and other types of companies that want and need an alternative to locating in an industrial park or a downtown area. In 2017, the Park gained its first occupant, Patrons Oxford Insurance Company, which completed its 19,000 sf headquarters at the Park and moved in its 50 employees last summer. The Technology Park has sites for six more companies, which are listed with a Portland real estate brokerage company.

Portland's new Plan 2030 was completed in June 2017. It is a succinct and accessible comprehensive plan to guide decision making in the City for the next 10+ years. Fundamentally, it articulates a vision of Portland's values today and for the future, provides important information about the state of the City today, establishes a to-do list for implementation and forms a framework for decision making. The plan was a product of extensive community engagement through feedback from thousands of people who completed surveys, attended community forums, invited City staff to stakeholder meetings, opened their classrooms, emailed comments and spoke up at Planning Board workshops.

Since 2011, the City has had a unified Portland Economic Development Vision and Plan focusing on increasing jobs, taxable value, growing businesses and enhancing the creative economy. Every two years a companion Work Plan is updated to guide the next few years of implementation. That work is done by the City in collaboration with the community organizations that were part of creating the Portland Economic Development Vision and Plan. The 2018/2019 Work Plan was just completed with those collaborators - Portland Community Chamber of Commerce, Creative Portland Corporation, Downtown Portland and Visit Portland (Convention and Visitors Bureau).

Long-term financial planning

As part of the City charter, the Capital Improvement Plan (CIP) is updated annually and submitted to and adopted by the Council. The CIP is a financing and construction/acquisition plan for projects that require significant capital investment. The plan strives to maintain a balance between maintaining existing assets and investing in new assets to support growth and community priorities.

Additionally, the City continues to plan for final retirement of the City's 2001 pension obligation bond issue. Pension obligation debt service of \$12.8 million is currently carried within the City operating budget and final retirement of the bonds will present opportunities for property tax relief, decreased reliance on annual borrowing and increased focus on scheduled maintenance of capital assets.

Relevant financial policies

The City has established a fund balance policy that targets its unassigned fund balance to 12.5% of expenditures. At June 30, 2017, unassigned fund balance was fully in compliance with policy.

The City also has a debt policy which guides the future issuance of long-term debt. The policy requires the evaluation of affordability factors which include:

- Net debt service payments not to exceed 15% of general fund expenditures.
- Net debt service payments not to exceed 1.5% of per capita income.
- General obligation debt per capita should not exceed \$5,000.
- Total outstanding debt should not exceed 5% of the State of Maine's equalized valuation of the City.

At June 30, 2017, the City was in full compliance with the debt management policy.

Acknowledgements

This report could not have been completed without the dedicated service from the City Finance department, the cooperation and assistance of all City departments, and the assistance and review of Runyon Kersteen Ouellette.

Respectfully submitted,



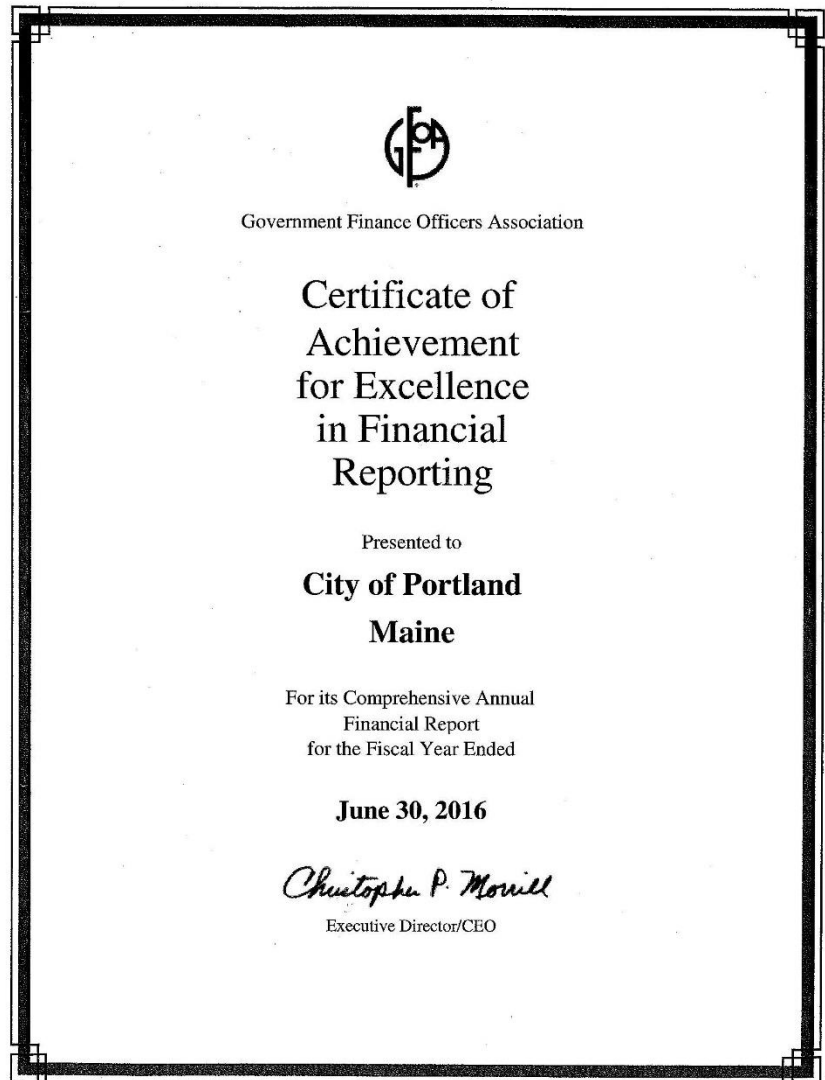
Jon P. Jennings
City Manager



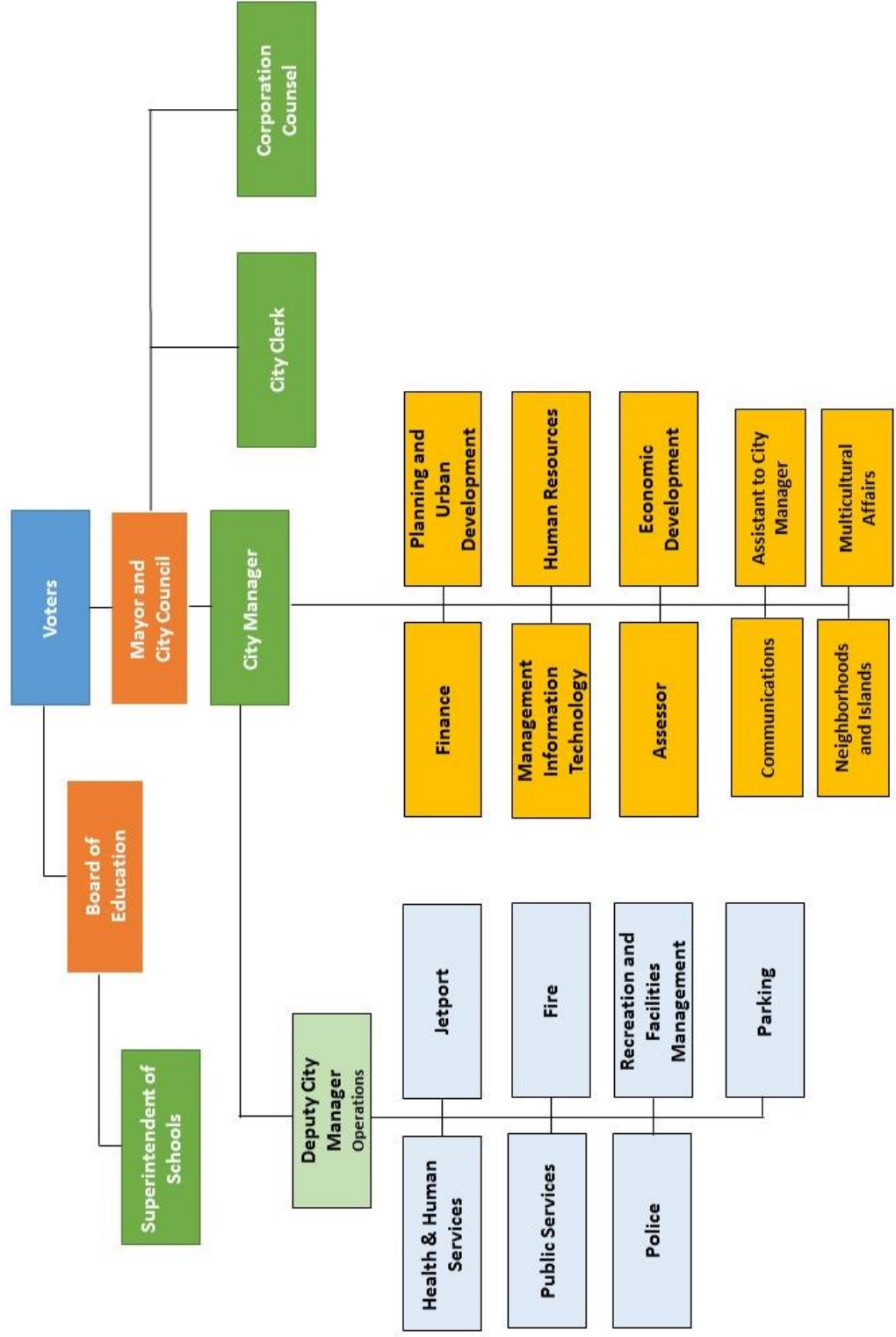
Brendan T. O'Connell
Finance Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the year ended June 30, 2016. This was the twenty-fourth consecutive year that the City has received this prestigious award. The award requires a government to publish an easily readable and efficiently organized CAFR. This report also satisfies generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a one-year period only. We believe that our current comprehensive annual financial report continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



CITY OF PORTLAND, MAINE
Table of Organization
June 30, 2017



CITY OF PORTLAND, MAINE

Principal Executive Officers
As of June 30, 2017

City Council

Ethan K. Strimling, Mayor

Belinda S. Ray, District 1
Spencer Thibodeau, District 2
Edward J. Suslovic, District 3
Justin Costa, District 4
David Brenerman, District 5

Jill C. Duson, At Large
Pious Ali, At Large
Nicholas M. Mavodones, Jr., At Large

City Staff

Jon Jennings, City Manager
Katherine Jones, City Clerk
Brendan T. O'Connell, Finance Director
Danielle West-Chuhta, Corporate Counsel

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Financial Section



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Independent Auditor's Report

City Council
City of Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of 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 did not audit the financial statements of the Portland Public Library, a component unit of the City of Portland, Maine, which is presented as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Portland Public Library, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Maine as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of 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 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.

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 February 12, 2018 on our consideration of the City of 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 Portland, Maine's internal control over financial reporting and compliance.



February 12, 2018
South Portland, Maine

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Management's Discussion and Analysis

As management of the City of Portland, we offer readers of the City of Portland, Maine's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage the readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report. All amounts in the Management's Discussion and Analysis are expressed in thousands of dollars. Also, please note that percentages may not add to 100% due to rounding.

Financial Highlights

- The assets plus the deferred outflows of the City of Portland, Maine exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$351,844 (*Net Position*).
- The City's total net position increased by \$16,939. The primary reasons for the increase relate to the General Fund, which realized more intergovernmental receipts and other revenues than anticipated, and experienced lower than anticipated health benefits claims; to increased revenues in the Stormwater proprietary fund; and to savings achieved in the Sewer proprietary fund.
- As of the close of the current fiscal year, the City of Portland, Maine's governmental funds reported combined ending fund balances of \$118,664 an increase of \$994 compared to the prior year. The *unassigned fund balance* increased by \$4,817 to \$41,416 while *nonspendable, restricted, committed, and assigned* fund balance decreased by \$3,823. In total, the general fund balance increased by \$6,938. The capital projects fund decreased by \$9,999. The debt service fund increased by \$700, and other governmental funds increased by \$3,356.
- The City's total general obligation debt decreased \$6,765 during the current fiscal year. In addition to retirements of \$21,279, general obligation bonds in the amount of \$14,514 were issued.

Overview of the Financial Statements

This discussion and analysis serves as an introduction the City of Portland, Maine's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also contains required supplementary information and other supplementary information in addition to the basic financial statements, and other information found in the statistical section.

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

The *statement of net position* presents information on all of the City of Portland, Maine's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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 Portland, Maine 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 the 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 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 Portland, Maine 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 Portland, Maine include general government, public safety, public works (highways, streets, and sanitation), health and social services, public library, education, and transportation. The business-type activities of the City of Portland, Maine include airport, sewer, stormwater, seaport facilities, and economic development and financial assistance to business and industry.

The government-wide financial statements include not only the City itself (*primary government*), but also a legally separate library for which the City of Portland, Maine is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 29-30 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 Portland, Maine, 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 Portland, Maine can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: These 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 used in evaluating a government's near-term financing requirements. The basic governmental funds can be found on pages 31-34.

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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Portland, Maine maintains ten 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, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*. These statements can be found on pages 78-79.

The City of Portland adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement can be found on pages 35-36.

Proprietary funds: The City of Portland, Maine maintains one type of proprietary fund. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Portland uses proprietary funds to account for its jetport, sewer and stormwater utilities. The Fish Pier Authority and the Portland Development Corporation (PDC), *blended component units*, are also reported as proprietary funds.

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 proprietary funds, each of which are considered to be a major fund of the City of Portland, Maine. The basic proprietary funds financial statements can be found on pages 37-39 of this report.

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

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 41-72.

Other information: In addition to the basic financial statements and accompanying notes, this report also represents *required supplementary information* concerning the City of Portland, Maine's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 73-75 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Portland, Maine, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$351,844 at the close of the 2017 fiscal year, an increase of \$16,939 from \$334,905 at the end of fiscal year 2016.

City of Portland, Maine's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 147,978	\$ 143,814	\$ 81,227	\$ 73,962	\$ 229,205	\$ 217,776
Capital assets	332,309	327,027	311,021	310,566	643,330	637,593
Total assets	480,287	470,841	392,248	384,528	872,535	855,369
Deferred outflows of resources	24,152	8,423	3,629	664	27,781	9,087
Long-term liabilities	288,032	271,872	187,593	189,412	475,625	461,284
Other liabilities	50,309	46,644	18,677	15,323	68,986	61,967
Total liabilities	338,341	318,516	206,270	204,735	544,611	523,251
Deferred inflows of resources	3,552	5,735	309	565	3,861	6,300
Net investment in capital assets	223,789	224,948	138,540	136,613	362,329	361,561
Restricted	42,644	39,368	4,816	4,258	47,460	43,626
Unrestricted (deficit)	(103,886)	(109,303)	45,941	39,021	(57,945)	(70,282)
Total net position	\$ 162,547	\$ 155,013	\$ 189,297	\$ 179,892	\$ 351,844	\$ 334,905

The change of unrestricted net position, from a deficit of \$70,282 to a deficit of \$57,945 is the result of several factors. The change is predominantly due to intergovernmental receipts, permit fees, and other fees for services that exceeded expectations.

The net investment in capital assets is the largest portion of the City's net position. It reflects the City's investment in land, buildings, machinery, equipment, vehicles, and infrastructure less any related outstanding debt used to acquire those assets. The capital assets are used to provide services to the City's citizens. Accordingly, these assets are not available for future spending. It should be noted that the resources used to repay the debt issued to finance asset acquisition must be provided from sources other than the assets themselves.

The remaining portion of net position (13.49%) represents resources that are subject to external restrictions on how they may be used.

One of the largest items affecting net position is the change in the net pension liability. The increase in net pension liability during fiscal year 2017 was \$23,262. This is the result of the change in investment earnings and other projections associated with the City's participation in the defined benefit pension plan administered by the Maine Public Employees Retirement System (MainePERS). The liability is derived from actuarially determined amounts and includes City employees participating in the plan as well as teachers of the School Department. The total net pension liability at June 30, 2017 is \$61,817; \$56,526 for the City's pension plan, and \$5,291 for the Teacher's pension plan. Of the total \$82,301 liability for the City's school teachers, only \$5,291 is recorded by the City; the remaining \$77,010 is the State of Maine's proportionate share. At the end of fiscal year 2017, the deferred outflows or resources related to pensions were \$26,358; the deferred inflows were \$3,861.

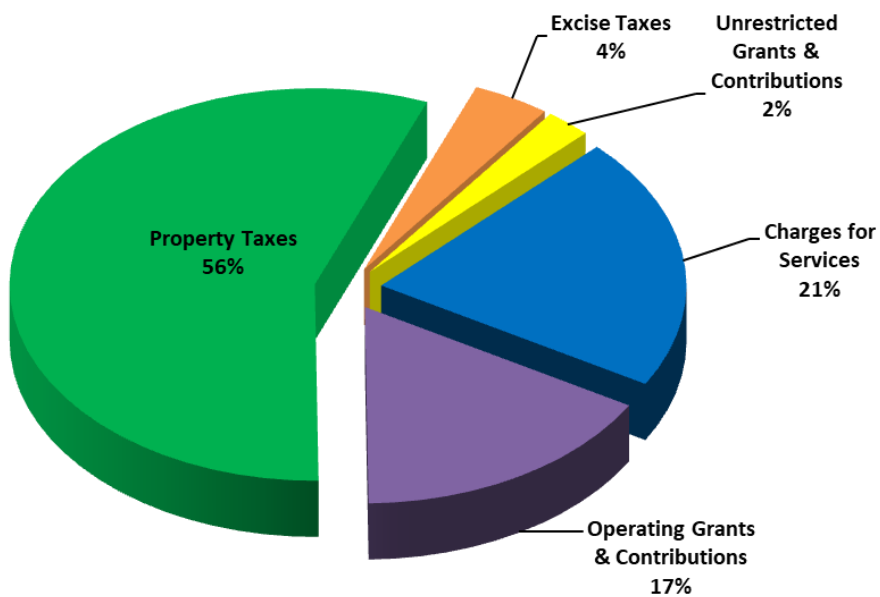
City of Portland, Maine's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 60,770	\$ 58,680	\$ 51,598	\$ 48,535	\$ 112,368	\$ 107,215
Operating grants and contributions	47,891	53,741	626	92	48,517	53,833
Capital grants and contributions	876	-	8,865	8,711	9,741	8,711
General revenues:						
Property and other taxes	175,586	170,986	-	-	175,586	170,986
Grants and contributions not restricted to specific programs	7,026	6,670	-	-	7,026	6,670
Other	2,473	435	291	329	2,764	764
Total revenues	294,622	290,512	61,380	57,667	356,002	348,179
Expenses:						
General government	51,926	49,849	-	-	51,926	49,849
Public safety	43,285	45,134	-	-	43,285	45,134
Public works	24,008	21,880	-	-	24,008	21,880
Health and social services	37,011	41,782	-	-	37,011	41,782
Public library	4,184	4,272	-	-	4,184	4,272
Education	112,848	118,485	-	-	112,848	118,485
Transportation	2,651	2,099	29,999	30,022	32,650	32,121
Interest on long-term debt	11,168	12,731	-	-	11,168	12,731
Sewer	-	-	19,408	18,821	19,408	18,821
Stormwater	-	-	1,865	2,116	1,865	2,116
Fish Pier Authority	-	-	557	548	557	548
Real estate development/lending	-	-	153	81	153	81
Total expenses	287,081	296,232	51,982	51,588	339,063	347,820
Transfers in (out)	(7)	23	7	(23)	-	-
Increase (decrease) in net position	7,534	(5,697)	9,405	6,056	16,939	359
Net position - beginning, as restated	155,013	160,710	179,892	173,836	334,905	334,546
Net position - end of year	\$ 162,547	\$ 155,013	\$ 189,297	\$ 179,892	\$ 351,844	\$ 334,905

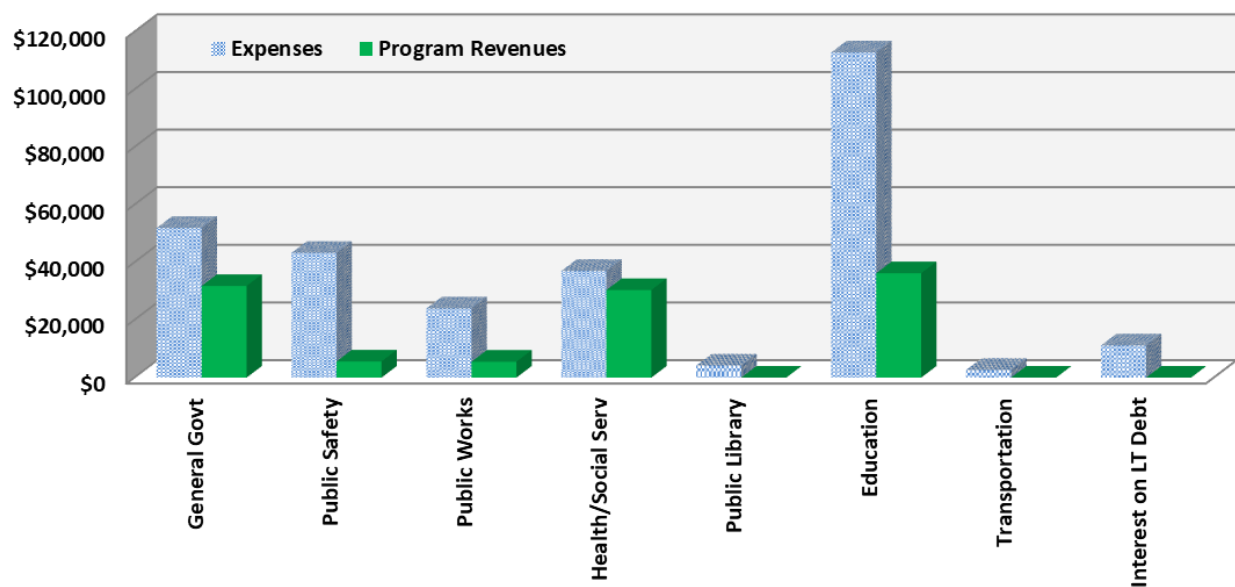
Governmental activities: During the current fiscal year, increased revenues and lower expenditures more than offset the increase in the City's net pension liability and net position increased \$7,534 from the prior fiscal year for an ending balance of \$162,547.

Business-type activities: For the City of Portland, Maine's business activities, the results for the current year were positive in that the overall net position for business-type increased \$9,405 to an ending balance of \$189,297.

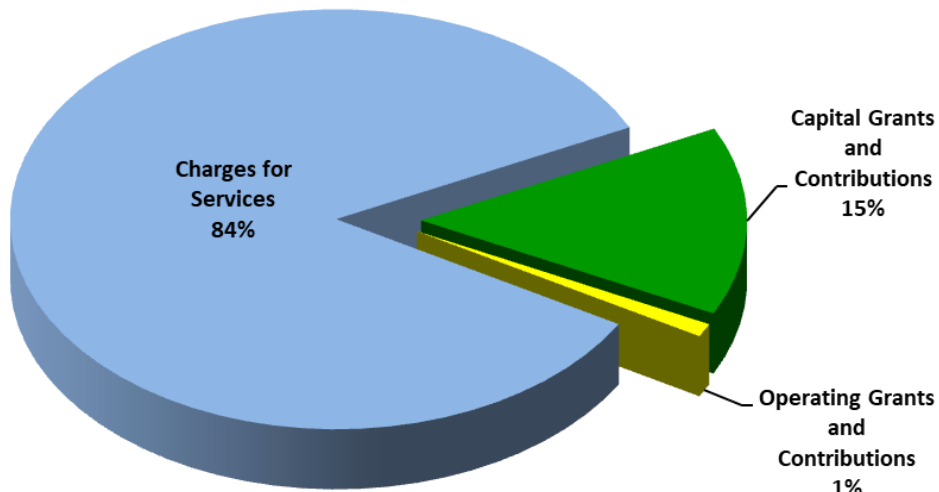
Revenue by Source – Governmental Activities
For the Year Ended June 30, 2017



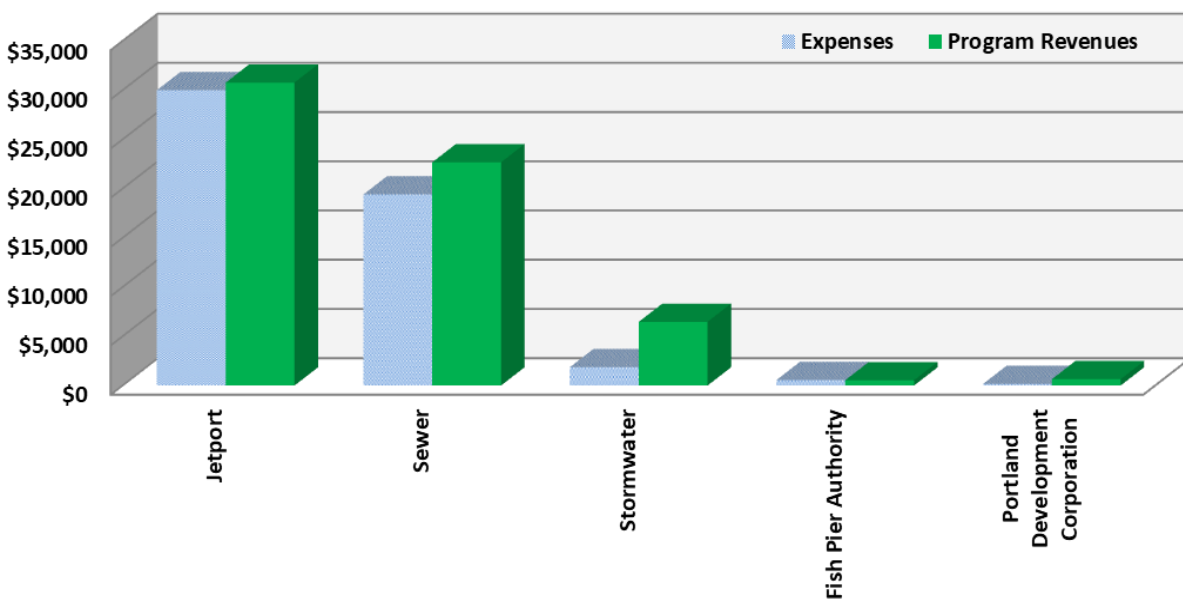
Expenses and Program Revenues – Governmental Activities
For the Year Ended June 30, 2017



**Revenues by Source – Business-type Activities
For the Year Ended June 30, 2017**



**Expenses and Program Revenues – Business-type Activities
For the Year Ended June 30, 2017**



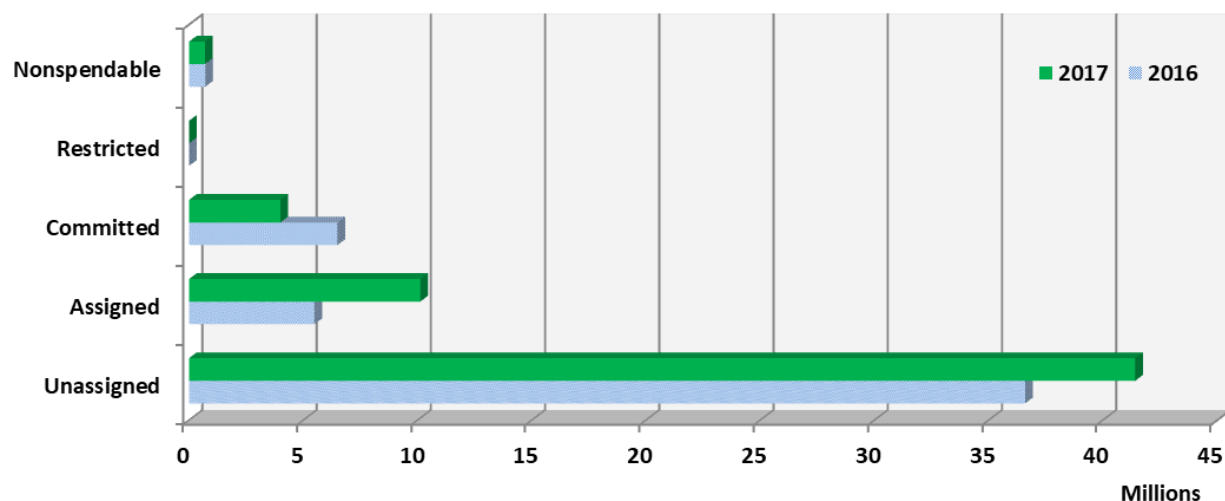
Financial Analysis of Governmental Funds

The City of Portland, Maine uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus on the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances, of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Portland, Maine's Council.

At June 30, 2017, the City of Portland, Maine's governmental funds reported combined fund balance of \$118,664, an increase of \$994. Approximately 35% of this amount (\$41,416) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$6,703), 2) externally restricted for a specific purpose (\$52,203), 3) internally committed to a particular purpose (\$7,408), or 5) assigned to a particular purpose (\$10,933).

General Fund – Components of Fund Balance June 30, 2017



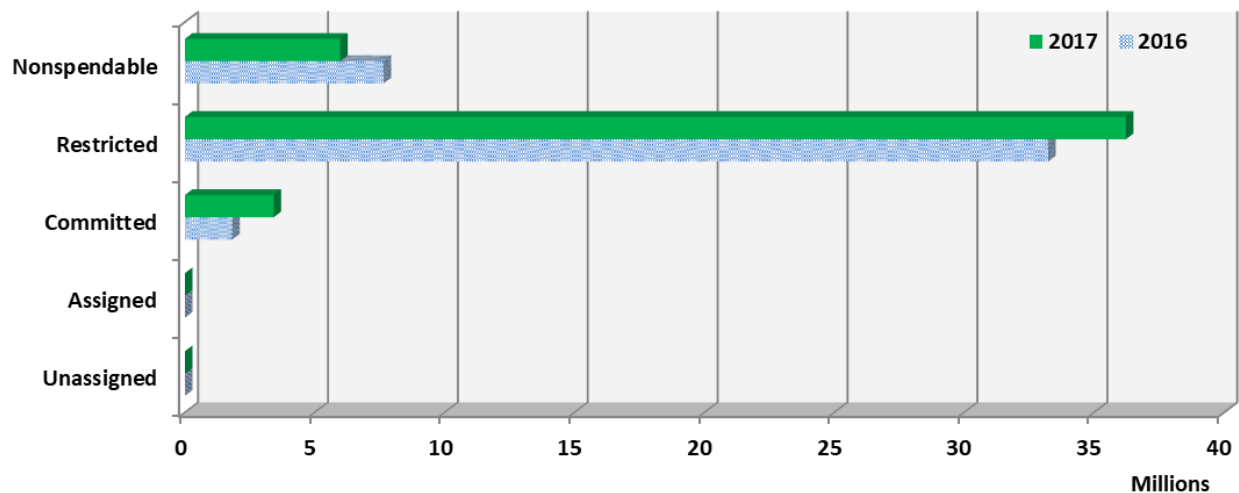
The general fund is the central operating fund of the City, and by definition is the only fund that can have a positive unassigned balance. At the end of the current fiscal year, unassigned fund balance of the general fund was \$41,416; total fund balance was \$56,227. As a measure of liquidity in the general fund, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. The total fund balance of the City of Portland's general fund increased \$6,938 during the 2017 fiscal year.

The capital projects fund, a major fund, had a decrease of \$9,999 in fund balance. This was caused mainly by the timing of the issuance of long-term debt and the expenditure of funds as related projects progressed.

The debt service fund, also a major fund, had an increase of \$700 in fund balance. This was the result of the assignment of additional funds for the payment of future debt service.

The non-major governmental funds, had an increase of \$3,356. This was due primarily to increases in investments in the City's endowment and perpetual care funds.

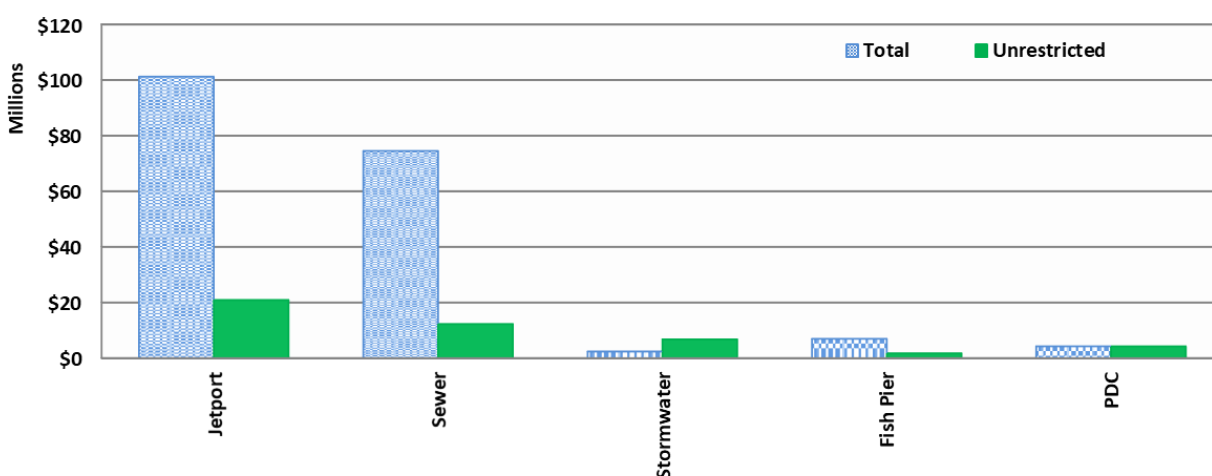
Other Governmental Funds – Components of Fund Balance June 30, 2017 & 2016



Proprietary funds. The City of Portland, Maine's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the five enterprise funds totaled \$189,297, an overall increase of \$9,405. Net position increased from \$100,329 to \$101,214 in the Jetport; increased from \$71,182 to \$74,517 in Sewer; from a net deficit of \$2,229 to a positive net position of \$2,394 in Stormwater; increased from \$3,657 to \$4,240 in the Portland Development Corporation; and decreased from \$6,952 to \$6,932 in the Fish Pier Authority.

Proprietary Funds – Net Position June 30, 2017



Net position restricted for operating maintenance and renewal and replacement in the enterprise funds totaled \$4,816 at the end of the 2017 fiscal year. The following table summarizes restricted net position at year end and also the amount and percentage increase (decrease) from June 30, 2016.

Restricted Net Position	Amount	Percentage of Total	Increase / (Decrease) from 2016	Percentage Increase / (Decrease)
Jetport	\$ 4,245	88%	\$ 559	15%
Sewer	571	12%	-	0%
Stormwater	-	0%	-	0%
Fish Pier Authority	-	0%	-	0%
Portland Development Corporation	-	0%	-	0%
Total	\$ 4,816	100%	\$ 559	

The increase in restricted net position for the Jetport is attributed to increases in required operating maintenance reserves.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted amounts by \$3,711 as intergovernmental receipts, motor vehicle excise taxes, building permits, other permit fees and parking revenues exceeded expectations. Amounts realized for property tax collections and charges for services were less than anticipated. Overall, total revenue collections were 1.8% higher compared to the prior year.

Expenditures were \$5,193 under amounts budgeted. The three primary areas contributing to this variance were education, lower-than-anticipated health insurance claims, and the Barron Center division of Health and Social Services. Total expenditures, budgeted to increase by 3% in fiscal year 2017, were 1% higher compared to the prior year.

Refer to Statement 5 on pages 35-36, Schedules B-1 and B-2 on pages 82-83, and the notes to the financial statements on pages 41-72 for more detailed information.

The following schedule presents a summary of the general fund's revenues on the budgetary basis for the fiscal year ended June 30, 2017, and the percentage of increases (decreases) from the year ended June 30, 2016.

Revenues	Amount	Percentage of Total	Increase / (Decrease) from 2016	Percentage Increase / (Decrease)
General property taxes	\$ 160,829	55%	\$ 1,203	1%
Excise taxes	11,910	4%	601	5%
Licenses and permits	5,666	2%	439	8%
Fines, forfeits and penalties	2,064	1%	(151)	-7%
Uses of money and property	9,729	3%	711	8%
Intergovernmental	14,792	5%	3,894	36%
Current services	35,121	12%	296	1%
Education	22,742	8%	(1,202)	-5%
Other	8,592	3%	(565)	-6%
Interdepartmental charges	22,174	8%	(169)	-1%
Total	<u>\$ 293,621</u>	<u>100%</u>	<u>\$ 5,059</u>	

General fund expenditures on the budgetary basis for the year ended June 30, 2017 and the corresponding increases (decreases) and percentages from the prior year are as follows:

Expenditures	Amount	Percentage of Total	Increase / (Decrease) from 2016	Percentage Increase / (Decrease)
General government	\$ 28,665	10%	\$ 2,695	10%
Public safety	31,784	11%	(30)	0%
Public works	15,067	5%	1,011	7%
Health and social services	30,065	11%	(1,030)	-3%
Public library	3,825	1%	143	4%
Education	101,833	36%	39	0%
Pension and employee insurance	26,621	9%	(2,734)	-9%
Other	9,401	3%	1,039	12%
Debt service	37,166	13%	1,913	5%
Capital	289	0%	(77)	-21%
Total	<u>\$ 284,717</u>	100%	<u>\$ 2,970</u>	

As described in the notes to the financial statements (page 45), the City treats inter-fund and interdepartmental transfers as revenues and expenditures for budgetary purposes. Interdepartmental expenditures for the year ended June 30, 2017 increased \$717 or 3.2%. Interdepartmental expenditures for the year are summarized below along with the dollar amount of change and percentage increase and (decrease) from the prior year.

Expenditures	Amount	Percentage of Total	Increase / (Decrease) from 2016	Percentage Increase / (Decrease)
General government	\$ 2,881	12%	\$ (139)	-5%
Public safety	1,560	7%	(410)	-21%
Public works	602	3%	(198)	-25%
Pension and employee insurance	3,493	15%	397	13%
Debt service	14,523	63%	1,066	8%
Total	<u>\$ 23,060</u>	100%	<u>\$ 717</u>	

Capital Assets and Debt Administration

Capital assets. The City of Portland, Maine's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$643,331 (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery, equipment, vehicles, roads and sewer lines. The total increase for the current year was approximately \$5,738 or 0.90%. Depreciation expense (net of disposals) for the year was \$24,097 while additions (net of disposals) were \$29,833.

City of Portland, Maine's capital assets						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital assets not being depreciated						
Land	\$ 25,068	\$ 24,773	\$ 18,431	\$ 18,430	\$ 43,499	\$ 43,203
Construction in progress	13,934	7,604	15,220	6,689	29,154	14,293
Capital assets being depreciated, net						
Buildings and improvements	115,488	120,212	115,599	120,515	231,087	240,727
Improvements other than buildings	22,005	21,401	40,353	43,269	62,358	64,670
Machinery and equipment	18,312	16,095	11,220	10,913	29,532	27,008
Infrastructure	137,502	136,942	110,199	110,750	247,701	247,692
Total	<u>\$ 332,309</u>	<u>\$ 327,027</u>	<u>\$ 311,022</u>	<u>\$ 310,566</u>	<u>\$ 643,331</u>	<u>\$ 637,593</u>

In April of 2017, the City council authorized \$24,341 in additional borrowings for capital improvement projects.

Additional information on the City of Portland, Maine's capital assets can be found on page 46 and pages 54-55 of this report.

Long-term debt. At the end of the 2017 fiscal year, the City had total bonded debt outstanding of \$403,370. Of this amount, \$288,610 comprised general obligation debt backed by the full faith and credit of the City. The remaining \$114,760 consisted of revenue bonds secured solely by Jetport operating revenues and passenger surcharges.

City of Portland, Maine's outstanding bonded debt						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 218,594	\$ 223,218	\$ 70,016	\$ 72,156	\$ 288,610	\$ 295,374
Revenue bonds	-	-	114,760	118,320	114,760	118,320
Total	<u>\$ 218,594</u>	<u>\$ 223,218</u>	<u>\$ 184,776</u>	<u>\$ 190,476</u>	<u>\$ 403,370</u>	<u>\$ 413,694</u>

Total bonded debt decreased \$10,325 (2.5%) during the 2017 fiscal year as repayments exceeded new debt issues. The City issued \$35,209 in new debt: \$14,514 for new capital improvement projects, and \$20,695 to refund previously issued revenue bonds of the Jetport to reduce future debt service payments. No new debt was issued for the combined sewer overflow abatement program.

Major long-term debt events during the year included the following:

- \$14,514 in new bonds were issued to support various capital improvement projects for governmental and business-type activities.
- \$20,695 revenue bonds were issued to refund \$23,160 of outstanding Jetport revenue bonds and reduce debt service payments by \$3,134,318 over the next 21 years.

The City of Portland, Maine maintains an “Aa1” rating from Moody’s Investor Services and an “AA” rating from Standard and Poor’s Rating Services.

State statutes limit the amount of general obligation debt that a municipality may issue to 15% of its total state assessed valuation. The current debt limit for the City is \$1,275,233. Outstanding debt of \$288,610 is 22.63% of the total allowed.

Additional information on the City of Portland, Maine’s long-term debt can be found in Note I. Long-term liabilities on pages 62-67.

Economic Factors and Next Year’s Budget and Rates

The following economic factors currently affect the City of Portland, Maine and were considered and included in developing the 2017-2018 fiscal year budgets:

- Unemployment rate
- Increases in revenues
- Expenses for which the City has limited control
- Taxable assessed value
- State budget deliberations
- Restrictions on discretionary spending at the federal level

In adopting the budget for the 2018 year, City officials considered many factors in making judgements and estimates about the finances of the upcoming year:

- Minimize taxpayer impact
- Minimize the impact to services and its recipients
- Minimize the impact to our workforce
- Responsibly manage our fund balance

The result was a tax increase to \$21.65 mills from \$21.11, a 2.6% rate increase, with a fund balance utilization component of \$750 by the School Department.

Requests for Information

This financial report is designed to provide a general overview of the City of Portland, Maine’s finances for all those with an interest in the City’s finances. Questions concerning any of the information in this report or requests for additional information should be addressed to the Office of the Finance Director, City of Portland, Maine, 389 Congress Street, Portland, Maine 04101.

Basic Financial Statements



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CITY OF PORTLAND, MAINE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Portland Public Library
ASSETS				
Cash and cash equivalents	\$ 94,061,702	\$ 46,193,317	\$ 140,255,019	\$ 758,119
Investments	32,936,390	-	32,936,390	5,821,323
Taxes receivable	3,069,096	-	3,069,096	-
Accounts receivable, net	9,480,022	5,208,951	14,688,973	94,099
Loans and notes receivable, net	1,516,691	2,283,100	3,799,791	-
Due from other governments	2,399,171	6,206,848	8,606,019	-
Due from primary government	-	-	-	25,105
Inventories	760,217	372,100	1,132,317	-
Prepaid expenses	40,152	1,392,217	1,432,369	88,357
Restricted assets-cash and cash equivalents	3,714,828	19,570,244	23,285,073	460,680
Capital assets:				
Land	25,068,225	18,430,891	43,499,116	162,500
Construction in progress	13,934,116	15,220,392	29,154,509	324,720
Buildings and improvements, net	115,487,272	115,598,958	231,086,231	3,280,622
Improvements other than buildings, net	22,004,965	40,352,600	62,357,565	-
Machinery and equipment, net	18,311,615	11,220,208	29,531,822	172,024
Infrastructure, net	137,502,424	110,198,607	247,701,030	-
Total assets	<u>\$ 480,286,887</u>	<u>\$ 392,248,433</u>	<u>\$ 872,535,320</u>	<u>\$ 11,187,549</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of pension resources	\$ 24,152,401	\$ 2,205,812	\$ 26,358,214	\$ -
Deferred outflows of refunding bonds	-	1,423,413	1,423,413	-
Total deferred outflows of resources	<u>\$ 24,152,401</u>	<u>\$ 3,629,225</u>	<u>\$ 27,781,626</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 8,897,843	\$ 3,493,236	\$ 12,391,079	\$ 53,307
Accrued liabilities	18,403,717	5,336,523	23,740,240	221,802
Due to component unit	25,105	-	25,105	-
Unearned revenue	606,848	120,126	726,973	-
Noncurrent liabilities:				
Due within one year	22,375,290	9,727,626	32,102,916	30,252
Due in more than one year	288,031,819	187,593,283	475,625,102	744,946
Total liabilities	<u>\$ 338,340,622</u>	<u>\$ 206,270,794</u>	<u>\$ 544,611,415</u>	<u>\$ 1,050,307</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of pension resources	\$ 3,552,014	\$ 309,424	\$ 3,861,439	\$ -
Total deferred inflows of resources	<u>\$ 3,552,014</u>	<u>\$ 309,424</u>	<u>\$ 3,861,439</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 223,788,618	\$ 138,539,898	\$ 362,328,516	\$ 3,164,668
Restricted for:				
Operating maintenance	-	4,289,242	4,289,242	-
Other grants and special revenue	20,958,673	-	20,958,673	-
Permanent funds, expendable	15,783,321	-	15,783,321	2,252,815
Permanent funds, nonexpendable	5,902,521	-	5,902,521	3,640,322
Renewal and replacement	-	527,156	527,156	-
Unrestricted (deficit)	(103,886,481)	45,941,144	(57,945,336)	1,079,437
Total net position	<u>\$ 162,546,652</u>	<u>\$ 189,297,440</u>	<u>\$ 351,844,092</u>	<u>\$ 10,137,242</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 51,925,746	\$ 30,003,979	\$ 1,799,557	\$ -	\$ (20,122,209)	\$ -	\$ (20,122,209)
Public safety	43,285,442	4,748,690	855,018	-	(37,681,734)	-	(37,681,734)
Public works	24,008,668	3,670,173	963,443	876,491	(18,498,562)	-	(18,498,562)
Health and social services	37,010,433	18,389,325	12,005,318	-	(6,615,790)	-	(6,615,790)
Public library	4,183,970	-	-	-	(4,183,970)	-	(4,183,970)
Education	112,847,778	3,958,709	32,267,710	-	(76,621,358)	-	(76,621,358)
Transportation	2,650,579	-	-	-	(2,650,579)	-	(2,650,579)
Interest on long-term debt	11,168,869	-	-	-	(11,168,869)	-	(11,168,869)
Total governmental activities	\$ 287,081,484	\$ 60,770,877	\$ 47,891,046	\$ 876,491	\$ (177,543,071)	\$ -	\$ (177,543,071)
Business-type activities:							
Jetport	\$ 29,999,030	\$ 21,934,310	\$ -	\$ 8,840,435	\$ -	\$ 775,715	\$ 775,715
Sewer	19,408,128	22,647,515	-	24,588	-	3,263,975	3,263,975
Stormwater	1,865,468	6,469,578	-	-	-	4,604,110	4,604,110
Fish Pier Authority	557,538	536,830	-	-	-	(20,708)	(20,708)
Portland Development Corporation	153,078	10,274	626,344	-	-	483,540	483,540
Total business-type activities	\$ 51,983,242	\$ 51,598,507	\$ 626,344	\$ 8,865,023	\$ -	\$ 9,106,633	\$ 9,106,633
Total primary government	\$ 339,064,726	\$ 112,369,384	\$ 48,517,390	\$ 9,741,514	\$ (177,543,071)	\$ 9,106,633	\$ (168,436,438)
Component unit:							
Portland Public Library	\$ 6,313,713	\$ 149,756	\$ 6,229,601	\$ 418,466	\$ -	\$ -	\$ 484,110
General revenues:							
Property taxes					\$ 163,675,359	\$ -	\$ 163,675,359
Excise taxes					11,910,247	-	11,910,247
Grants and contributions not restricted to specific programs					7,026,347	-	7,026,347
Unrestricted investment earnings					2,472,008	291,167	2,763,175
Transfers					(7,347)	7,347	-
Total general revenues and transfers					\$ 185,076,614	\$ 298,514	\$ 185,375,128
Change in net position					7,533,543	9,405,147	16,938,690
Net position - beginning, as restated					155,013,109	179,892,293	334,905,402
Net position - ending					\$ 162,546,652	\$ 189,297,440	\$ 351,844,092
							\$ 10,137,242

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 55,122,939	\$ 4,525,541	\$ 15,550,931	\$ 22,577,120	\$ 97,776,531
Investments	12,411,281	-	-	20,525,109	32,936,390
Taxes receivable	3,069,096	-	-	-	3,069,096
Accounts receivable	9,537,708	-	-	1,877,010	11,414,719
Allowance for uncollectible accounts	(1,848,697)	-	-	(86,000)	(1,934,697)
Loans receivable	-	-	-	1,596,516	1,596,516
Allowance for uncollectible loans	-	-	-	(79,825)	(79,825)
Due from other governments	408,405	-	-	1,990,766	2,399,171
Interfunds receivable	158,261	-	-	-	158,261
Inventories	684,150	-	-	76,067	760,217
Prepaid expenditures	8,939	-	-	31,213	40,152
Total assets	<u>\$ 79,552,083</u>	<u>\$ 4,525,541</u>	<u>\$ 15,550,931</u>	<u>\$ 48,507,976</u>	<u>\$ 148,136,531</u>
LIABILITIES					
Accounts payable	\$ 4,510,183	\$ -	\$ 3,300,506	\$ 1,112,259	\$ 8,922,948
Accrued liabilities	13,909,430	-	396,197	605,778	14,911,405
Interfunds payable	-	-	-	158,261	158,261
Claims and judgments	1,540,581	-	-	-	1,540,581
Unearned revenue	32,175	-	-	574,672	606,848
Total liabilities	<u>\$ 19,992,369</u>	<u>\$ -</u>	<u>\$ 3,696,703</u>	<u>\$ 2,450,971</u>	<u>\$ 26,140,043</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	\$ 3,332,390	\$ -	\$ -	\$ -	\$ 3,332,390
Total deferred inflows of resources	<u>\$ 3,332,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,332,390</u>
FUND BALANCES					
Nonspendable:					
Inventories and prepaid expenditures	\$ 693,089	\$ -	\$ -	\$ 107,280	\$ 800,369
Permanent funds	-	-	-	5,902,521	5,902,521
Restricted:					
Capital projects	-	-	11,854,228	-	11,854,228
Debt service	-	3,714,828	-	-	3,714,828
Other grants and special revenue	-	-	-	20,851,393	20,851,393
Permanent funds	-	-	-	15,783,321	15,783,321
Committed:					
Economic development activities	338,837	-	-	-	338,837
Capital Improvement	2,906,380	-	-	-	2,906,380
Loan programs	-	-	-	3,412,490	3,412,490
Subsequent years expenditure	750,000	-	-	-	750,000
Assigned:					
Barron Center resident benefits	139,287	-	-	-	139,287
Debt service	-	810,713	-	-	810,713
Medicaid settlements	300,000	-	-	-	300,000
Casco Bay Island Transit District	483,298	-	-	-	483,298
Self insurance programs	9,200,000	-	-	-	9,200,000
Unassigned	41,416,433	-	-	-	41,416,433
Total fund balances	<u>\$ 56,227,324</u>	<u>\$ 4,525,541</u>	<u>\$ 11,854,228</u>	<u>\$ 46,057,005</u>	<u>\$ 118,664,098</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 79,552,083</u>	<u>\$ 4,525,541</u>	<u>\$ 15,550,931</u>	<u>\$ 48,507,976</u>	<u>\$ 148,136,531</u>

Continued

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Reconciliation of the total fund balances - total governmental funds
to the total net position of governmental activities:

Total fund balances - total governmental funds, Statement 3 \$ 118,664,098

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.		332,308,617	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,332,390	
Accrued interest payable on long-term liabilities is not reported in the funds.		(1,951,731)	
Deferred inflows and outflows of pension resources are not financial resources nor are they available to pay current-period expenditures:			
Deferred inflows	\$ (3,552,014)		
Deferred outflows	<u>\$ 24,152,401</u>	20,600,387	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation bonds	\$ 218,594,421		
Premium on bonds	7,235,569		
Notes payable	9,999,072		
Capital leases	76,869		
Self-insurance	8,122,827		
Compensated absences	9,512,364		
Unfunded pension liability	317,657		
Net pension liability	<u>56,548,330</u>	<u>(310,407,110)</u>	
Net position of governmental activities		<u><u>\$ 162,546,652</u></u>	

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 160,829,480	\$ -	\$ -	\$ 2,696,838	\$ 163,526,318
Excise taxes	11,910,247	-	-	-	11,910,247
Licenses and permits	5,666,160	-	-	598,918	6,265,078
Fines, forfeits and penalties	2,064,108	-	-	-	2,064,108
Uses of money and property	9,494,690	21,188	135,248	2,105,640	11,756,765
Intergovernmental	37,968,306	-	-	17,825,578	55,793,883
Current services	37,815,328	-	-	4,969,281	42,784,609
Other	149,575	-	-	222,748	372,323
Total revenues	<u>\$ 265,897,895</u>	<u>\$ 21,188</u>	<u>\$ 135,248</u>	<u>\$ 28,419,004</u>	<u>\$ 294,473,333</u>
Expenditures					
Current:					
General government	\$ 25,446,774	\$ -	\$ -	\$ 6,125,883	\$ 31,572,657
Public safety	29,172,770	-	-	1,127,777	30,300,548
Public works	14,055,366	-	-	519,343	14,574,709
Health and social services	25,705,082	-	-	4,757,660	30,462,743
Public library	3,825,000	-	-	-	3,825,000
Education	98,469,418	-	-	10,640,470	109,109,888
Pension and employee insurance	22,690,134	-	140,000	-	22,830,134
Other	10,041,211	80,553	-	-	10,121,764
Debt service:					
Principal	-	15,363,710	-	300,000	15,663,710
Interest	-	12,001,813	-	97,691	12,099,503
Capital outlay	<u>385,064</u>	<u>-</u>	<u>21,524,415</u>	<u>2,818,956</u>	<u>24,728,435</u>
Total expenditures	<u>\$ 229,790,820</u>	<u>\$ 27,446,075</u>	<u>\$ 21,664,415</u>	<u>\$ 26,387,780</u>	<u>\$ 305,289,090</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 36,107,075	\$ (27,424,887)	\$ (21,529,167)	\$ 2,031,224	\$ (10,815,757)
Other financing sources (uses)					
Transfers in	827,184	28,057,582	11,529,945	2,034,280	42,448,992
Transfers out	(30,092,582)	(11,653,823)	-	(709,934)	(42,456,339)
Proceeds from capital leases	96,045	-	-	-	96,045
General obligation bonds issued	-	10,666,577	-	-	10,666,577
Premium on general obligation bonds	<u>-</u>	<u>1,054,321</u>	<u>-</u>	<u>-</u>	<u>1,054,321</u>
Total other financing sources (uses)	<u>\$ (29,169,353)</u>	<u>\$ 28,124,658</u>	<u>\$ 11,529,945</u>	<u>\$ 1,324,346</u>	<u>\$ 11,809,595</u>
Net change in fund balances	\$ 6,937,721	\$ 699,770	\$ (9,999,222)	\$ 3,355,570	\$ 993,839
Fund balances - beginning	<u>49,289,603</u>	<u>3,825,771</u>	<u>21,853,450</u>	<u>42,701,435</u>	<u>117,670,259</u>
Fund balances - ending	<u>\$ 56,227,324</u>	<u>\$ 4,525,541</u>	<u>\$ 11,854,228</u>	<u>\$ 46,057,005</u>	<u>\$ 118,664,098</u>

Continued

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds, Statement 4	\$	993,839
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capitalized expenditures	\$ 20,492,900	
Depreciation expense	<u>(15,042,308)</u>	5,450,592

The cost less accumulated depreciation of assets disposed or sold not reflected in the governmental funds	(169,369)
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Current years' revenues in the statement of activities that do not meet the availability criteria in the fund statements	149,041
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The issuance of long-term debt (e.g., bonds, notes, leases) provides current
financial resources to governmental funds, while the repayment of the principal
of long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net position.

Debt issued and premiums received	\$ (11,817,043)	
Amortization of premiums	954,656	
Principal repaid	<u>15,736,204</u>	4,873,817

Changes in the net pension liability and related deferred inflows and outflows of
resources are not recorded as expenditures in the governmental funds, but are
recorded as expenses in the statement of activities.

General government expense	\$ (611,455)	
Public safety expense	(981,432)	
Public works expense	(230,475)	
Health and human services expense	(571,069)	
Education	<u>(854,288)</u>	(3,248,719)

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in governmental funds.

Change in self insurance liability	\$ (916,269)	
Change in accrued compensated absences	281,375	
Change in unfunded pension liability	143,258	
Change in accrued interest	<u>(24,022)</u>	<u>(515,658)</u>

Change in net position of governmental activities, Statement 2	\$	<u>7,533,543</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budget Basis)	Final Budget
Revenues				
General property taxes	\$ 162,969,947	\$ 162,969,947	\$ 160,829,480	\$ (2,140,467)
Excise taxes	10,733,950	10,733,950	11,910,247	1,176,297
Licenses and permits	4,697,826	4,697,826	5,666,160	968,334
Intergovernmental Revenue	10,048,308	10,048,308	14,792,499	4,744,191
Charges for Services	36,128,810	36,128,810	35,120,784	(1,008,026)
Fines, forfeits and penalties	2,294,100	2,294,100	2,064,108	(229,992)
Uses of money and property	8,797,326	8,797,326	9,728,924	931,598
 School Department Revenue:				
Local Revenue	3,178,301	3,128,895	3,108,885	(20,010)
Intergovernmental revenues	19,343,207	19,392,613	19,633,712	241,099
Surplus Use	750,000	750,000	-	(750,000)
 Other Financing Resources:				
Operating Transfers	865,882	865,882	792,184	(73,698)
Sale of City Property	175,000	175,000	149,575	(25,425)
HCD Charges	561,159	561,159	558,428	(2,731)
Enterprise Fund Charges	14,037,241	14,037,241	13,301,539	(735,702)
School Department Charges	9,061,783	9,061,783	8,872,763	(189,020)
Special Revenue/Endowment Fund Charges	318,471	318,471	183,178	(135,293)
Reimbursements	5,913,458	5,913,458	6,909,016	995,558
City Use of Surplus	-	35,000	-	(35,000)
 Total Revenues	<u>289,874,769</u>	<u>289,909,769</u>	<u>293,621,484</u>	<u>3,711,715</u>
 Expenditures and encumbrances				
General government:				
City Council	376,820	376,820	456,360	(79,540)
City Clerk	492,149	492,149	483,718	8,431
City Manager	785,299	924,881	905,738	19,143
Assessor	453,089	453,089	400,069	53,020
Finance	1,736,637	1,736,637	1,604,926	131,711
Legal	567,152	567,152	611,095	(43,943)
Human Resources	989,173	989,173	872,100	117,073
Parking	2,346,390	2,346,390	2,266,152	80,238
Economic Development	457,910	457,910	436,476	21,434
Planning & Urban Development	1,587,116	1,587,116	1,685,530	(98,414)
Permitting & Inspections	1,370,574	1,485,685	1,480,980	4,705
Information Technology	2,335,463	2,335,463	2,690,432	(354,969)
Parks, Recreation & Facilities	15,052,003	15,052,003	14,771,721	280,282
Total General Government	<u>28,549,775</u>	<u>28,804,468</u>	<u>28,665,297</u>	<u>139,171</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budget Basis)	Final Budget
Expenditures and encumbrances, continued				
Public Safety				
Police	15,697,557	15,662,557	15,280,410	382,147
Fire	16,862,979	16,862,979	16,503,292	359,687
Total Public Safety	32,560,536	32,525,536	31,783,702	741,834
Public Works	14,227,049	14,262,049	15,067,200	(805,151)
Health and social services:				
Public Health	3,409,362	3,154,669	3,133,843	20,826
Social Services	12,067,094	12,067,094	11,861,654	205,440
Barron Center	16,429,366	16,429,366	15,069,921	1,359,445
Total Health and Social Services	31,905,822	31,651,129	30,065,419	1,585,710
Education				
General Education	98,155,645	98,155,645	96,678,315	1,477,330
School Adult Education	1,807,713	1,807,713	1,718,126	89,587
School Lunch Program	3,639,526	3,639,526	3,436,475	203,051
Total Education	103,602,884	103,602,884	101,832,916	1,769,968
Debt Service	37,323,569	37,323,569	37,166,184	157,385
Public Library	3,825,000	3,825,000	3,825,000	-
Pension and Employee Benefits	28,000,731	28,000,731	26,620,913	1,379,818
Contingent	325,750	360,750	235,395	125,355
Liability Insurance	778,596	778,596	737,293	41,303
County Tax	5,417,119	5,417,119	5,417,119	-
Memberships/Contributions:				
Transit District/Metro	2,572,744	2,572,744	2,572,744	-
Regional Transportation Program	32,134	32,134	77,835	(45,701)
Memberships	363,060	363,060	360,796	2,264
Total Memberships/Contributions	2,967,938	2,967,938	3,011,375	(43,437)
Capital Equipment	390,000	390,000	289,019	100,981
Total Expenditures and Encumbrances	\$ 289,874,769	\$ 289,909,769	\$ 284,716,832	\$ 5,192,937
Excess (deficiency) of revenues over (under) expenditures and encumbrances	\$ -	\$ -	\$ 8,904,652	\$ 8,904,652

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
Business-type Activities - Enterprise Funds
June 30, 2017

	Jetport	Sewer	Stormwater	Fish Pier Authority	Portland Development Corporation	Total Business-type Activities
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 20,494,460	\$ 15,301,228	\$ 6,433,831	\$ 1,768,782	\$ 2,195,016	\$ 46,193,317
Accounts receivable	3,153,473	1,561,146	524,784	40,728	620	5,280,751
Allowance for uncollectible accounts	(69,600)	(200)	-	(2,000)	-	(71,800)
Notes and loans receivable	-	227,260	-	-	2,381,594	2,608,854
Allowance for uncollectible loans	-	-	-	-	(325,754)	(325,754)
Due from other governments	6,205,738	-	-	-	1,110	6,206,848
Inventories	326,859	45,241	-	-	-	372,100
Prepaid expenses	1,392,217	-	-	-	-	1,392,217
Total current assets	\$ 31,503,147	\$ 17,134,676	\$ 6,958,616	\$ 1,807,509	\$ 4,252,585	\$ 61,656,533
Noncurrent assets:						
Restricted cash and cash equivalents	\$ 14,596,974	\$ 4,973,270	\$ -	\$ -	\$ -	\$ 19,570,244
Capital assets:						
Land	13,313,236	854,086	-	4,263,569	-	18,430,891
Buildings and improvements	176,685,060	1,802,442	-	12,751,199	-	191,238,701
Improvements other than buildings	129,239,510	46,031	-	1,405,606	-	130,691,147
Machinery and equipment	18,544,479	5,983,307	-	428,447	-	24,956,232
Infrastructure	-	140,403,192	-	-	-	140,403,192
Construction in progress	5,918,935	9,301,457	-	-	-	15,220,392
Less accumulated depreciation	(162,086,716)	(34,286,860)	-	(13,545,324)	-	(209,918,900)
Total capital assets (net of accumulated depreciation)	\$ 181,614,505	\$ 124,103,655	\$ -	\$ 5,303,497	\$ -	\$ 311,021,656
Total noncurrent assets	\$ 196,211,479	\$ 129,076,925	\$ -	\$ 5,303,497	\$ -	\$ 330,591,900
Total assets	\$ 227,714,626	\$ 146,211,601	\$ 6,958,616	\$ 7,111,006	\$ 4,252,585	\$ 392,248,433
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of pension resources	\$ 1,148,911	\$ 1,056,901	\$ -	\$ -	\$ -	\$ 2,205,812
Deferred outflows of refunding bonds	1,423,413	-	-	-	-	1,423,413
Total deferred outflows of resources	\$ 2,572,324	\$ 1,056,901	\$ -	\$ -	\$ -	\$ 3,629,225
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 2,447,260	\$ 876,515	\$ 95,203	\$ 61,793	\$ 12,466	\$ 3,493,236
Accrued liabilities	3,208,145	687,086	24,127	1,184	177	3,920,718
Compensated absences	274,673	168,604	-	-	-	443,276
Claims and judgments	91,355	881,173	-	-	-	972,528
Unearned revenue	-	32,253	87,873	-	-	120,126
Total current liabilities	\$ 6,021,432	\$ 2,645,632	\$ 207,202	\$ 62,976	\$ 12,643	\$ 8,949,885
Noncurrent liabilities:						
Due within one year	\$ 3,202,897	\$ 6,309,659	\$ 190,688	\$ 24,382	\$ -	\$ 9,727,626
Due in more than one year	119,686,672	63,647,635	4,166,885	92,091	-	187,593,283
Total noncurrent liabilities	\$ 122,889,569	\$ 69,957,294	\$ 4,357,573	\$ 116,473	\$ -	\$ 197,320,909
Total liabilities	\$ 128,911,001	\$ 72,602,926	\$ 4,564,775	\$ 179,449	\$ 12,643	\$ 206,270,794
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of pension resources	\$ 161,165	\$ 148,259	\$ -	\$ -	\$ -	\$ 309,424
Total deferred inflows of resources	\$ 161,165	\$ 148,259	\$ -	\$ -	\$ -	\$ 309,424
NET POSITION						
Net investment in capital assets	\$ 76,066,253	\$ 61,644,194	\$ (4,357,573)	\$ 5,187,024	\$ -	\$ 138,539,898
Restricted for -						
Operating maintenance	4,245,032	44,211	-	-	-	4,289,242
Renewal and replacement	-	527,156	-	-	-	527,156
Unrestricted	20,903,499	12,301,757	6,751,414	1,744,533	4,239,942	45,941,144
Total net position	\$ 101,214,783	\$ 74,517,317	\$ 2,393,841	\$ 6,931,557	\$ 4,239,942	\$ 189,297,440

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Business-type Activities - Enterprise Funds
For the Year Ended June 30, 2017

	Jetport	Sewer	Stormwater	Fish Pier Authority	Portland Development Corporation	Total Business-type Activities
Operating revenues:						
Charges for services	\$ 21,934,310	\$ 22,647,515	\$ 6,469,578	\$ 536,830	\$ 10,274	\$ 51,598,508
Intergovernmental	-	-	-	-	626,344	626,344
Total operating revenues	\$ 21,934,310	\$ 22,647,515	\$ 6,469,578	\$ 536,830	\$ 636,618	\$ 52,224,852
Operating expenses:						
Personnel services	\$ 5,000,280	\$ 2,847,808	990,847	28,775	-	\$ 8,867,710
Contractual services	6,814,606	952,161	452,341	140,093	18,183	8,377,384
Portland Water District services	-	11,575,356	-	-	-	11,575,356
Supplies and materials	807,642	203,896	104,016	5,115	-	1,120,669
Rentals	14,686	27,300	7,304	-	-	49,290
Utilities	1,391,041	110,449	201	37,475	-	1,539,166
Maintenance	1,798,495	255,449	265,134	153,484	39,216	2,511,778
Depreciation	8,915,723	2,527,488	-	174,603	-	11,617,814
Other	104,169	3,260	-	12,600	95,679	215,708
Total operating expenses	\$ 24,846,641	\$ 18,503,168	\$ 1,819,843	\$ 552,145	\$ 153,078	\$ 45,874,875
Operating income (loss)	\$ (2,912,331)	\$ 4,144,347	\$ 4,649,735	\$ (15,314)	\$ 483,540	\$ 6,349,977
Nonoperating revenues (expenses):						
Passenger facility charges	\$ 3,742,493	\$ -	\$ -	\$ -	\$ -	\$ 3,742,493
Loss on disposal of property	(1,057)	-	-	-	-	(1,057)
Interest and other revenue	109,860	48,414	11,181	-	121,712	291,168
Interest and other expense	(5,151,332)	(904,961)	(45,625)	(5,394)	-	(6,107,312)
Total nonoperating revenues (expenses)	\$ (1,300,036)	\$ (856,547)	\$ (34,444)	\$ (5,394)	\$ 121,712	\$ (2,074,709)
Income (loss) before capital contributions and transfers	\$ (4,212,367)	\$ 3,287,801	\$ 4,615,291	\$ (20,708)	\$ 605,252	\$ 4,275,269
Capital contributions	5,097,942	24,588	-	-	-	5,122,531
Transfers in (out)	-	22,500	7,500	-	(22,653)	7,347
Change in net position	\$ 885,575	\$ 3,334,889	\$ 4,622,791	\$ (20,708)	\$ 582,599	\$ 9,405,147
Total net position - beginning, as restated	100,329,208	71,182,428	(2,228,951)	6,952,265	3,657,343	179,892,293
Total net position - ending	\$ 101,214,783	\$ 74,517,317	\$ 2,393,841	\$ 6,931,557	\$ 4,239,942	\$ 189,297,440

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Business-type Activities - Enterprise Funds
For the Year Ended June 30, 2017

	Jetport	Sewer	Stormwater	Fish Pier Authority	Portland Development Corporation	Total Business-type Activities
Cash flows from operating activities						
Receipts from customers and users	\$ 21,848,595	\$ 21,947,346	\$ 6,387,056	\$ 516,617	\$ 635,117	\$ 51,334,731
Payments to suppliers	(9,202,376)	(12,633,916)	(797,444)	(485,987)	(140,436)	(23,260,159)
Payments to employees	(5,060,016)	(2,887,051)	(999,130)	(28,775)	-	(8,974,972)
Net cash provided (used) by operating activities	\$ 7,586,203	\$ 6,426,379	\$ 4,590,482	\$ 1,855	\$ 494,682	\$ 19,099,601
Cash flows from capital and related financing activities						
Contributed capital	\$ 279,881	\$ 24,588	\$ -	\$ -	\$ -	\$ 304,469
Passenger facility charges	3,742,493	-	-	-	-	3,742,493
Proceeds from sale of general obligation bonds	-	3,185,373	1,061,791	-	-	4,247,164
Proceeds from sale of refunding bonds	24,155,671	-	-	-	-	24,155,671
Acquisition and construction of capital assets	(5,841,675)	(5,983,228)	-	-	-	(11,824,903)
Principal paid on bond maturities	(1,095,000)	(5,826,948)	(113,333)	(47,968)	-	(7,083,249)
Refunded bonds defeased	(24,609,699)	-	-	-	-	(24,609,699)
Interest paid on debt	(5,522,771)	(1,219,460)	(36,059)	(5,641)	-	(6,783,931)
Net cash provided (used) by capital and related financing activities	\$ (8,891,100)	\$ (9,819,675)	\$ 912,399	\$ (53,609)	\$ -	\$ (17,851,985)
Cash flows from noncapital financing activities						
Transfers in (out)	\$ -	\$ 22,500	\$ 7,500	\$ -	\$ (22,653)	\$ 7,347
Issuance of loans	-	-	-	-	(888,575)	(888,575)
Repayment of loans	-	17,653	-	-	600,225	617,877
Net cash provided (used) by noncapital financing activities	\$ -	\$ 40,153	\$ 7,500	\$ -	\$ (311,003)	\$ (263,350)
Cash flows from investing activities						
Interest income	\$ 109,860	\$ 48,414	\$ 11,181	\$ -	\$ 121,712	\$ 291,168
Net cash provided by investing activities	\$ 109,860	\$ 48,414	\$ 11,181	\$ -	\$ 121,712	\$ 291,168
Net increase (decrease) in cash and cash equivalents	\$ (1,195,034)	\$ (3,304,729)	\$ 5,521,562	\$ (51,754)	\$ 305,391	\$ 1,275,436
Cash and cash equivalents, beginning of year	36,286,468	23,579,227	912,269	1,820,536	1,889,624	64,488,125
Cash and cash equivalents, end of year	\$ 35,091,434	\$ 20,274,498	\$ 6,433,831	\$ 1,768,782	\$ 2,195,016	\$ 65,763,561
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (2,912,331)	\$ 4,144,347	\$ 4,649,735	\$ (15,314)	\$ 483,540	\$ 6,349,977
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	8,915,723	2,527,488	-	174,603	-	11,617,814
Change in operating assets and liabilities:						
Accounts receivable	(38,143)	(700,170)	(146,837)	(20,214)	(391)	(905,754)
Due from other governments	(47,573)	-	-	-	(1,110)	(48,683)
Prepaid expenses	62,535	-	-	-	-	62,535
Inventories	(18,724)	10,837	-	-	-	(7,887)
Accounts payable	1,536,781	47,301	31,552	(137,220)	12,466	1,490,879
Accrued liabilities	(53,622)	(28,815)	(8,283)	-	177	(90,544)
Compensated absences	(6,113)	(10,428)	-	-	-	(16,541)
Accrued claims and judgments	(10,638)	315,418	-	-	-	304,781
Unearned revenue	-	(25,230)	64,316	-	-	39,085
Change in net pension liability and related deferred outflows and inflows of resources	158,308	145,630	-	-	-	303,937
Total adjustments	\$ 10,498,534	\$ 2,282,032	\$ (59,253)	\$ 17,169	\$ 11,142	\$ 12,749,623
Net cash provided (used) by operating activities	\$ 7,586,203	\$ 6,426,379	\$ 4,590,482	\$ 1,855	\$ 494,682	\$ 19,099,601
Noncash investing, capital, and financing activities:						
Disposal of capital assets	\$ 284,127	\$ 81,772	\$ -	\$ -	\$ -	\$ 365,899
Accumulated depreciation on capital asset dispositions	283,066	81,772	-	-	-	364,838

The notes to the financial statements are an integral part of this statement.

Statement 9

CITY OF PORTLAND, MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,288,801
Total assets	\$ 4,288,801
LIABILITIES	
Accounts payable	\$ 358,423
Accrued liabilities	489,278
Held for school activities	975,600
Held for performance guarantees	1,150,151
Held for others	1,315,349
Total liabilities	\$ 4,288,801

The notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, MAINE
Notes to Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the government-wide 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 non-fiduciary activities of the City (the primary government) and its component units. *Governmental Activities*, which are normally supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the City is reported separately from certain legally separate *component units* for which the City is financially accountable.

B. Reporting entity

The City of Portland, Maine was incorporated in 1786 under the laws of the State of Maine. The City is governed by an elected mayor and an eight-member governing council. The accompanying financial statements present the government and its component units, entities for which the City is considered financially accountable. Blended component units are presented as funds of the City. The City's one discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended component units: The Portland Fish Pier Authority, a local development corporation, was organized by the City for the purpose of managing and marketing the entire premises known as the Portland Fish Pier for the benefit of the fishing and fishery related business enterprises and the citizens of Portland. The Authority's board of directors is an advisory board governed by the City Council.

The Portland Development Corporation (PDC) is a local development corporation, which was organized in 1991 for the purpose of implementing and administering economic development programs. The board of directors is an advisory board governed by the City Council and is staffed by City employees. The PDC is financially dependent upon the City.

The financial statements of the Authority and the PDC have been incorporated into the City's Proprietary Funds and neither issues separate financial statements.

Discretely presented component unit: The Portland Public Library is a nonprofit corporation established in 1889. The Library has a Board of Trustees which is not appointed by the City Council. The Library is financially dependent upon the City. The City owns the land and building in which the Library operates and provides other support services to the Library. In addition, the City provides significant financial support to the Library and believes that the

City's financial statements would be incomplete without the inclusion of the library as a discretely presented component unit. The Library, which is not a governmental entity, prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations. The Library is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Separately issued financial statements are available for the Library and can be obtained at the Library's administrative offices.

Portland Public Library
5 Monument Square
Portland, ME 04101

Jointly governed organizations: The City participates in two jointly governed organizations. Neither is part of the City's reporting entity.

The Greater Portland Transit District provides public transportation to the residents of participating communities. The District is managed by a board of directors selected by the participating communities. The members' proportional share of bonds payable is repaid through member assessments. The City's share of any residual interest has not been determined.

ecomaine is a solid waste management corporation which serves 71 municipal members. Owned and controlled by 20 communities, ecomaine creates electricity through its processing of waste and operates an extensive recycling program. The City is an owner member. The City has no explicit, measureable equity. The City has no recorded asset in connection with its participation in ecomaine.

Complete financial statements for each organization can be obtained from the entity's administrative offices.

Greater Portland Transit District
114 Valley Street
Portland, ME 04102

ecomaine
64 Blueberry Road
Portland, ME 04102

C. Basis of presentation – government-wide financial statements

Although separate government-wide and fund financial statements are presented; they are interrelated. The governmental activities column incorporates data from governmental funds and business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental, proprietary, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements.

The Portland Public Library, the City's only discretely presented component unit, is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The City reports the following major governmental funds:

The *general fund* is the City's main operating fund. It accounts for all the financial resources of the general government, except those accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The City reports all of its proprietary funds as major. These funds consist of the following:

The *jetport fund* is used to account for the operation of the City's airport. The airport serves the southern part of Maine. The revenue is produced primarily through contracts and leases.

The *sewer fund* and *stormwater fund* are used to account for sewer and stormwater services provided to residents and businesses. The City owns and maintains sewer and stormwater lines and is responsible for the costs of maintenance, improvements and expansion. All users of the system pay monthly or quarterly fees, based on water usage to support the system. The Portland Water District (not a department of the City) owns and operates the filtration plant, for which it charges the City monthly fees which are included in the sewer rate. The stormwater service charge was implemented in 2016 to more equitably allocate costs associated with capital maintenance of the City's sewer and stormwater infrastructure.

The remaining two proprietary funds are the *Fish Pier Authority* and the *Portland Development Corporation*, which are blended component units of the City.

The City also reports an *agency fund* type to account for employee payroll tax withholdings, student activity funds, performance guarantees, and various departments' client funds.

During the course of operations, the City has activity between funds for various purposes. Any residual balances at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations

are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the government activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included in transfers in the business-type activities column. There are exceptions to this treatment; these include charges which would distort the direct costs and program revenues reported for the various functions concerned.

E. Measurement focus basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 measureable 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 expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated in the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements have been met, including

any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measureable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resource measurement focus* and the *accrual basis of accounting*.

The agency fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund except for the following:

- Encumbrances are treated as expenditures.
- Appropriations of prior year fund balances are treated as revenue.
- Interdepartmental and inter-fund transfers are treated as revenues and/or expenditures.
- Insurance claims, compensated absences, and investment income are recorded on the cash basis.
- On-behalf payments made by the State of Maine are not budgeted.
- Capital leases are not budgeted.

The *capital projects fund* is appropriated on a project-length basis. Other special revenue funds and the permanent funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span more than one fiscal year.

The appropriated budget is prepared by department, division, and expenditure. The City's department heads may make transfers of appropriations within their department. Council authorization is required when expenditures exceed appropriation. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriation) is at the fund level except for the school department which is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed, executory contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) may be carried into the next fiscal year.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash, cash equivalents, and investments

The City's cash and cash equivalents consist of cash on hand, demand deposits, and cash equivalent investments (i.e. money market mutual funds).

Investments are recorded at fair value. Income earned from the investment of pooled cash is allocated to various funds on the basis of the average cash balance allocated to the fund.

2. Restricted assets

Cash and cash equivalents are shown on the statement of new position and consist of the balance of funds held in external accounts that are specifically restricted for debt service payments or for capital projects which are financed through debt issuances. The funds cannot be accessed without the City providing supporting documentation that cash has been spent on the approved items. As such, these items are shown separate from other cash held which is otherwise more accessible to the City.

3. Inventories and prepaid items

Inventories are valued at cost, using the first-in first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than purchased.

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

4. Capital assets

Capital assets include property, plant, equipment and infrastructure assets (i.e., road, bridges, sidewalks, and similar items). They are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Except for infrastructure assets, capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if historical cost is unknown. As the City acquires or constructs additional capital assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its useful life. Donated capital assets and similar items are recorded at their estimated acquisition value as of the date of the donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, if significant.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the primary government are depreciated using the straight-line method over the following useful lives:

Asset	Years
Buildings and Improvements	20 - 40
Improvements other than buildings	20 - 40
Machinery and equipment	2 - 20
Infrastructure	30 - 67

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has several such items in the statement of net position. These items are related to the recognition of the net pension liability and can include: differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between the City's contributions and proportionate share of contributions, and also City pension contributions subsequent to the measurement date. In addition, the statement of net position also reports a deferred outflow of resources related to refunding bonds. This amount represents the difference between the reacquisition price and the net carrying amount of the refunded debt. It is being amortized over the remaining life of the bond.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has several of these items. The first arises from the modified accrual basis of accounting and is reported in the governmental funds balance sheet, the item is *unavailable revenue*. The governmental funds report unavailable funds in one category: property taxes. The amount deferred is recognized as an inflow or resources in the period that the amount becomes available. The government wide financial statements, statement of net position, reports items related to the recognition and of the net pension liability, and can include the items listed above.

6. Net position flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (bond or grant proceeds) and unrestricted sources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

7. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or assignment (assigned fund balance).

The committed fund balance classification includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision making authority. The City council is the highest level of decision making authority that can, by the adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action (the adoption of another ordinance) is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City council has by resolution authorized the finance director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes act as an enforceable lien on real property and are levied usually in late June or early July. Taxes are due in two installments: one in September and the second in March. Property values are based on the assessed values as of the previous April 1st as set by statute. Interest is assessed after the due dates as approved by the council. The maximum rate that can be charged is determined annually by the State of Maine Department of Revenue Services. Upon the expiration of eight months, and within one year from the date of levy, a tax lien is recorded for all delinquent real property.

3. Compensated absences

Vacation

Vacation benefits are earned based on anniversary date and length of service in amounts ranging between two to five weeks per year. City employees are allowed to carry over vacation time earned up to a maximum of 240 hours for employees hired prior to 1979 and 160 hours for all other employees. Employees are eligible for payment of earned vacation benefits upon termination of employment.

Sick leave

Employees earn sick leave pursuant to collectively bargained agreements or policy; generally at a rate of one day per month. Upon retirement, termination, or death an employee may be compensated for amounts up to 180 days at current pay.

The liability for both types of leave is reported as incurred in the government-wide and the proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability would include salary related benefits.

4. Proprietary funds operating and nonoperating revenues and expenses

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 all the enterprise funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating.

I. 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 for both the City's and the Teacher's Pension Plans and additions to/deductions from the City's and Teacher's fiduciary net position have been determined on the same basis as they are reported by the Maine Public Employees Retirement System (MainePERS). 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.

J. Comparative data/reclassifications

Comparative data for the prior year has been presented only for certain funds in the fund financial statement in order to provide an understanding of the changes in financial position and the operations of these funds. In some instances, prior year data has been reclassified to be consistent with the current year presentation.

II STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary control

The accounting system is employed as a budgetary control device to monitor individual departments. The budget process deviates from the GAAP statements as summarized in note I.F. on page 45. These differences and the effect on the general fund are summarized here.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - General Fund (Statement 4)	\$ 265,897,895	\$ 229,790,820	\$ (29,169,353)
Activity reported in special revenue fund			
School food service program	3,384,796	3,436,475	-
Interdepartmental revenues and expenditures	15,301,431	15,301,431	-
Contributions made on behalf of the City for the teachers' retirement plan	(6,515,550)	(6,515,550)	-
Debt service presentation	14,523,494	42,581,076	28,057,582
Unbudgeted revenues	237,234	-	-
Issuance of capital leases	-	(96,045)	(96,045)
Transfers in	792,184	-	(792,184)
Net compensated absences and other accruals	-	(231,968)	-
Use of fund balance/transfers	-	450,593	2,035,000
2016 encumbrances	-	-	(35,000)
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual (Budget Basis), Statement 5	<u>\$ 293,621,484</u>	<u>\$ 284,716,832</u>	<u>\$ -</u>

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

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. The City's primary investment policy does not have a deposit policy for custodial credit risk. As of June 30, 2017, the City's bank balance was \$140,638,604; none of which was exposed to custodial credit risk.

B. Investments

At June 30, 2017, the City had the following investments and maturities:

Investment types:	Fair Value	Maturity (years)				
		Not Applicable	< 1	1 - 5	6 - 10	10 >
Primary government - City:						
U.S. Treasuries	\$ 4,068,968	\$ -	\$ 4,031,162	\$ 37,806	\$ -	\$ -
Federal National Mortgage	8,087	-	-	8,087	-	-
Certificates of Deposit	23,888,629	23,888,629	-	-	-	-
Mutual Funds	11,602,725	11,602,725	-	-	-	-
Corporate Bonds	2,054,906	-	-	1,636,368	418,538	-
Common Stock	6,724,512	6,724,512	-	-	-	-
Municipal Bonds	8,121,654	-	5,037,204	3,084,450	-	-
Money Market	355,538	355,538	-	-	-	-
	<u>\$ 56,825,018</u>	<u>\$ 42,571,403</u>	<u>\$ 9,068,367</u>	<u>\$ 4,766,711</u>	<u>\$ 418,538</u>	<u>\$ -</u>

Interest rate risk: The City's primary investment policy requires that, to the extent possible, the City will attempt to match investment term with anticipated cash requirements. Funds may be invested in securities exceeding one year.

Credit risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Maine statutes (Title 30-A §5711) authorize the City to invest in government unit bonds, corporate securities, financial institution stock and other obligations, other stock investments, and other prudent investments. The City's investment policy has primary objectives of safety, liquidity, return on investment, and point of presence.

At June 30, 2017, the City's investment in debt securities and the corresponding credit ratings were as follows:

Credit risk ratings	AAA	Aaa	AA3	AA2	AA1	A1	Baa1
Municipal Bonds	\$ 3,570,955	\$ -	\$ -	\$ -	\$ 4,550,699	\$ -	\$ -
Federal National Mortgage	-	8,087	-	-	-	-	-
Corporate Bonds	-	207,302	827,020	208,286	-	612,340	199,958
Money Market Funds	-	355,538	-	-	-	-	-
	<u>\$ 3,570,955</u>	<u>\$ 570,927</u>	<u>\$ 827,020</u>	<u>\$ 208,286</u>	<u>\$ 4,550,699</u>	<u>\$ 612,340</u>	<u>\$ 199,958</u>

Custodial credit risk-investments: For investments, the custodial risk is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of June 30, 2017, the City had no investments that were subject to custodial credit risk. The City's investment policy states

that all security transactions will be settled using a delivery versus payment settlement system. The City's securities are held by third party custodians or trust departments designated by the treasurer and evidenced by safekeeping receipts.

Concentration of credit risk: The City's investment policy states that the City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than 50% of the City's total investment portfolio will be invested in a single type, or with a single financial institution. This limit may be increased to 75% for pooled cash and investments held by the City's primary relationship banking institution provided that it is fully collateralized by an investment satisfactory to the finance director and corporate counsel. At June 30, 2017, 47% of the City's cash and investments were held at one institution. Of the total cash and investments, 73% was held in cash.

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the City uses various methods, including market, income and cost approaches. Based on these approaches, the City often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the City is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the City performs a detailed analysis of the assets and liabilities. At the end of the fiscal year, all investments held were classified as Level 1.

For the year ended June 30, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

Investments have been valued using a market approach. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The beneficial interest in the perpetual trust has been valued using an income approach. The fair value of the beneficial interest in perpetual trust is based on the fair value of the underlying assets in the trust, which approximates the future estimated cash flows from the trust.

C. Receivables

Patient accounts receivable and revenues are recorded at established rates when services are performed. Revenues from services include amounts reimbursable under Medicare, Medicaid, private insurance, and self-pay. Differences between established rates and third party payer rates, which are generally lower, are recorded as reductions to operating revenues.

Property taxes were levied on June 23, 2016 on the assessed value of real property as of April 1, 2016, as described below. Taxes were due in two installments, September 9, 2016 and March 10, 2017. Interest was charged at 7.00% per annum on amounts not paid by September 9, 2016 and March 10, 2017. Upon the expiration of eight months, and within one year from the date of the levy, a tax lien is recorded for all delinquent taxes on real estate property. Property taxes for the fiscal year ended June 30, 2017 (\$162,368,013) were assessed at a rate of 21.11 mills on the dollar on a total taxable value of \$7,691,575,220.

Unbilled service receivables have been accrued at year end. This method is consistent with prior years.

Allowances for uncollectible accounts are maintained for all receivables.

The City has twelve **revolving loan programs**, which are accounted for within its enterprise and special revenue funds. Funding for these programs came from federal grants, bonded debt, and the general fund. Federal grants and program income continue to fund program loans, which are made to qualified borrowers for housing and economic development activities.

Allowance for uncollectible loans are established and used to estimate the portion of the City's loan portfolio that will ultimately be uncollectible. Allowances for each loan fund are reviewed annually.

The City is the recipient of several **airport development aid program capital grants** for the City's airport. Federal, state, and local grants were authorized in the amount of \$13,359,995. At June 30, 2017, \$10,932,361 had been expended against these grants. Amounts due from the federal and state government are \$6,145,598.

D. Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,773,225	\$ 295,000	\$ -	\$ 25,068,225
Construction in progress	7,604,232	6,410,691	(80,807)	13,934,116
Total capital assets, not being depreciated	<u>\$ 32,377,457</u>	<u>\$ 6,705,691</u>	<u>\$ (80,807)</u>	<u>\$ 39,002,342</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 241,691,766	\$ 1,692,469	\$ -	\$ 243,384,235
Improvements other than buildings	45,774,510	2,395,791	-	48,170,301
Machinery and equipment	48,969,558	5,377,941	(2,367,664)	51,979,835
Infrastructure	248,697,952	4,401,815	-	253,099,767
Total capital assets, being depreciated	<u>\$ 585,133,786</u>	<u>\$ 13,868,015</u>	<u>\$ (2,367,664)</u>	<u>\$ 596,634,137</u>
Less accumulated depreciation for:				
Buildings and improvements	\$(121,479,421)	\$ (6,417,541)	\$ -	\$(127,896,962)
Improvements other than buildings	(24,373,427)	(1,791,910)	-	(26,165,337)
Machinery and equipment	(32,874,747)	(2,991,768)	2,198,295	(33,668,220)
Infrastructure	(111,756,254)	(3,841,090)	-	(115,597,343)
Total accumulated depreciation	<u>\$(290,483,849)</u>	<u>\$ (15,042,308)</u>	<u>\$ 2,198,295</u>	<u>\$ (303,327,862)</u>
Total capital assets being depreciated, net	<u>294,649,937</u>	<u>(1,174,292)</u>	<u>(169,369)</u>	<u>293,306,275</u>
Governmental activities capital assets, net	<u>\$ 327,027,394</u>	<u>\$ 5,531,399</u>	<u>\$ (250,176)</u>	<u>\$ 332,308,617</u>

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

Governmental activities:	
General government	\$ 4,096,278
Public safety	1,801,425
Public works, including general infrastructure	5,204,340
Health and social services	379,392
Education	3,201,903
Public library	358,970
Total depreciation expense - governmental activities	<u>\$ 15,042,308</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 18,430,891	\$ -	\$ -	\$ 18,430,891
Construction in progress	6,688,496	8,942,167	(410,271)	15,220,392
Total capital assets, not being depreciated	<u>\$ 25,119,387</u>	<u>\$ 8,942,167</u>	<u>\$ (410,271)</u>	<u>\$ 33,651,283</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 191,080,065	\$ 158,637	\$ -	\$ 191,238,702
Improvements other than buildings	130,427,308	263,844	-	130,691,152
Machinery and equipment	23,708,831	1,613,296	(365,899)	24,956,228
Infrastructure	138,896,847	1,506,347	-	140,403,194
Total capital assets, being depreciated	<u>\$ 484,113,051</u>	<u>\$ 3,542,124</u>	<u>\$ (365,899)</u>	<u>\$ 487,289,276</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (70,565,256)	\$ (5,074,488)	\$ -	\$ (75,639,744)
Improvements other than buildings	(87,157,814)	(3,180,738)	-	(90,338,552)
Machinery and equipment	(12,795,365)	(1,305,493)	364,838	(13,736,020)
Infrastructure	<u>(28,147,493)</u>	<u>(2,057,095)</u>	<u>-</u>	<u>(30,204,588)</u>
Total accumulated depreciation	<u>\$(198,665,928)</u>	<u>\$ (11,617,814)</u>	<u>\$ 364,838</u>	<u>\$ (209,918,904)</u>
Total capital assets being depreciated, net	<u>285,447,123</u>	<u>(8,075,690)</u>	<u>(1,061)</u>	<u>277,370,372</u>
Business-type activities capital assets, net	<u>\$ 310,566,510</u>	<u>\$ 866,477</u>	<u>\$ (411,332)</u>	<u>\$ 311,021,655</u>

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

Business-type activities:	
Jetport	\$ 8,915,723
Sewer	2,527,488
Fish Pier Authority	174,603
Total depreciation expense - business-type activities	<u>\$ 11,617,814</u>

E. Pension plans

General Information about the pension plans to which the City is a participant

Plan Descriptions. City teachers are provided with pensions through the Maine Public Employees Retirement System (MainePERS) as part of the State Employee and Teacher Plan – a cost sharing multiple-employer plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays the unfunded actuarial liability (UAL) on behalf of the teachers, while the City contributes the normal cost, which is actuarially calculated.

City employees are also provided with pensions through MainePERS as part of the Participating Local District (PLD) Consolidated Plan – a cost sharing multiple-employer plan.

MainePERS is established under Maine law found in Title 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature. MainePERS issues a publicly available financial report that can be obtained at <http://www.maineopers.org/>.

Benefits provided. Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. MainePERS retirement programs 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 (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years.) In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement or after normal retirement age. Normal retirement age for teachers is age 60 or 65. The normal retirement age is determined by whether a member has met certain creditable service requirements on specific dates, as established by statute. For employees covered through the PLD, normal retirement age is 60. 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. MainePERS also provides disability and death benefits by statute for the City's teachers and by contract for City's PLD Plan.

Upon termination of membership, accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights under either plan. The annual rate of interest credited to employee's accounts is set by MainePERS's Board of Trustees and is currently at 5%.

Contributions. Retirement benefits are funded by contributions from participants and contributions from the City, earnings on investments and in the Teachers plan by contributions of the State of Maine. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employer and employee normal cost contribution rates are defined by law or MainePERS board rule and depend on the terms of the plan under which an employee is covered. The City's contributions are determined by actuarial valuation. Teachers are required to contribute 7.65% of their annual pay. PLD City employees are required

to pay 8.00% of their annual pay. For the year ended June 30, 2017 for the teachers' plan, the City was required to pay 3.36% (normal cost) of participants salary and the State of Maine was required to pick up 10.02% (unfunded actuarial liability (UAL)). For the PLD Plan participants the City was required to contribute between 9.5% and 14.2% of participant's annual pay, and a fixed monthly amount (\$14,202) for an unpooled unfunded actuarial liability (IUUAL). Contributions for the City's plan and the Teachers' plan for the year ended June 30, 2017 were \$5,409,928 and \$1,832,322, respectively.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's portion of the net pension liabilities were based on projections of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, and of all participating school districts, and the State of Maine.

City's Plan – At June 30, 2017, the City reported a liability of \$56,526,175 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportionate share of the PLD Plan was 10.64%.

Teacher's Plan – At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State of Maine's pension support provided to the Teacher's plan. The amount recognized by the City as it's proportionate share of the net pension liability, the State's support, and the total portion of the net pension liability that was associated with the Teacher's Plan were as follows:

City's proportionate share of the net pension liability	\$	5,291,061
State's proportionate share of the net pension liability		77,010,164
Total	\$	<u>82,301,225</u>

At June 30, 2016, the City's proportion of the Teacher Plan was 0.30%.

For the year ended June 30, 2017, the City recognized pension expense for the City's Plan of \$8,670,647, \$7,587,411 for the Teacher's plan, and State support of \$5,463,151. At June 30, 2017, the City recorded deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 2,858,129
Changes of assumptions	5,923,857	-
Net difference between projected and actual earnings on pension plan investments	13,192,108	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	-	1,003,310
The City's contribution subsequent to the measurement date	7,242,251	-
	<u>\$ 26,358,216</u>	<u>\$ 3,861,439</u>

\$7,242,251 is reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability 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	\$	2,275,913
2019		2,023,730
2020		7,435,039
2021		3,519,844

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:

	Teachers' Plan	City's Plans
Inflation	2.75%	2.75%
Salary increases	2.75% to 14.5%	2.75% to 9.0%
Investment rate of return	6.875%	6.875%
Cost of living benefit increases, per annum	2.20%	2.20%

Mortality rates for the City's plans were based on the RP2014 Tables Total Dataset Healthy Annuitant Mortality Table, for males and females. Economic assumptions and mortality tables were adopted as a result of the latest experience study review performed in 2016 and covering the period July 1, 2012 through 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 class of assets. 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	20%	5.7%
Non-U.S. 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 Teachers' and PLD Plans. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rate and that all contributions (the plan member, the City and the State of Maine) would be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. 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 liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability for the Teachers' and PLD Plans using the discount rate of 6.875% as well as what the net pension liability would be if it were calculated using a discount rate of one percentage point lower (5.875%) or one percentage point higher (7.875%) than the current rate.

	Teachers' Plan (5.875%, 6.875%, 7.875%)		City's Plans (5.875%, 6.875%, 7.875%)	
1% Decrease	\$	8,472,337	\$	93,823,269
Current Rate	\$	5,291,061	\$	56,526,175
1% Increase	\$	2,639,497	\$	21,412,294

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial report.

Payables to the pension plan: None as of June 30, 2017.

F. Construction and other significant commitments

Construction commitments – The City has active construction projects as of June 30, 2017. At year end, the City's commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
Public buildings and improvements	\$ 4,651,740	\$ 26,686,994
Sewer Projects	3,396,114	3,036,867
Jetport construction projects	3,831,970	2,488,127
Equipment	3,794,961	4,403,886
Total	<u>\$ 15,674,785</u>	<u>\$ 36,615,874</u>

G. Risk management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health insurance benefits; and natural disasters. Beginning in 1983, (1988 for employee health insurance benefits), the City decided to stop carrying commercial insurance for certain types of risk of loss because of its cost and began covering some claim settlements and judgments out of its general fund. The City currently reports all of its risk management activities in its general fund, enterprise funds and in the statement of net position. The liability for claims and judgments of the general fund which are not currently due and payable are reported in the statement of net position. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

With the exception of 1983 civil rights claims, which have no limit, the City's risk retention for tort liability claims is limited by state statute. The uninsured risk retention per incident under the Maine Tort Claims Act is \$400,000. The City has purchased insurance for certain types of claims in excess of \$100,000. The Jetport, an enterprise fund, is insured under separate policies with commercial insurance carriers. There have been no significant reductions in commercial insurance coverages from the prior year and no settlements under insured claims have exceeded commercial insurance coverage in any of the past three years.

The City participates in the Maine Municipal Association Group Risk Pool, a state chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity, and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2017. There have been no significant changes in insurance coverage during the past year.

At June 30, 2017, the amount of these liabilities was \$11,302,601. It is the City's best estimate based on available information. This table includes both governmental and proprietary funds. Changes in the liability since June 30, 2015 are as follows:

	Workers' Compensation	Health Insurance	Liability	Unemployment	Total
Unpaid claims as of June 30, 2015	\$ 8,776,339	\$ 1,430,000	\$ 522,310	\$ -	\$ 10,728,649
Incurred claims	806,206	17,147,304	186,900	83,572	18,223,982
Payments	(1,857,429)	(18,974,169)	(361,426)	(83,572)	(21,276,596)
Changes in estimates and other adjustments	238,339	2,481,865	(15,858)	-	2,704,346
Unpaid claims as of June 30, 2016	\$ 7,963,455	\$ 2,085,000	\$ 331,926	\$ -	\$ 10,380,381
Incurred claims	440,983	15,359,562	201,166	82,412	16,084,123
Payments	(1,963,670)	(16,747,411)	(356,768)	(82,412)	(19,150,262)
Changes in estimates and other adjustments	2,686,790	952,849	348,720	-	3,988,359
Unpaid claims as of June 30, 2017	\$ 9,127,558	\$ 1,650,000	\$ 525,044	\$ -	\$ 11,302,601

H. Lease obligations

Leasing arrangements where the City is Lessor. The City has several operating leases covering the properties listed below. The total rental income was \$24,289,133 for the year ended June 30, 2017. The future minimum lease payments are as follows:

For the years ending June 30:	
2018	\$ 4,319,816
2019	4,312,454
2020	4,312,749
2021	4,302,619
2022	4,302,619
Total future minimum lease payments	<u>\$ 21,550,257</u>

The following is a schedule of the cost and carrying value of property leased or held for lease under operating leases, by major classification:

	Cost	Carrying Value
Land:		
Casco Bay Ferry Terminal	\$ 511,024	\$ 511,024
Fish Pier	4,263,569	4,263,569
International Ferry Terminal	1,397,399	1,397,399
Total land	\$ 6,171,992	\$ 6,171,992
Property, plant and equipment:		
Casco Bay Ferry Terminal	\$ 6,129,647	\$ 1,897,120
Exposition Building	3,089,325	1,256,589
Fish Pier	14,585,252	1,039,928
Hadlock Field	4,362,422	1,972,784
International Ferry Terminal	3,044,555	76,730
Jetport	97,684,399	64,462,283
Total property, plant and equipment	\$ 128,895,600	\$ 70,705,434
	<u>\$ 135,067,592</u>	<u>\$ 76,877,426</u>

I. Long-term liabilities

Changes in long-term liabilities

Changes in the City's long-term liabilities for the governmental activities for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
General obligation bonds	\$ 223,219,027	\$ 10,666,577	\$ 15,291,183	\$ 218,594,421	\$ 15,917,381
Premium on bonds	7,135,804	1,054,421	954,656	7,235,569	996,924
Notes payable	10,371,602	-	372,530	9,999,072	425,794
Capital leases	53,315	96,045	72,491	76,869	35,745
Self-insurance	7,206,558	16,084,123	15,167,854	8,122,827	1,326,472
Compensated absences	9,793,739	-	281,375	9,512,364	3,519,575
Unfunded pension liability	460,915	-	143,258	317,657	153,399
Net pension liability	35,387,511	21,160,819	-	56,548,330	-
	<u>\$ 293,628,471</u>	<u>\$ 49,061,985</u>	<u>\$ 32,283,347</u>	<u>\$ 310,407,109</u>	<u>\$ 22,375,290</u>

The general fund is typically used to liquidate pension and compensated absences liabilities.

Changes in the City's long-term liabilities for the business-type activities for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
General obligation bonds	\$ 72,156,668	\$ 3,847,424	\$ 5,988,245	\$ 70,015,847	\$ 6,197,247
Revenue bonds	118,320,000	20,695,000	24,255,000	114,760,000	2,700,000
Premium on bonds	4,036,793	3,860,410	621,046	7,276,157	830,379
Net pension liability	3,167,399	2,101,507	-	5,268,906	-
	<u>\$ 197,680,860</u>	<u>\$ 30,504,341</u>	<u>\$ 30,864,291</u>	<u>\$ 197,320,910</u>	<u>\$ 9,727,626</u>

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, public improvements, infrastructure, equipment, economic development projects, the liquidation of self-insured claims, and pension benefit obligations. Bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Notes payable and capital leases are also considered direct obligations and also pledge the full faith and credit of the City.

Bonds for capital improvements which were authorized but not issued at June 30, 2017 were \$228,222,310.

As of June 30, 2017, general obligation bonds, capital leases and notes payable reported in the statement of net position consisted of the following:

<u>Bond Issue</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>General City</u>	<u>Enterprise Funds</u>	<u>Balance at June 30, 2017</u>
General obligation bonds:						
Multi-modal taxable						
pension bond	07/19/01	\$ 111,800,000	variable	\$ 102,885,000	\$ -	\$ 102,885,000
Various purpose	05/01/09	13,220,000	3.31	4,568,648	311,352	4,880,000
Combined Sewer Overflow	06/15/09	11,135,000	1.00	-	6,681,000	6,681,000
Combined Sewer Overflow	06/15/09	1,912,762	0.00	-	1,147,657	1,147,657
Refunding	06/15/09	17,935,000	3.05	1,221,731	718,269	1,940,000
School Construction	11/01/09	14,217,000	3.46	9,230,000	-	9,230,000
Refunding and						
various purposes	03/01/10	18,912,000	3.98	8,687,905	817,095	9,505,000
Combined Sewer Overflow	11/23/10	11,100,000	1.00	-	7,770,000	7,770,000
Refunding and						
various purposes	12/01/10	13,900,000	3.12	9,202,909	442,091	9,645,000
Combined Sewer Overflow	05/02/11	7,286,467	1.00	-	5,100,527	5,100,527
Refunding	09/01/11	19,940,000	3.83	3,464,514	6,065,486	9,530,000
Combined Sewer Overflow	12/18/11	7,245,000	1.00	-	5,433,750	5,433,750
Various purpose	01/25/12	11,494,000	2.06	7,175,000	220,000	7,395,000
Various Purposes	02/01/13	15,418,000	var	10,161,912	1,218,088	11,380,000
Combined Sewer Overflow	04/15/13	14,300,000	0.50	-	11,440,000	11,440,000
Refunding and						
various purposes	02/01/14	20,118,000	var	12,666,269	2,183,731	14,850,000
Refunding and						
various purposes	02/03/15	20,431,000	var	15,060,673	2,269,327	17,330,000
Combined Sewer Overflow	12/01/15	6,800,000	1.00	-	6,573,333	6,573,333
Refunding and						
various purposes	03/02/16	33,385,000	var	23,603,283	7,776,717	31,380,000
Various purpose	03/15/17	14,514,000	var	10,666,577	3,847,423	14,514,000
Total general obligation bonds		<u>\$ 411,153,962</u>		<u>\$ 218,594,421</u>	<u>\$70,015,846</u>	<u>\$ 288,610,267</u>
Capital leases:						
School Department Equipment & Vehicles				\$ 7,950	\$ -	\$ 7,950
School Modular Classrooms				68,919	-	68,919
Total capital leases				<u>\$ 76,869</u>	<u>\$ -</u>	<u>\$ 76,869</u>
Notes payable:						
HUD 108 Loan				\$ 8,950,000	\$ -	\$ 8,950,000
Maine Department of Transportation				1,049,072	-	1,049,072
Total notes payable				<u>\$ 9,999,072</u>	<u>\$ -</u>	<u>\$ 9,999,072</u>
Total				\$ 228,670,362	\$70,015,846	\$ 298,686,208
Less current portion				<u>(16,378,920)</u>	<u>(6,197,247)</u>	<u>(22,576,167)</u>
Total long-term				<u>\$ 212,291,442</u>	<u>\$63,818,599</u>	<u>\$ 276,110,041</u>

The debt service requirements for the City's general obligation bonds, capital leases and notes payable are as of June 30, 2017 are as follows:

Year Ending June 30	General City		Enterprise Funds		Totals		Grand Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 15,917,381	\$ 13,387,443	\$ 6,197,247	\$ 1,289,870	\$ 22,114,628	\$ 14,677,313	\$ 36,791,942
2019	16,498,852	12,569,438	6,036,776	1,170,686	22,535,628	13,740,124	36,275,752
2020	16,736,718	11,678,484	5,743,910	1,036,517	22,480,628	12,715,000	35,195,628
2021	17,886,594	10,687,282	5,424,034	905,679	23,310,628	11,592,961	34,903,589
2022	19,413,671	9,541,582	5,311,957	773,973	24,725,628	10,315,556	35,041,184
2023-2027	102,406,295	24,867,945	21,346,845	2,393,645	123,753,141	27,261,591	151,014,731
2028-2032	21,558,406	3,320,099	14,223,247	900,516	35,781,653	4,220,615	40,002,268
2033-2037	8,176,504	549,353	3,691,829	267,495	11,868,332	816,848	12,685,180
2038-2042	-	-	1,133,333	73,666	1,133,333	73,666	1,206,999
2043-2046	-	-	906,667	18,133	906,667	18,133	924,800
Grand totals	\$ 218,594,421	\$ 86,601,625	\$ 70,015,846	\$ 8,830,182	\$ 288,610,266	\$ 95,431,808	\$ 384,042,074

Year Ending June 30	Capital Leases			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 35,745	\$ 3,238	\$ 38,982	\$ 425,794	\$ 166,657	\$ 592,450
2019	37,675	1,308	38,982	479,204	156,475	635,679
2020	3,449	13	3,463	632,768	144,727	777,495
2021	-	-	-	686,493	132,238	818,731
2022	-	-	-	740,385	118,993	859,378
2023-2027	-	-	-	4,716,723	367,933	5,084,656
2028-2029	-	-	-	2,317,705	20,365	2,338,070
	\$ 76,869	\$ 4,559	\$ 81,427	\$ 9,999,072	\$ 1,107,387	\$ 11,106,460

Revenue bonds

The Jetport issues revenue bonds for the purpose of enlarging and improving its operations. The Jetport has also issued refunding bonds when there has been an economic gain. The refundings are structured as legal defeasances of the old debt and such debt has been removed the Jetport's books. Revenue bonds payable for the year ended June 30, 2017:

	Stated Interest Rate Range	Face Value Outstanding June 30, 2017
General Airport Revenue Refunding Bonds, Series 2016 \$20,695,000 original principal, matures January 1, 2038	4%-5%	\$ 20,695,000
General Airport Revenue Refunding Bonds, Series 2013 \$26,265,000 original principal, matures July 1, 2032	2%-5%	22,300,000
General Airport Revenue Bonds, Series 2010 \$72,310,000 original principal, matures January 1, 2040	4%-5%	71,765,000
		<u>\$ 114,760,000</u>

The debt service requirements for the outstanding revenue bonds at June 30, 2017 are as follows:

Year ended June 30,	Principal	Interest	Total
2018	\$ 2,700,000	\$ 5,689,300	\$ 8,389,300
2019	3,065,000	5,568,475	8,633,475
2020	3,210,000	5,439,125	8,649,125
2021	3,390,000	5,288,225	8,678,225
2022	3,570,000	5,123,075	8,693,075
2023-2027	21,170,000	22,700,250	43,870,250
2028-2032	27,835,000	16,742,388	44,577,388
2033-2037	27,670,000	9,643,838	37,313,838
2038-2040	22,150,000	2,481,500	24,631,500
Totals	<u>\$ 114,760,000</u>	<u>\$ 78,676,175</u>	<u>\$ 193,436,175</u>

Section 705 of the *General Certificate of Terms of Issuance of General Airport Revenue Bonds Portland International Jetport* for each issue requires a minimum debt service coverage ratio of 125%. The actual debt service coverage ratio for 2017 is 137%, which exceeds the requirement by 12 points.

Current refunding

On September 20, 2016, the Portland Jetport issued \$20,695,000 of refunding revenue bonds with interest rates ranging from 4% to 5%. The proceeds of the bonds were used to refund 2008 revenue bonds in the amount of \$23,160,000. The net carrying amount of the old debt exceeded the reacquisition price by \$2,465,000. The City refinanced the debt in order to reduce its total debt service payments over the next 21 years by \$3,134,318 and obtain an economic gain (the difference between the present values of debt service payment on the old and new debt) of \$2,355,748.

Debt limit

The statutes of the State of Maine limit the City's long-term debt outstanding to 15% of the State's assessed valuation of the City. At June 30, 2017, \$288,610,267 (22.63%) of debt applicable to the statutory limit of \$1,275,232,500 was outstanding.

Pension bonds

On July 17, 2001, the City issued \$111.8 million in multi-modal, taxable, variable rate general obligation bonds to refinance debt owed to Maine Public Employees Retirement System (MainePERS) and entered into an interest rate swap in order to pay fixed rates over the life of the debt. The City pays fixed rates from 4.9% to 8.9%. On July 17, 2001 the bonds were priced at 3.85% and are reset weekly at the USD-LIBOR-BBA rate plus 0.4%. Principal payments are due each June 1st and interest is due monthly on the first day of each month.

Overlapping debt

The City is liable for its proportionate share of any defaulted debt issued by entities of which it is a member. The overlapping bonded debt applicable to the City as of June 30, 2017 is as follows:

<u>Entity</u>	<u>Percentage</u>	<u>Share of Bonded Debt Amount</u>
Cumberland County	20.17%	\$ 7,552,365
Portland Water District (sewer debt)	100.00%	24,512,852
Portland Water District (water debt)	30.31%	13,936,560
		<u>\$ 46,001,777</u>

J. Fund balance

Minimum fund balance policy and stabilization arrangement. The City has established a policy providing for the unassigned fund balance of the City's general fund. The goal of the policy is to achieve and maintain an unassigned general fund balance equal to 12.5% of expenditures. Additionally the policy calls for establishing reserves for any audited increase in unassigned general fund balance from one year to the next. This reserve is in accordance with Title 30-A of the Maine Revised Statutes requirements related to establishing reserves, and is equal to 25% of the increase. The account is to be applied in periods of financial emergency to assist in continuing its normal operation without increasing the tax rate. Balances in the tax rate stabilization reserve are included in the calculation of the 12.5% goal. In years where there is no increase in unassigned fund balance; there is no increase to the reserve.

Restatement of net position

Shortly before June 30, 2016, the Portland Development Corporation issued a loan of \$122,500 for business assistance and remitted funds to a local vendor. Due to a timing discrepancy, the loan receivable was not posted to the accounting system until after year end. As such, the prior year financials incorrectly stated the amount of notes and loans receivable as of June 30, 2016. The beginning net position has been restated to include that loan receivable.

A summary of the transactions affecting the June 30, 2016 fund balance and net position is below:

	<u>Portland Development Corporation</u>	<u>Business-type Activities</u>
Net position June 30, 2016 as previously reported	\$3,534,843	\$179,769,793
To recognize additional loan receivable	122,500	122,500
Net position June 30, 2016, as restated	<u>\$3,657,343</u>	<u>\$179,892,293</u>

K. Interfund receivables, payables, and transfers

Interfund balances and transfers by fund at and for the year ended June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General fund	\$ 158,261	\$ -	\$ 827,184	\$ 30,092,582
Debt service	-	-	28,057,582	11,653,823
Capital projects fund	-	-	11,529,945	-
Nonmajor governmental funds	-	158,261	2,034,280	709,934
Sewer	-	-	22,500	-
Stormwater	-	-	7,500	-
Portland Development Corporation	-	-	-	22,653
	<u>\$ 158,261</u>	<u>\$ 158,261</u>	<u>\$ 42,478,992</u>	<u>\$ 42,478,992</u>

The outstanding balances between funds result mainly from short-term cash flow needs that are funded by the general fund. Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and move unrestricted revenues from various funds to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

L. Discretely presented component unit and jointly governed organizations

Portland Public Library

The library maintains its cash accounts at various institutions. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times throughout the year the library's cash balance exceeded FDIC insurance. Cash held within investment accounts is guaranteed by Securities Investor Protection Corporation (SIPC) up to \$250,000. At June 30, 2017, none of the library's deposits were uninsured and uncollateralized.

Capital assets for the Library are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 162,500	\$ -	\$ -	\$ 162,500
Construction in progress	25,448	299,272	-	324,720
Total capital assets, not being depreciated	<u>\$ 187,948</u>	<u>\$ 299,272</u>	<u>\$ -</u>	<u>\$ 487,220</u>
Property and Equipment				
Buildings and Improvements	\$ 4,096,527	\$ 35,771	\$ -	\$ 4,132,298
Furniture and Equipment	1,306,169	55,427	-	1,361,596
Total capital assets, being depreciated	<u>5,402,696</u>	<u>91,198</u>	<u>-</u>	<u>5,493,894</u>
Less accumulated depreciation				
Buildings and Improvements	(762,964)	(88,712)	-	(851,676)
Furniture and Equipment	(1,050,535)	(139,038)	-	(1,189,572)
Total accumulated depreciation	<u>(1,813,499)</u>	<u>(227,750)</u>	<u>-</u>	<u>(2,041,248)</u>
Total capital assets being depreciated, net	<u>3,589,197</u>	<u>(136,552)</u>	<u>-</u>	<u>3,452,646</u>
Component unit capital assets, net	<u>\$ 3,777,145</u>	<u>\$ 162,720</u>	<u>\$ -</u>	<u>\$ 3,939,866</u>

The Library's investments consist of the following:

Investment types:	Fair Value	Maturities (years)		
		Not Applicable	< 1	1 - 5
Library:				
Cash Equivalents	\$ 514,321	\$ 514,321	\$ -	\$ -
U.S. Treasuries	284,166	-	85,956	198,210
Common Stock	887,712	887,712	-	-
Mutual Funds	4,135,124	4,135,124	-	-
	<u>\$ 5,821,323</u>	<u>\$ 5,537,157</u>	<u>\$ 85,956</u>	<u>\$ 198,210</u>

Notes payable for the library consisted of the following as of June 30, 2017:

TD Bank, N.A.

Term note dated September 30, 2014 for \$1,750,000, interest only for first 24 months at LIBOR plus 1.9%, followed by 96 monthly payments of principal and interest (based on a 20-year amortization at LIBOR rate plus 1.9% (3.13% at June 30, 2017), matures in ten years, due August 31, 2024, secured by endowment investments, property and various assets.

Less current portion

\$	775,198
	(30,252)
<u>\$</u>	<u>744,946</u>

The expected debt service requirements are as follows:

June 30,	
2018	\$ 30,252
2019	31,204
2020	32,185
2021	33,197
2022	34,241
Thereafter	614,119
	<u>\$ 775,198</u>

The library is exempt from income taxes under Section 501(c)(3).

Management of the library evaluated the tax positions the library had taken and concluded no uncertain tax positions that require adjustment to the financial statements. The library does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next twelve months. The library is subject to federal and state examinations by tax authorities for the years ended June 30, 2012 and forward.

Greater Portland Transit District

The City's member assessment for the year ended June 30, 2017 was \$2,572,744.

ecomaine

During the year June 30, 2017, the City paid ecomaine \$629,834 in tipping fees and assessments for solid waste disposal services. Selected balance sheet information for ecomaine for the year ended June 30, 2017 based on the most recent information available, includes total assets of \$64,040,233 total liabilities of \$17,454,918, and unrestricted net position of \$18,547,554. The liabilities include an accrual for landfill closure and post closure care of \$14,564,514. ecomaine funds this liability in the form of a cash reserve.

M. Contingencies

A substantial portion of the City's long-term care services are reimbursed by third-party payers at rates subject to redetermination based on the filing of an annual cost report and audit of those reports. Anticipated final settlements due from or to third parties are recorded in the year in which the related services are performed. Any adjustments resulting from third party examination are recognized in the year in which the related services are performed. Any adjustments resulting from third-party examination are recognized in the year in which the results of examinations become known. Amounts related to the City's long-term care facility are recorded in the general fund.

The City participates in a number of federally assisted grant programs, principal of which are U.S. Department of Education programs, National School Lunch, Airport Development Aid, and Community Development Block Grants. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are various claims and suits pending against the City which arise in the normal course if the City's activities. In the opinion of the City management, the ultimate disposition will not materially affect the financial condition of the City.

Statement No. 18 of the Government Accounting Standards Board (GASB) entitled *Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care* requires the City to record a liability for the estimated costs of landfill closure and post closure care. State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at its Peaks Island municipal solid waste landfill. This landfill stopped accepting municipal solid waste in 1983 and construction debris in 1990. The City estimates there are no significant remaining post closure care costs. This estimate is based on what it would cost to perform all remaining post closure in 2016. The actual costs may be higher due to inflation, changes in technology or changes in regulations.

N. Tax abatements

The City has entered into several Credit Enhancement Agreements (CEAs) with individual organizations as permitted within its twelve Tax Increment Financing (TIF) District development programs, established under the State of Maine Title 30-A M.R.S. §§ 5221-5235. The CEAs outline conditions for the reimbursement of a percentage of the tax revenues generated through the increased values of certain parcels within each district. The agreements and payments are intended to promote economic development through real estate development and public infrastructure improvements. Based on compliance with the terms of the agreement, and the calculation methods established in the CEAs, the City returns to the organization a portion of the taxes paid.

For the fiscal year ended June 30, 2017, the City's property tax revenues were reduced by \$2,085,290. This amount was distributed among dedicated project accounts for each of the City's TIF's. The City remitted a total of \$1,008,372 in Credit Enhancement payments, as follows:

TIF District	Term	Purpose	CEA Entity	Year ended June 30, 2017	
				Taxes Captured	Amounts Paid
Waterfront	2000 - 2019	Marine Uses		\$ 476,585	
	2012 - 2031	Offices	Pierce Atwood LLP		\$ 192,339
Bayside	2009 - 2023	Total TIF		813,666	
		Student Housing	Bayside Village		108,805
	2009 - 2023	Offices/Public Infrastruct.	Atlantic Bayside Trust LLC		355,000
	2008 - 2018	Public Infrastructure	Blue Atlantic Portland LLC		
Holt Hall	2000 - 2019	Apartments/Offices	Bramhall Partners LP	64,819	64,819
Avesta/Pearl Place	2008 - 2037	Affordable Housing	Avesta Pearl Street One LP	21,689	21,689
Ocean Gateway/Riverwalk	2007 - 2019	Public Infrastructure	Portland Norwich Group LI	117,443	117,443
409 Cumberland Avenue	2014 - 2035	Affordable Housing	Avesta 409 Cumberland LP	68,560	34,280
134 Washington Avenue	2015 - 2034	Affordable Housing	Avesta Washington Ave LP	9,751	9,751
Thompson's Point TOD	2015 - 2044	Transit-oriented dev.		18,281	
Baxter Library	2011 - 2019	Office Development	Baxter Building LLC	34,339	34,339
Power Pay/Portland Public Market	2011 - 2040	Office Development		69,614	69,614
Downtown TOD	2016 - 2045	Transit-oriented dev.		390,543	
17 Carleton Street	2016 - 2037	Affordable Housing		-	
				<u>\$ 2,085,290</u>	<u>\$ 1,008,079</u>

O. New pronouncements

For the fiscal year ended June 30, 2017, the City has implemented GASB Statement No. 77, *Tax Abatement Disclosures*.

P. Subsequent events

Sale of bonds

In August 2017 the City issued \$24,600,000 general obligation bonds. The purpose of the issuance was to provide funds to finance the design, construction, furnishing and equipping of a new elementary school to replace Hall Elementary School. The bonds were issued at various interest rates ranging from 1.75% to 5.00%. Annual principal payments of \$1,230,000 begin August 1, 2018 with a final maturity on August 1, 2037. It is anticipated that State funding will be received to offset 95% of the debt service costs related to this issue.

Capital lease

On July 26, 2017 the City entered into a four-year, \$640,000 capital lease with Androscoggin Bank for the purchase of 2,500 Chromebooks (laptop computers) with an interest rate of 3.02%. Under the terms of the lease, the City will make annual payments of \$167,209.92 in the fiscal years 2018 through 2021.

Required Supplementary Information



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Required Supplementary Information

CITY OF PORTLAND, MAINE
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ALL AVAILABLE YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Teachers' Pension Plan										
City's proportion of the net pension liability (asset)	0.2995%	0.3388%	0.3928%	0.3755%	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability (asset)	\$ 5,291,061	\$ 4,574,241	\$ 4,243,093	\$ 5,969,409	N/A	N/A	N/A	N/A	N/A	N/A
State of Maine's proportionate share of the net pension liability (asset)	77,010,164	58,599,731	47,511,544	112,160,829	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 82,301,225	\$ 63,173,972	\$ 51,754,637	\$ 118,130,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 54,696,814	\$ 53,169,981	\$ 53,769,823	\$ 48,514,298	\$ 48,192,931	\$ 49,800,635	\$ 54,716,435	\$ 54,310,448	\$ 47,433,244	\$ 45,564,894
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	9.67%	8.60%	7.89%	12.30%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.21%	81.18%	83.91%	76.85%	N/A	N/A	N/A	N/A	N/A	N/A
City's Pension Plan										
City's proportion of the net pension liability (asset)	10.639%	10.6507%	10.7408%	10.9373%	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability (asset)	\$ 56,526,175	\$ 33,980,669	\$ 16,528,117	\$ 33,715,175	N/A	N/A	N/A	N/A	N/A	N/A
City's covered payroll	\$ 55,875,164	\$ 54,218,853	\$ 54,432,870	\$ 51,652,925	\$ 50,822,691	\$ 49,284,523	\$ 37,948,138	\$ 37,383,593	\$ 46,407,592	\$ 46,407,592
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	101.17%	62.67%	30.36%	65.27%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%	87.50%	N/A	N/A	N/A	N/A	N/A	N/A

Required Supplementary Information

CITY OF PORTLAND, MAINE
SCHEDULE OF CONTRIBUTIONS
ALL AVAILABLE YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Teachers' Pension Plan									
Contractually required contribution	\$ 1,832,322	\$ 1,838,029	\$ 1,409,110	\$ 1,424,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contributions	(1,832,322)	(1,838,029)	(1,409,110)	(1,424,898)	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 54,522,466	\$ 54,696,814	\$ 53,169,981	\$ 53,769,823	\$ 48,514,298	\$ 48,192,931	\$ 49,800,635	\$ 54,716,435	\$ 54,310,448	\$ 47,433,244
Contributions as a percentage of covered payroll	3.36%	3.36%	2.65%	2.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	City's Pension Plan									
Contractually required contribution	\$ 5,409,928	\$ 4,989,123	\$ 4,697,703	\$ 4,030,154	\$ 3,519,186	\$ 2,913,708	\$ 2,295,280	\$ 1,546,558	\$ 1,524,861	\$ 1,789,722
Contributions in relation to contractually required contributions	(5,409,928)	(4,989,123)	(4,697,703)	(4,030,154)	(3,519,186)	(2,913,708)	(2,295,280)	(1,546,558)	(1,524,861)	(1,789,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 57,820,081	\$ 55,875,164	\$ 54,218,853	\$ 54,432,870	\$ 51,652,925	\$ 50,822,691	\$ 49,284,523	\$ 37,948,138	\$ 37,383,593	\$ 46,407,592
Contributions as a percentage of covered payroll	9.36%	8.93%	8.66%	7.40%	6.81%	5.73%	4.66%	4.08%	4.08%	3.86%

CITY OF PORTLAND, MAINE
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms. Both the Teachers' and City's Pension plan had no changes in benefit terms since the previous valuation.

Changes of assumptions. The following are changes in actuarial assumptions used in the most recent valuation (6/30/16):

	<u>2016</u>	<u>2015</u>
Discount rate	6.875%	7.125%
Inflation rate	2.75%	3.50%
Salary increases – PLD (City)	2.75% to 9.00%	3.50% to 9.50%
Salary increases – SET (Teachers)	2.75% to 14.50%	3.50% to 13.50%
Cost of living increase	2.20%	2.55%
Long-term expected real rate of return on assets:		
U.S. 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 for the June 30, 2015 valuation were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA; for the June 30, 2016 valuation, the mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table.

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Combining and Individual Fund Financial Statements



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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for particular purposes.

Community Development Block Grant (CDBG)

Received from the U.S. Department of Housing and Community Development; these funds are used to promote housing, work and shop, mobility and accessibility, safe neighborhoods, and basic needs.

City Loan Programs

This fund is used to account for various housing and rehabilitation loans. In addition to providing loans and grants the funds are used for affordable housing development, rental assistance, and housing information and resources. The funding sources include CDBG, the Home Investment Partnership Program (HOME), and City contributions.

School Food Service Program

The City's School Department's Food service program provides meals to students. The program is funded through local contributions and federal and state grants.

Education Programs

Educational grants from federal, state and local sources are accounted for in this fund.

Other Grants and Special Revenues

All other special revenue funds of the City are combined and accounted for in this fund.

PERMANENT FUNDS

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

Perpetual Care

To account for funds provided by private donors to finance the perpetual care of cemeteries. The principal amounts of gifts remain intact. Investment earnings are used for the care and maintenance of the cemeteries.

Other Permanent Funds

To account for endowments provided by private donors to establish various trusts. Principal and income may be expended as is stipulated by the various trust instruments.

CITY OF PORTLAND, MAINE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenues					Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grants	City Loan Program	School Food Service Program	Education Programs	Other Grants and Special Revenues	Total	Perpetual Care	Other Permanent Funds	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ 1,901,641	\$ 829,796	\$ 167,656	\$ 18,517,469	\$ 21,416,563	\$ 371,061	\$ 789,496	\$ 1,160,557
Investments	-	-	-	-	-	-	10,217,431	10,307,678	20,525,109
Accounts receivable, net	-	68	-	1,577,045	213,721	1,790,834	91	86	177
Loans receivable	-	1,596,516	-	-	-	1,596,516	-	-	-
Allowance for uncollectible loans	-	(79,825)	-	-	-	(79,825)	-	-	-
Due from other governments	412,777	-	213,440	-	1,364,549	1,990,766	-	-	-
Inventories	-	-	76,067	-	-	76,067	-	-	-
Prepaid expenditures	-	-	-	-	31,213	31,213	-	-	-
Total assets	\$ 412,777	\$ 3,418,400	\$ 1,119,303	\$ 1,744,702	\$ 20,126,952	\$ 26,822,134	\$ 10,588,583	\$ 11,097,259	\$ 21,685,842
LIABILITIES									
Accounts payable	\$ 230,274	\$ 5,909	\$ 30,038	\$ 69,463	\$ 776,576	\$ 1,112,259	\$ -	\$ -	\$ -
Accrued liabilities	24,242	-	58,880	500,703	21,954	605,778	-	-	-
Interfund payable	158,261	-	-	-	-	158,261	-	-	-
Unearned revenue	-	-	-	-	574,672	574,672	-	-	-
Total liabilities	\$ 412,777	\$ 5,909	\$ 88,917	\$ 570,166	\$ 1,373,202	\$ 2,450,971	\$ -	\$ -	\$ -
FUND BALANCES									
Nonspendable:									
Inventories and prepaid expenses	\$ -	\$ -	\$ 76,067	\$ -	\$ 31,213	\$ 107,280	\$ -	\$ -	\$ 107,280
Permanent funds	-	-	-	-	-	-	-	5,902,521	5,902,521
Restricted:									
Other grants and special revenue	-	-	954,320	1,174,536	18,722,538	20,851,393	-	-	-
Permanent funds	-	-	-	-	-	-	10,588,583	5,194,738	15,783,321
Committed:									
Loan programs	-	3,412,490	-	-	-	3,412,490	-	-	-
Total fund balances	\$ -	\$ 3,412,490	\$ 1,030,386	\$ 1,174,536	\$ 18,753,751	\$ 24,371,163	\$ 10,588,583	\$ 11,097,259	\$ 21,685,842
Total liabilities and fund balances	\$ 412,777	\$ 3,418,400	\$ 1,119,303	\$ 1,744,702	\$ 20,126,952	\$ 26,822,134	\$ 10,588,583	\$ 11,097,259	\$ 21,685,842

CITY OF PORTLAND, MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Special Revenues					Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grants	City Loan Program	School Food Service Program	Education Programs	Other Grants and Special Revenues	Total	Perpetual Care	Other Permanent Funds	Total
REVENUES									
General property taxes	\$ -	\$ -	\$ 169,076	\$ -	\$ 2,527,762	\$ 2,696,838	\$ -	\$ -	\$ 2,696,838
Licenses and permits	-	-	-	-	598,918	598,918	-	-	598,918
Uses of money and property	-	13,563	-	-	37,711	51,275	1,013,406	1,040,960	2,054,366
Intergovernmental	2,367,981	1,024,264	2,973,455	6,118,448	5,341,430	17,825,578	-	-	17,825,578
Current services	141,481	265,078	411,341	852,824	3,035,448	4,706,173	62,740	423,116	485,856
Total revenue	\$ 2,509,462	\$ 1,302,905	\$ 3,553,872	\$ 6,971,272	\$ 11,541,270	\$ 25,878,782	\$ 1,076,145	\$ 1,464,076	\$ 2,540,221
EXPENDITURES									
Current:									
General government	\$ 1,386,507	\$ 1,142,374	\$ -	\$ -	\$ 3,202,679	\$ 5,731,559	\$ 21,969	\$ 372,355	\$ 394,323
Public safety	150,000	-	-	-	977,777	1,127,777	-	-	-
Public works	17,133	-	-	-	502,210	519,343	-	-	-
Health and social services	94,552	194,251	-	-	4,468,857	4,757,660	-	-	-
Education	-	-	3,436,475	7,203,995	-	10,640,470	-	-	-
Debt Service	-	-	-	-	397,691	397,691	-	-	-
Capital outlay	876,491	-	-	-	1,942,465	2,818,956	-	-	-
Total expenditures	\$ 2,524,683	\$ 1,336,625	\$ 3,436,475	\$ 7,203,995	\$ 11,491,679	\$ 25,993,457	\$ 21,969	\$ 372,355	\$ 394,323
Excess (deficiency) of revenues over (under) expenditures	(15,221)	(33,720)	117,398	(232,723)	49,591	(114,675)	1,054,176	1,091,721	2,145,898
OTHER FINANCING SOURCES (USES)									
Transfers in	\$ 15,221	\$ 19,059	\$ -	\$ -	\$ 2,000,000	\$ 2,034,280	\$ -	\$ -	\$ 2,034,280
Transfers out	-	-	-	-	(491,751)	(491,751)	(218,183)	-	(218,183)
Total other financing sources (uses)	\$ 15,221	\$ 19,059	\$ -	\$ -	\$ 1,508,249	\$ 1,542,529	\$ (218,183)	\$ -	\$ (218,183)
Net change in fund balances	\$ -	\$ (14,660)	\$ 117,398	\$ (232,723)	\$ 1,557,840	\$ 1,427,855	\$ 835,993	\$ 1,091,721	\$ 1,927,715
Fund balances - beginning	-	3,427,150	912,988	1,407,259	17,195,911	22,943,308	9,752,590	10,005,537	19,758,127
Fund balances - ending	\$ -	\$ 3,412,490	\$ 1,030,386	\$ 1,174,536	\$ 18,753,751	\$ 24,371,163	\$ 10,588,583	\$ 11,097,259	\$ 21,685,842
									\$ 46,057,005

CITY OF PORTLAND, MAINE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND -- AGENCY FUNDS
For the Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Cash and cash equivalents	\$ 4,177,487	\$ 39,260,597	\$ 39,149,283	\$ 4,288,801
 LIABILITIES				
Accounts payable	\$ -	\$ 4,558,168	\$ 4,199,745	\$ 358,423
Accrued liabilities	390,428	30,644,839	30,545,989	489,278
Held for school activities	947,430	1,337,727	1,309,557	975,600
Held for performance guarantees	1,530,994	1,437,095	1,817,938	1,150,151
Held for others	1,308,635	1,282,769	1,276,055	1,315,349
	<u>\$ 4,177,487</u>	<u>\$ 39,260,597</u>	<u>\$ 39,149,283</u>	<u>\$ 4,288,801</u>

SCHOOL DEPARTMENT

The following three summaries present additional detailed information about the City's School Department. The reports were prepared from the department's financial management system and are presented on the department's budgetary basis of accounting.

CITY OF PORTLAND, MAINE
SCHOOL DEPARTMENT
REVENUE STATUS REPORT SUMMARY
(Includes General, Adult Education and Food Services Funds)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Budget Basis Actual</u>	<u>Variance Positive (Negative)</u>
Municipal revenue sources:			
General property taxes for:			
General fund	\$ 79,013,267	\$ 79,013,267	\$ -
Food service	169,076	169,076	-
Adult education	1,149,033	1,149,033	-
Total Municipal revenue sources	<u>\$ 80,331,376</u>	<u>\$ 80,331,376</u>	<u>\$ -</u>
School department revenue sources:			
Intergovernmental revenues -			
Federal for:			
General fund	\$ 589,406	\$ 579,472	\$ (9,934)
Food service	2,739,190	2,927,383	188,193
	<u>\$ 3,328,596</u>	<u>\$ 3,506,855</u>	<u>\$ 178,259</u>
State for:			
General fund	\$ 15,582,321	\$ 15,646,588	\$ 64,267
Food service	28,016	46,072	18,056
Adult education	453,680	434,197	(19,483)
	<u>\$ 16,064,017</u>	<u>\$ 16,126,857</u>	<u>\$ 62,840</u>
Local revenues -			
General fund:			
Tuition	\$ 2,240,151	\$ 2,257,640	\$ 17,489
Miscellaneous	230,500	248,464	17,964
Fund balance appropriation	500,000	-	(500,000)
Food service:			
Miscellaneous	453,244	411,342	(41,902)
Fund balance appropriation	250,000	-	(250,000)
Adult education	205,000	191,440	(13,560)
	<u>\$ 3,878,895</u>	<u>\$ 3,108,886</u>	<u>\$ (770,009)</u>
Total school department revenue sources	<u>23,271,508</u>	<u>22,742,598</u>	<u>(528,910)</u>
Total revenues	<u>\$ 103,602,884</u>	<u>\$ 103,073,974</u>	<u>\$ (528,910)</u>

CITY OF PORTLAND, MAINE
SCHOOL DEPARTMENT
EXPENDITURE STATUS REPORT SUMMARY
(Includes General, Adult Education and Food Services Funds)
For the Year Ended June 30, 2017

	Budget	Budget Basis Actual	Variance Positive (Negative)
General operations:			
Salaries and wages -			
Regular salaries	\$ 58,993,390	\$ 58,406,290	\$ 587,100
Temporary salaries	1,283,320	1,444,122	(160,802)
Overtime and additional work	196,652	276,371	(79,719)
Stipends and differentials	2,143,408	1,910,954	232,454
Total salaries and wages	\$ 62,616,770	\$ 62,037,737	\$ 579,033
Employee benefits	\$ 16,428,252	\$ 16,578,518	\$ (150,266)
Contracted services -			
Professional and technical services	\$ 2,404,462	\$ 2,355,309	\$ 49,153
Employee training and development	311,623	171,322	140,301
Architectural and engineering services	20,000	9,279	10,721
Security services	127,829	124,999	2,830
Special education	442,523	399,992	42,531
Legal	180,000	137,263	42,737
Total contracted services	\$ 3,486,437	\$ 3,198,164	\$ 288,273
Other expenditures -			
Books and Periodicals	\$ 561,701	\$ 355,842	\$ 205,859
Communications	244,437	159,108	85,329
Debt service	6,477,290	6,446,756	30,534
Dues and fees	192,585	158,178	34,407
Equipment	235,253	236,907	(1,654)
Insurance	358,612	317,551	41,061
Miscellaneous	273,433	200,291	73,142
Rentals and leases	215,440	219,208	(3,768)
Repairs and maintenance	1,429,898	1,375,603	54,295
Supplies	1,788,610	1,723,379	65,231
Transportation services	878,077	847,155	30,922
Travel	174,889	132,763	42,126
Tuition	712,942	555,715	157,227
Utilities	2,081,019	2,135,440	(54,421)
Total other expenditures	\$ 15,624,186	\$ 14,863,896	\$ 760,290
Total general operations	\$ 98,155,645	\$ 96,678,315	\$ 1,477,330
Total adult education	\$ 1,807,713	\$ 1,718,126	\$ 89,587
Total food service	\$ 3,639,526	\$ 3,436,475	\$ 203,051
Total expenditures	\$ 103,602,884	\$ 101,832,916	\$ 1,769,968

**CITY OF PORTLAND, MAINE
SCHOOL DEPARTMENT
FUND BALANCE STATUS REPORT
For the Year Ended June 30, 2017**

	<u>GENERAL ED</u>	<u>ADULT ED</u>	<u>FOOD SERVICE</u>	<u>TOTAL FUNDS</u>
Fund balances, beginning of year:				
Nonspendable Inventory	\$ -	\$ -	\$ 73,623	\$ 73,623
Committed for subsequent years expenditure	2,584,960	-	250,000	2,834,960
Assigned	500,423	-	-	500,423
Unassigned	2,532,526	145,501	589,365	3,267,392
Total fund balance, beginning of year	5,617,909	145,501	912,988	6,676,398
Revenues and other financing sources in excess of expenditures and other financing uses	1,067,116	56,544	117,399	1,241,059
Fund balance, end of year	<u>\$ 6,685,025</u>	<u>\$ 202,045</u>	<u>\$ 1,030,387</u>	<u>\$ 7,917,457</u>
Fund balances, end of year:				
Nonspendable Inventory	\$ -	\$ -	\$ 76,067	\$ 76,067
Committed for subsequent years expenditure	2,584,960	-	250,000	2,834,960
Assigned	500,423	-	-	500,423
Unassigned	3,599,642	202,045	704,320	4,506,007
Total fund balance, end of year	<u>\$ 6,685,025</u>	<u>\$ 202,045</u>	<u>\$ 1,030,387</u>	<u>\$ 7,917,457</u>
Reconciliation of Revenue and Expenditure Status Reports to Change in Fund Balance:				
Revenue Status Report, Schedule B-1	\$ 97,745,431	\$ 1,774,670	\$ 3,553,873	\$103,073,974
Expenditure Status Report, Schedule B-2	<u>96,678,315</u>	<u>1,718,126</u>	<u>3,436,475</u>	<u>101,832,916</u>
Net change in fund balance	<u>\$ 1,067,116</u>	<u>\$ 56,544</u>	<u>\$ 117,399</u>	<u>\$ 1,241,059</u>

Statistical Section



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TABLE 1

CITY OF PORTLAND, MAINE
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets	\$223,788,618	\$224,948,267	\$233,196,369	\$237,205,418	\$238,088,203	\$240,512,369	\$236,710,451	\$237,690,869	\$233,095,588	\$232,626,780
Restricted	42,644,515	39,368,157	40,209,041	29,578,447	28,617,473	40,568,515	42,220,700	27,732,463	27,283,892	28,086,768
Unrestricted	(103,886,481)	(109,303,315)	(112,695,120)	(86,631,180)	(84,586,033)	(101,782,479)	(106,347,379)	(97,244,553)	(99,006,369)	(102,392,852)
Total governmental activities	\$162,546,652	\$155,013,109	\$160,710,290	\$180,152,685	\$182,119,643	\$179,298,405	\$172,583,772	\$168,178,779	\$161,373,111	\$158,320,696
net position										
Business-type activities:										
Net investment in capital assets	\$138,539,898	\$136,613,213	\$127,782,688	\$131,899,572	\$142,520,123	\$134,401,030	\$118,355,999	\$107,054,083	\$101,204,925	\$99,182,931
Restricted	4,816,398	4,257,530	18,073,670	18,536,237	18,354,631	27,397,885	32,453,383	15,911,891	25,672,978	37,980,780
Unrestricted	45,941,144	39,021,544	27,979,524	26,398,687	17,612,910	15,841,788	16,050,004	21,327,425	5,174,384	(10,605,819)
Total business-type activities	\$189,297,440	\$179,892,287	\$173,835,882	\$176,834,496	\$178,487,664	\$177,640,703	\$166,859,386	\$144,293,399	\$132,052,287	\$126,557,892
net position										
Primary government:										
Net investment in capital assets	\$362,328,516	\$361,561,480	\$360,979,057	\$369,104,990	\$380,608,326	\$374,913,399	\$355,066,450	\$344,744,952	\$334,300,513	\$331,809,711
Restricted	47,460,914	43,625,687	58,282,711	48,114,684	46,972,104	67,966,399	74,674,083	43,644,354	52,956,870	66,067,548
Unrestricted	(57,945,337)	(70,281,765)	(84,715,596)	(60,232,493)	(66,973,123)	(85,940,691)	(90,297,375)	(75,917,128)	(93,831,985)	(112,998,671)
Total primary government	\$351,844,092	\$334,905,402	\$334,546,172	\$356,987,181	\$360,607,307	\$356,939,108	\$339,443,158	\$312,472,178	\$293,425,398	\$284,878,588
net position										

TABLE 2

CITY OF PORTLAND, MAINE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses -										
Governmental activities:										
General government	\$ 51,925,746	\$ 49,848,640	\$ 41,015,763	\$ 39,343,296	\$ 38,191,117	\$ 33,309,315	\$ 33,057,893	\$ 36,613,534	\$ 35,560,710	\$ 24,232,228
Public safety	43,285,442	45,134,716	38,622,239	38,717,490	40,867,186	37,094,156	37,144,627	35,490,454	27,505,495	30,109,641
Public works	24,008,668	21,880,552	23,685,030	26,123,759	22,744,855	22,076,438	27,616,897	23,861,900	24,954,571	24,804,928
Health and social services	37,010,433	41,781,999	39,448,342	41,053,636	41,201,671	38,959,633	34,735,555	40,438,590	38,971,431	36,153,651
Parks and recreation	-	-	-	-	-	-	-	-	4,194,639	7,973,046
Public library	4,183,970	4,271,668	3,950,248	3,828,782	3,730,635	3,658,070	3,531,782	3,720,852	3,226,843	3,408,232
Education	112,847,778	118,484,605	102,703,782	112,288,031	108,353,354	105,974,129	108,432,077	107,229,960	101,075,374	99,977,355
Transportation	2,650,579	2,098,934	2,657,424	2,628,118	2,439,138	2,489,016	2,448,674	2,493,453	2,400,382	3,190,503
Interest on long-term debt	11,168,869	12,731,147	12,867,857	13,324,928	12,888,359	12,367,091	12,554,551	12,593,760	13,684,430	10,658,140
Total governmental activities	\$ 287,081,484	\$ 296,232,261	\$ 264,950,685	\$ 277,308,040	\$ 270,416,315	\$ 255,927,848	\$ 259,522,056	\$ 262,442,503	\$ 251,573,875	\$ 240,507,724
Business-type activities:										
Jetport	\$ 29,999,030	\$ 30,021,862	\$ 29,888,359	\$ 29,661,187	\$ 30,520,852	\$ 25,670,417	\$ 22,771,819	\$ 21,785,978	\$ 20,699,161	\$ 20,716,369
Sewer	19,408,128	18,820,984	19,425,958	18,559,070	18,897,135	17,484,320	17,330,283	18,014,387	16,746,645	16,724,613
Stormwater	1,865,468	2,116,535	-	-	-	-	-	-	-	-
Fish Pier Authority	557,538	548,448	370,882	384,558	435,661	326,420	319,439	518,473	529,675	694,141
Recreational facilities	-	-	-	-	1,960,483	1,785,842	1,684,478	1,643,425	1,729,210	1,642,888
Portland Development Corporation	153,078	81,438	194,149	279,093	358,225	469,873	49,959	188,820	707,420	331,215
Total business-type activities	\$ 51,983,242	\$ 51,589,267	\$ 49,879,348	\$ 48,883,908	\$ 52,172,356	\$ 45,736,872	\$ 42,155,978	\$ 42,151,083	\$ 40,412,111	\$ 40,109,226
Total primary government expenses	\$ 339,064,726	\$ 347,821,528	\$ 314,830,033	\$ 326,191,948	\$ 322,588,671	\$ 301,664,720	\$ 301,678,034	\$ 304,593,586	\$ 291,985,986	\$ 280,616,950
Program Revenues -										
Governmental activities:										
Charges for services:										
General government	\$ 30,003,979	\$ 29,988,960	\$ 26,658,429	\$ 28,578,030	\$ 24,096,710	\$ 18,874,424	\$ 21,505,035	\$ 22,910,549	\$ 15,267,016	\$ 16,102,532
Public safety	4,748,690	4,352,514	5,061,823	4,361,998	4,384,254	4,053,962	3,604,977	3,757,518	3,767,496	3,300,386
Public Works	3,670,173	3,907,652	3,160,345	2,995,876	2,721,420	3,770,781	3,736,127	3,126,767	4,140,082	4,964,016
Health and social services	18,389,325	18,687,273	17,724,143	17,258,649	18,984,363	18,555,023	18,886,015	26,655,127	26,668,748	24,592,512
Parks and recreation	-	-	-	-	-	-	-	-	2,013,114	1,855,112
Education	3,958,709	1,743,722	3,586,994	2,857,544	3,386,013	4,087,382	5,434,044	5,287,046	5,605,127	5,202,389
Transportation	-	-	-	-	-	-	-	-	-	1,131,154
Operating grants and contributions	47,891,046	53,741,407	51,023,899	57,082,006	59,947,968	58,906,897	61,178,311	56,170,343	49,329,472	46,442,769
Capital grants and contributions	876,491	-	-	-	-	-	-	-	73,741	835,697
Total governmental activities program revenues	\$ 109,538,413	\$ 112,421,528	\$ 107,215,633	\$ 113,134,103	\$ 113,520,728	\$ 108,248,469	\$ 114,344,509	\$ 117,907,350	\$ 106,864,796	\$ 104,426,567

TABLE 2. cont'd

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities:										
Charges for services:										
Jetport	\$ 21,934,310	\$ 21,363,450	\$ 20,766,077	\$ 19,064,429	\$ 17,939,788	\$ 17,343,193	\$ 17,269,070	\$ 16,161,010	\$ 16,386,807	\$ 13,774,761
Sewer	22,647,515	23,357,118	22,889,426	21,995,546	22,470,548	21,283,123	21,746,343	20,466,364	18,761,693	17,755,956
Stormwater	6,469,578	3,297,088	-	-	-	-	-	-	-	-
Fish Pier Authority	536,830	513,492	489,551	494,521	469,289	412,094	638,424	363,953	387,031	1,433,934
Recreational facilities	-	-	-	1,604,588	1,591,628	1,470,736	1,541,791	1,529,053	1,630,467	1,422,847
Portland Development Corporation	10,274	3,695	5,070	9,678	72,791	85,642	53,748	5,758	700	1,040,550
Operating grants and contributions	626,344	92,500	-	116,848	-	-	-	-	-	-
Capital grants and contributions	8,865,023	8,711,170	5,204,224	12,222,465	13,933,355	24,121,462	15,918,069	6,654,237	4,034,883	10,996,793
Total business-type activities program revenues	\$ 61,089,875	\$ 57,338,513	\$ 49,354,348	\$ 55,508,075	\$ 56,477,399	\$ 64,716,250	\$ 57,167,445	\$ 45,180,375	\$ 41,201,581	\$ 46,424,841
Total primary government program revenues	\$ 170,628,288	\$ 169,760,041	\$ 156,569,981	\$ 168,642,178	\$ 169,998,127	\$ 172,964,719	\$ 171,511,954	\$ 163,087,725	\$ 148,066,377	\$ 150,851,408
Net (Expense)/Revenue -										
Governmental activities	\$ (177,543,071)	\$ (183,810,733)	\$ (157,735,052)	\$ (164,173,937)	\$ (156,895,587)	\$ (147,679,379)	\$ (145,177,547)	\$ (144,535,153)	\$ (144,709,079)	\$ (136,081,157)
Business-type activities	9,106,633	5,749,246	(525,000)	6,624,167	4,305,043	18,979,378	15,011,467	3,029,292	789,470	6,315,615
Total primary government net expense	\$ (168,436,438)	\$ (178,061,487)	\$ (158,260,052)	\$ (157,549,770)	\$ (152,590,544)	\$ (128,700,001)	\$ (130,166,080)	\$ (141,505,861)	\$ (143,919,609)	\$ (129,765,542)
General Revenues and Other Changes in net position -										
Governmental activities:										
Property taxes	\$ 163,675,359	\$ 159,677,365	\$ 152,397,290	\$ 141,621,832	\$ 136,320,324	\$ 132,196,346	\$ 131,430,388	\$ 131,467,714	\$ 125,476,098	\$ 117,686,683
Excise taxes	11,910,247	11,308,231	10,377,614	9,787,482	9,190,158	8,949,510	9,090,560	9,147,112	9,805,579	10,472,164
Unrestricted grants and contributions	7,026,347	6,670,186	6,827,126	8,074,576	8,247,641	7,450,701	6,115,563	7,698,305	8,501,405	7,670,215
Unrestricted investment earnings	2,472,008	435,154	257,840	255,376	560,421	681,842	1,185,284	1,495,667	3,009,257	4,578,802
Miscellaneous	-	-	-	15,819	75,468	281,436	546,116	(418,068)	1,228,632	1,532,995
Transfers	(7,347)	22,616	-	-	-	22,705	2,972,911	(29,236)	22,950,767	(838,026)
Total governmental activities	\$ 185,076,614	\$ 178,113,552	\$ 169,859,870	\$ 159,755,085	\$ 154,394,012	\$ 149,582,540	\$ 151,340,822	\$ 149,361,494	\$ 170,971,738	\$ 141,102,833
Business-type activities:										
Unrestricted investment earnings	\$ 291,167	329,775	293,380	\$ 144,129	\$ 40,790	\$ 28,420	\$ 197,661	\$ 696,895	\$ 817,189	\$ 798,873
Transfers	7,347	(22,616)	-	-	-	(22,705)	(2,972,911)	29,236	(22,950,767)	838,026
Total business-type activities	\$ 298,514	\$ 307,159	\$ 293,380	\$ 144,129	\$ 40,790	\$ 5,715	\$ (2,775,250)	\$ 726,131	\$ (22,133,578)	\$ 1,636,899
Total primary government	\$ 185,375,128	\$ 178,420,711	\$ 170,153,250	\$ 159,899,214	\$ 154,434,802	\$ 149,588,255	\$ 148,565,572	\$ 150,087,625	\$ 148,838,160	\$ 142,739,732
Change in net position -										
Governmental activities	\$ 7,533,543	\$ (5,697,181)	\$ 12,124,818	\$ (4,418,852)	\$ (2,501,575)	\$ 1,903,161	\$ 6,163,275	\$ 4,826,341	\$ 26,262,659	\$ 5,021,676
Business-type activities	9,405,147	6,056,405	(231,620)	6,768,296	4,345,833	18,985,093	12,236,217	3,755,423	(21,344,108)	7,952,514
Total primary government	\$ 16,938,690	\$ 359,224	\$ 11,893,198	\$ 2,349,444	\$ 1,844,258	\$ 20,888,254	\$ 18,399,492	\$ 8,581,764	\$ 4,918,551	\$ 12,974,190

Notes:

- a - The parks and recreation department was merged with facilities maintenance and is shown in general government starting in 2010.
b - The golf courses and the ice arena were merged with facilities maintenance and are shown in general government starting in 2014.
c - The Stormwater fund was created in 2016 to track specific activities previously included in the Sewer fund.
d - Grant receipts have been reclassified and reported as gross amounts received in 2017 compared to reporting net of program expenses in 2016 and prior years.

TABLE 3

CITY OF PORTLAND, MAINE
FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Nonspendable:										
Inventories and prepaid expenditures	\$ 693,089	\$ 705,986	\$ 682,725	\$ 593,892	\$ 590,760	\$ 705,753	\$ 558,255	\$ 913,043	\$ 678,602	\$ 883,653
Committed:										
Economic development activities	338,837	338,837	338,837	338,837	338,837	338,837	338,837	338,837	338,837	338,837
Educational facilities	-	-	-	-	445,332	341,102	341,102	341,102	441,102	470,000
Encumbrances	-	-	-	-	-	-	248,352	-	154,614	1,545
Capital Improvement	2,906,380	5,406,380	821,420	821,420	821,420	821,420	821,420	-	-	-
Subsequent years expenditure	750,000	750,000	915,000	985,000	927,329	671,490	1,285,000	-	-	-
Assigned:										
Barron Center resident benefits	139,287	189,294	189,294	189,294	139,735	149,270	147,766	156,354	147,331	160,709
Casco Bay Island Transit District	483,298	-	-	-	845,877	-	466,106	-	-	-
Medicaid settlements	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	600,000
Self insurance programs	9,200,000	5,000,000	5,000,000	5,000,000	5,500,000	5,500,000	4,000,000	4,000,000	3,500,000	4,027,000
Unassigned	41,416,433	36,599,104	33,642,720	34,414,158	33,107,652	29,711,223	26,886,139	23,673,730	21,922,546	17,169,219
Total general fund	\$56,227,324	\$ 49,289,601	\$ 41,889,996	\$ 42,642,601	\$ 43,016,942	\$ 38,539,095	\$ 35,417,977	\$ 29,823,066	\$ 27,658,032	\$ 23,901,716
All Other Governmental Funds:										
Nonspendable:										
Inventories and prepaid expenditures	\$ 107,280	\$ 75,183	\$ 56,563	\$ 53,342	\$ 24,026	\$ 48,170	\$ 59,227	\$ 63,827	\$ 108,412	\$ 95,795
Loans	-	1,606,195	1,701,763	2,233,729	2,354,077	2,314,719	2,301,261	2,493,094	2,520,166	2,510,606
Permanent funds	5,902,521	5,966,149	5,966,149	5,493,535	4,865,126	4,649,355	4,668,322	4,047,663	2,479,722	2,984,969
Restricted:										
Capital projects	11,854,228	21,853,450	19,560,550	18,529,294	16,304,876	12,985,449	16,076,623	9,708,192	8,978,693	6,176,873
Debt service	3,714,828	93,877	824,513	-	180,904	491,887	681,114	2,133,068	809,766	2,904,575
Other grants and special revenue	20,851,393	19,440,974	19,965,542	10,363,387	11,399,294	11,055,218	9,265,867	11,234,623	14,061,160	4,858,270
Permanent funds	15,783,321	13,791,974	13,452,847	13,721,525	12,172,149	11,386,606	11,528,774	10,076,821	10,953,910	12,192,413
Committed:										
Debt service	-	730,313	620,517	313,083	62,510	108,680	166,184	-	-	-
Encumbrances	-	-	-	-	-	-	-	4,678,672	7,178,007	6,783,851
Loan Programs	3,412,490	1,820,954	1,905,253	1,706,009	1,542,623	1,510,771	1,334,971	-	-	-
Subsequent years expenditure	-	-	-	-	-	-	200,000	-	-	-
Assigned:										
Debt service	810,713	3,001,580	2,584,262	2,163,542	1,940,549	1,545,249	1,457,145	599,616	78,067	91,212
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$62,436,774	\$ 68,380,649	\$ 66,637,959	\$ 54,577,446	\$ 50,846,134	\$ 46,096,103	\$ 47,739,488	\$ 45,035,576	\$ 47,167,903	\$ 38,598,564

2010 and prior years have been restated following GASB Statement 54.

TABLE 4

CITY OF PORTLAND, MAINE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
General property and other taxes (see Table 6)	\$ 175,436,566	\$ 171,156,022	\$ 162,895,289	\$ 154,790,476	\$ 151,096,056	\$ 145,907,540	\$ 141,184,606	\$ 140,952,782	\$ 139,800,607	\$ 134,861,679
Licenses and permits	6,265,078	5,965,189	3,623,926	4,311,167	4,438,158	3,423,927	3,258,013	3,107,930	2,727,770	3,825,343
Fines, forfeits and penalties	2,064,108	2,214,154	2,376,871	1,994,553	2,157,389	2,212,750	2,094,462	1,452,268	1,424,973	1,467,595
Uses of money and property	11,756,765	9,575,480	8,561,806	9,442,805	8,132,414	7,008,406	9,727,132	7,665,112	5,894,355	9,040,501
Intergovernmental	55,793,883	60,411,593	57,851,025	63,542,894	68,022,545	67,154,538	68,629,012	63,209,500	58,389,760	56,927,674
Current services	42,784,609	38,824,618	41,045,068	39,551,344	38,617,500	37,135,528	38,646,295	34,557,947	32,147,661	35,075,771
Other	372,323	2,535,834	841,903	1,086,357	498,494	196,849	1,859,215	15,761,557	14,740,721	10,828,977
Total revenues	\$ 294,473,333	\$ 290,682,890	\$ 277,195,888	\$ 274,719,596	\$ 272,962,556	\$ 263,039,538	\$ 265,398,735	\$ 266,707,096	\$ 255,125,847	\$ 252,027,540
Expenditures:										
General government	\$ 31,572,657	\$ 29,316,137	\$ 27,231,445	\$ 24,838,400	\$ 22,827,017	\$ 21,426,646	\$ 22,625,298	\$ 20,941,443	\$ 18,864,417	\$ 18,964,537
Public safety	30,300,548	30,164,209	29,628,085	28,829,061	30,027,793	28,082,077	28,091,831	26,807,356	27,857,302	29,815,939
Public works	14,574,709	13,543,768	16,935,831	16,869,865	15,732,010	15,132,650	17,643,131	15,697,086	18,111,629	18,481,553
Health and social services	30,462,743	33,214,328	34,752,569	35,427,385	36,039,086	33,574,780	32,251,090	35,483,366	32,493,616	29,868,030
Parks and recreation	-	-	-	-	-	-	-	-	3,405,389	5,121,610
Public library	3,825,000	3,681,713	3,591,915	3,470,449	3,372,302	3,299,737	3,196,396	3,106,397	3,185,149	3,160,877
Education	109,109,888	110,151,993	106,799,749	107,676,003	104,998,421	102,595,788	105,421,503	104,591,711	100,241,712	98,554,682
Pension and employee insurance	22,830,134	25,528,341	21,629,277	19,647,417	18,465,744	17,984,982	16,688,071	18,393,369	15,767,458	15,157,897
Other	10,121,764	8,675,265	8,008,161	7,787,139	8,437,468	8,055,410	7,795,290	8,657,147	7,730,576	7,201,626
Debt service -										
Principal	15,663,710	13,887,149	19,059,072	12,837,501	11,402,368	11,827,400	12,098,998	21,011,318	11,579,937	11,866,500
Interest	12,099,503	13,270,229	13,532,228	13,253,239	13,064,394	12,520,653	12,097,015	12,619,231	13,685,320	10,818,661
Capital outlay	24,728,435	22,022,110	12,411,154	19,643,349	14,531,247	18,890,124	11,507,045	29,603,396	12,566,910	8,755,985
Total expenditures	\$ 305,289,090	\$ 303,455,242	\$ 293,579,486	\$ 290,279,808	\$ 278,897,850	\$ 273,390,247	\$ 269,415,668	\$ 296,911,819	\$ 265,489,415	\$ 257,767,897
Excess (deficiency) of revenues over (under) expenditures	\$ (10,815,757)	\$ (12,772,352)	\$ (16,383,598)	\$ (15,560,212)	\$ (5,935,294)	\$ (10,350,709)	\$ (4,016,933)	\$ (30,204,723)	\$ (10,363,568)	\$ (5,740,357)
Other Financing Sources (Uses):										
Proceeds from borrowing	\$ 11,720,898	\$ 21,844,599	\$ 22,131,646	\$ 18,917,183	\$ 15,201,433	\$ 11,410,946	\$ 12,209,965	\$ 26,626,848	\$ 22,718,460	\$ -
Proceeds from refunding	-	6,475,940	5,645,000	-	-	9,161,535	2,983,085	17,377,339	-	-
Payments on refunded bonds	-	(6,428,498)	-	-	-	(8,744,039)	(2,900,000)	(16,739,668)	-	-
Proceeds from capital leases	96,045	-	-	-	-	-	-	-	-	-
Transfers in	42,448,992	55,360,782	40,913,980	47,215,507	42,015,267	26,540,361	26,213,564	38,979,571	25,095,517	27,134,838
Transfers out	(42,456,339)	(55,338,166)	(40,913,980)	(47,215,507)	(42,015,267)	(26,540,361)	(26,190,859)	(36,006,660)	(25,124,754)	(26,216,198)
Total other financing sources (uses)	\$ 11,809,595	\$ 21,914,657	\$ 27,776,646	\$ 18,917,183	\$ 15,201,433	\$ 11,828,442	\$ 12,315,755	\$ 30,237,430	\$ 22,689,223	\$ 918,640
Net change in fund balances	\$ 993,839	\$ 9,142,305	\$ 11,393,048	\$ 3,356,971	\$ 9,266,139	\$ 1,477,733	\$ 8,298,822	\$ 32,707	\$ 12,325,655	\$ (4,821,717)
Debt service as a percentage of noncapital expenditures	9.75%	9.56%	11.54%	9.64%	9.06%	9.56%	9.38%	12.51%	9.99%	9.11%

Notes:

a- Parks and recreation was merged with the management of city facilities and is reported in general government starting in 2010.

TABLE 5

CITY OF PORTLAND, MAINE
PROGRAM REVENUES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years
 (accrual basis of accounting)

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
General government	\$ 31,803,536	\$ 33,535,158	\$ 29,075,907	\$ 31,669,489	\$ 29,752,175	\$ 24,639,455	\$ 27,202,736	\$ 27,811,916	\$ 19,620,335	\$ 19,643,232
Public safety	5,603,708	5,069,581	7,209,128	7,572,317	8,012,051	6,908,924	4,711,788	6,845,282	8,656,446	6,573,081
Public works	5,510,107	4,639,080	4,265,863	3,631,380	4,776,655	4,602,534	5,070,727	5,267,296	4,218,149	6,722,104
Health and social services	30,394,643	30,635,556	29,938,229	33,623,268	34,806,028	32,731,905	33,902,231	36,664,919	32,843,894	31,456,805
Parks and recreation	a	-	-	-	-	-	-	-	2,017,714	2,017,546
Education	36,226,419	38,542,153	36,726,506	36,637,649	36,173,819	39,365,651	43,457,027	41,317,937	39,393,887	36,882,645
Transportation	-	-	-	-	-	-	-	-	114,371	1,131,154
Subtotal governmental activities	\$ 109,538,413	\$ 112,421,528	\$ 107,215,633	\$ 113,134,103	\$ 113,520,728	\$ 108,248,469	\$ 114,344,509	\$ 117,907,350	\$ 106,864,796	\$ 104,426,567
Business-type activities:										
Jetport	\$ 30,774,745	30,056,894	\$ 25,967,901	\$ 24,993,618	\$ 29,465,473	\$ 31,400,082	\$ 41,175,814	\$ 17,269,070	\$ 21,740,513	\$ 19,911,087
Sewer	22,672,103	23,374,844	22,891,826	22,269,640	22,065,670	22,689,604	21,523,412	21,746,343	20,466,364	18,761,693
Stormwater	c	3,297,088	-	-	-	-	-	-	-	-
Fish Pier Authority	536,830	513,492	489,551	517,893	755,317	502,294	412,094	638,424	363,953	872,689
Recreational facilities	b	-	-	-	2,646,937	1,591,628	1,470,736	1,541,791	1,529,053	1,655,412
Portland Development Corporation	636,618	96,195	5,070	137,776	574,678	293,791	134,194	53,748	1,080,492	700
Subtotal business-type activities	\$ 61,089,875	\$ 57,338,513	\$ 49,354,348	\$ 47,918,927	\$ 55,508,075	\$ 56,477,399	\$ 64,716,250	\$ 41,249,376	\$ 45,180,375	\$ 41,201,581
Total primary government	\$ 170,628,288	\$ 169,760,041	\$ 156,569,981	\$ 161,053,030	\$ 169,028,803	\$ 164,725,868	\$ 179,060,759	\$ 159,156,726	\$ 152,045,171	\$ 145,628,148

a - The parks and recreation department was merged with facilities maintenance and is shown in general government starting in 2010.

b - The golf courses and the ice arena were merged with facilities maintenance and are shown in general government starting in 2014.

c - The Stormwater fund was created in 2016 to track specific activities previously included in the Sewer fund.

TABLE 6

CITY OF PORTLAND, MAINE
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Excise Tax</u>	<u>Total</u>
2008	\$ 125,056,100	\$ 9,805,579.0	\$ 134,861,679
2009	130,653,495	9,147,112	139,800,607
2010	131,862,222	9,090,560	140,952,782
2011	132,235,096	8,949,510	141,184,606
2012	136,717,382	9,190,158	145,907,540
2013	141,308,574	9,787,482	151,096,056
2014	144,914,793	9,875,683	154,790,476
2015	152,517,675	10,377,614	162,895,289
2016	159,847,791	11,308,231	171,156,022
2017	163,526,318	11,910,247	175,436,566
Change 2008 - 2017	30.76%	21.46%	30.09%

TABLE 7

**CITY OF PORTLAND, MAINE
STATE AID REVENUES BY SOURCE
Last Ten Fiscal Years**

Fiscal Year	State Revenue Sharing	School Aid (1)	Welfare Assistance	Other State Aid	Total State Aid
2008	\$ 7,696,522	\$ 22,481,651	\$ 2,671,300	\$ 6,778,847	\$ 39,628,320
2009	6,984,489	23,340,701	4,406,714	7,173,771	41,905,675
2010	6,029,609	25,641,377	4,605,726	7,557,597	43,834,309
2011	5,927,329	25,625,321	5,442,774	5,590,551	42,585,975
2012	6,153,216	24,956,536	6,259,078	5,690,895	43,059,725
2013	6,276,939	23,877,565	6,179,971	4,348,946	40,683,421
2014	4,313,430	23,482,573	8,118,080	4,165,156	40,079,239
2015	4,072,747	22,276,858	3,436,532	3,243,157	33,029,294
2016	4,141,164	23,845,912	5,023,640	3,030,458	36,041,174
2017	3,967,199	22,245,305	5,141,619	3,059,147	34,413,271

(1) State School aid includes federal funds passed through the State Department of Education.

TABLE 8

CITY OF PORTLAND, MAINE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Property Value					Total Direct Tax Rate	Estimated Actual Total Value (2)	Assessor's Certified Ratio State Value
	Commercial	Industrial	Residential (1)	Personal	Less Tax Exempt			
2008	\$ 4,639,939,261	\$ 235,188,740	\$ 3,938,358,037	\$ 512,466,620	\$ 1,671,320,610	16.26	\$ 10,362,169,620	90%
2009	4,384,317,631	307,470,260	3,980,026,969	502,305,620	1,765,130,130	16.86	10,081,451,077	91%
2010	4,430,745,628	307,470,260	4,009,502,742	502,305,620	1,800,395,430	16.85	9,736,867,632	95%
2011	4,450,110,490	311,647,780	4,001,139,070	470,866,840	1,793,874,000	17.05	9,233,764,180	100%
2012	4,287,919,950	286,757,500	4,299,031,250	446,400,470	1,874,044,950	17.38	9,320,109,170	100%
2013	4,357,453,520	272,694,790	4,332,720,570	431,286,630	1,904,272,930	17.90	9,394,155,510	100%
2014	4,433,468,600	251,907,020	4,350,158,010	407,084,870	1,947,185,280	18.46	9,442,618,500	100%
2015	4,546,684,360	245,759,940	4,411,198,330	405,872,110	2,009,952,080	19.04	9,609,514,740	100%
2016	4,567,442,828	264,190,500	4,468,433,832	398,757,520	2,007,467,440	19.62	9,698,824,680	100%
2017	4,261,980,960	507,260,390	4,445,271,660	542,679,010	2,065,616,800	20.08	9,214,459,010	100%

(1) Excludes multi-unit apartment buildings, which are included in commercial

(2) Actual Total Value includes tax exempt property the total of which is divided by the certified ratio

Source: City Tax Assessor

TABLE 9

CITY OF PORTLAND, MAINE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City Direct Rates					Overlapping Rates		Total Property Tax Rates
	Basic Rate	General Obligation Debt Service	Enterprise Fund	Education	Total Direct	County Tax	Transit District	
2008	4.96	2.32	0.00	8.98	16.26	0.55	0.29	17.10
2009	5.42	2.33	(0.01)	9.12	16.86	0.58	0.30	17.74
2010	5.55	2.41	0.00	8.89	16.85	0.59	0.30	17.74
2011	5.69	2.37	0.00	8.99	17.05	0.57	0.30	17.92
2012	5.68	2.47	0.00	9.23	17.38	0.59	0.31	18.28
2013	5.80	2.52	0.00	9.58	17.90	0.60	0.32	18.82
2014	6.02	2.58	0.00	9.86	18.46	0.62	0.33	19.41
2015	6.24	2.68	0.00	10.12	19.04	0.64	0.32	20.00
2016	6.64	2.85	0.00	10.13	19.62	0.68	0.33	20.63
2017	6.96	2.79	0.00	10.33	20.08	0.70	0.33	21.11

Source: City Budget Office.

TABLE 10

**CITY OF PORTLAND, MAINE
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
UNUM Group	\$ 147,014,410	1	1.91%	\$ 180,222,090	1	2.35%
CMP (Central Securities Corp)	99,190,260	2	1.29%	78,058,030	2	1.02%
Northern Utilities Inc / Unitil	77,635,760	3	1.01%	-		
COW Plaza LLC	73,193,910	4	0.95%	-		
Brown JB & Sons	59,547,560	5	0.77%	46,114,260	6	0.60%
North River IV LLC	49,576,200	6	0.64%	-		
Olympia Equity Co	42,685,380	7	0.55%	52,287,500	3	0.68%
One City Center Associates LLC	35,665,100	8	0.46%	38,866,370	8	0.51%
R B Portland Westin/Eastland Park Hotel	35,203,310	9	0.46%	-		
Atlantic Bayside	34,245,800	10	0.45%	-		
GRE Congress Canal LLC				51,427,280	4	0.67%
PREEF America REIT III				47,382,110	5	0.62%
Barber Foods Co., Inc.				44,172,710	7	0.58%
WH Nichols Co (Parker-Hannafin)				35,128,970	9	0.46%
Harper Hotels				33,104,700	10	0.43%
Totals	<u>\$ 653,957,690</u>		<u>8.50%</u>	<u>\$ 606,764,020</u>		<u>7.92%</u>

Source: City Tax Assessor

TABLE 11

**CITY OF PORTLAND, MAINE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year		Collected within the		Collections in Subsequent Years	Total Collections to date	
			Fiscal year of the Levy			Percentage of Levy	Percentage of Levy
	Amount	Percentage of Levy	Amount	Percentage of Levy			
2008	\$	125,703,218	123,694,048	98.40%	1,975,395	125,669,443	99.97%
2009		131,435,654	128,875,115	98.05%	2,515,029	131,390,144	99.97%
2010		131,995,299	129,556,626	98.15%	2,376,446	131,933,072	99.95%
2011		133,322,832	131,073,155	98.31%	2,194,180	133,267,335	99.96%
2012		136,114,054	133,768,662	98.28%	2,264,253	136,032,915	99.94%
2013		140,959,590	139,222,246	98.77%	1,611,975	140,834,221	99.91%
2014		145,486,359	143,467,886	98.61%	1,829,256	145,297,142	99.87%
2015		151,991,253	149,990,017	98.68%	1,245,470	151,235,487	99.50%
2016		158,672,700	156,929,908	98.90%	1,015,158	157,945,066	99.54%
2017		162,368,013	160,556,945	98.88%	-	162,368,013	98.88%

TABLE 12

CITY OF PORTLAND, MAINE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General		Revenue Bonds	Capital Leases	General		Mortgage Payable				
	Obligation Bonds	Notes Payable			Obligation Bonds						
2008	\$ 196,781,346	946,841	1,731,233	325,592	39,111,866	59,270,000	4,320,443	302,487,321	18.08%	4,835	
2009	197,940,935	811,447	11,637,984	217,707	49,714,238	58,495,000	2,901,443	321,718,754	19.23%	5,142	
2010	212,338,893	676,053	2,574,441	767,733	45,952,091	130,000,000	-	392,309,211	23.45%	6,226	
2011	211,680,984	340,659	2,878,499	996,919	60,456,277	128,675,000	-	405,028,338	22.56%	6,119	
2012	213,410,047	-	2,710,051	868,242	64,883,149	127,295,000	-	409,166,489	21.53%	6,118	
2013	216,728,620	-	2,538,984	466,064	75,775,721	126,570,166	-	422,079,555	22.55%	6,260	
2014	222,898,041	-	2,275,426	299,266	71,220,513	124,400,033	-	421,093,279	22.58%	6,350	
2015	222,600,570	-	10,691,009	141,974	68,415,020	122,495,055	-	424,343,628	22.43%	6,365	
2016	230,354,831	-	10,371,602	53,322	73,956,216	120,557,245	-	435,293,216	22.72%	6,508	
2017	225,829,990	-	9,999,072	76,869	71,906,778	120,145,226	-	427,957,935	21.60%	6,393	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Personal income and population data can be found in the schedule of Demographic Statistics Table 17.

TABLE 13

CITY OF PORTLAND, MAINE
RATIOS OF OUTSTANDING GENERAL OBLIGATION BONDED DEBT
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-type Activities	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2008	\$ 196,781,346	39,111,666	235,893,012	3.08%	3,771
2009	197,940,935	49,714,238	247,655,173	3.34%	3,959
2010	212,338,893	45,952,090	258,290,983	3.47%	4,062
2011	211,680,984	60,456,277	272,137,261	3.66%	4,111
2012	213,410,047	64,883,149	278,293,196	3.74%	4,199
2013	216,728,620	75,775,721	292,504,341	3.91%	4,418
2014	222,898,041	71,220,513	294,118,554	3.92%	4,435
2015	222,600,570	68,415,020	291,015,590	3.83%	4,365
2016	230,354,831	73,956,216	304,311,047	3.96%	4,550
2017	225,829,990	71,906,778	297,736,768	3.87%	4,448

Notes: See Table 8 Assessed Value and Estimated Actual Value of Taxable Property.
Population data can be found in the schedule of Demographic Statistics Table 17.

TABLE 14

CITY OF PORTLAND, MAINE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2017

<u>Jurisdiction</u>	<u>Total Debt Outstanding</u>	<u>Percentage Applicable to Portland</u>	<u>Amount Applicable to Portland</u>
Direct:			
City of Portland	\$ 235,905,931 (1)	100.00%	\$ 235,905,931
Overlapping:			
Cumberland County	37,435,000 (2)	20.17%	7,552,365
Portland Water District:			
Water debt	45,980,073 (2)	30.31%	13,936,560
Sewer debt	<u>24,512,852 (3)</u>	100.00%	<u>24,512,852</u>
	<u>107,927,925</u>		<u>46,001,777</u>
	<u>\$ 343,833,856</u>		<u>\$ 281,907,708</u>

(1) Excludes general obligation bonds reported in the enterprise funds.

(2) Based on the relationship between the city's state property valuation to the total state valuation of all members.

(3) Sewer portion of the Water District's sewer debt is based on specifically identified projects for the City's sewer department.

Source: Finance department of the respective entities

TABLE 15

CITY OF PORTLAND, MAINE
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (dollars in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed value per State Property Tax Division	\$8,501,550	\$7,996,350	\$7,707,200	\$7,551,450	\$7,552,150	\$7,659,250	\$7,909,900	\$8,196,900	\$8,283,450	\$8,289,850
Debt limit - 15% of assessed value	1,275,233	1,199,453	1,156,080	1,132,718	1,132,823	1,148,888	1,186,485	1,229,535	1,242,518	1,243,478
Less outstanding debt applicable to debt limit	288,610	295,376	285,194	288,976	288,016	274,612	272,137	258,291	247,655	235,893
Legal debt margin	\$ 986,622	\$ 904,077	\$ 870,886	\$ 843,742	\$ 844,807	\$ 874,276	\$ 914,348	\$ 971,244	\$ 994,863	\$1,007,585
Total outstanding debt applicable to the limit as a percentage of debt limit	22.63%	24.63%	24.67%	25.51%	25.42%	23.90%	22.94%	21.01%	19.93%	18.97%
The debt limit is restricted by State statute based on the assessed value per the State above and the percentages below.										
Municipal purposes - 7.5%										
Debt limit	\$ 637,616	\$ 599,726	\$ 578,040	\$ 566,359	\$ 566,411	\$ 574,444	\$ 593,243	\$ 614,768	\$ 621,259	\$ 621,739
Less outstanding debt applicable to debt limit	187,056	190,113	182,198	180,533	177,292	174,002	174,351	178,469	177,096	173,708
Debt margin for municipal purposes	\$ 450,560	\$ 409,613	\$ 395,842	\$ 385,826	\$ 389,119	\$ 400,442	\$ 418,892	\$ 436,299	\$ 444,163	\$ 448,031
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	29.34%	31.70%	31.52%	31.88%	31.30%	30.29%	29.39%	29.03%	28.51%	27.94%
School purposes - 10%										
Debt limit	\$ 850,155	\$ 799,635	\$ 770,720	\$ 755,145	\$ 755,215	\$ 765,925	\$ 790,990	\$ 819,690	\$ 828,345	\$ 828,985
Less outstanding debt applicable to debt limit	31,648	33,106	36,050	38,719	37,105	38,087	38,242	34,985	22,171	24,554
Debt margin for school purposes	\$ 818,507	\$ 766,529	\$ 734,670	\$ 716,426	\$ 718,110	\$ 727,838	\$ 752,748	\$ 784,705	\$ 806,174	\$ 804,431
Outstanding debt applicable to the limit as a percentage of debt limit for school purposes	3.72%	4.14%	4.68%	5.13%	4.91%	4.97%	4.83%	4.27%	2.68%	2.96%
Storm and sanitary sewer purposes - 7.5%										
Debt limit	\$ 637,616	\$ 599,726	\$ 578,040	\$ 566,359	\$ 566,411	\$ 574,444	\$ 593,243	\$ 614,768	\$ 621,259	\$ 621,739
Less outstanding debt applicable to debt limit	69,907	71,999	66,946	69,725	73,619	62,523	59,544	44,837	48,388	37,631
Debt margin for sewer purposes	\$ 567,710	\$ 527,727	\$ 511,094	\$ 496,634	\$ 492,792	\$ 511,921	\$ 533,698	\$ 569,931	\$ 572,871	\$ 584,108
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	10.96%	12.01%	11.58%	12.31%	13.00%	10.88%	10.04%	7.29%	7.79%	6.05%
Airport, water and other special district purposes - 3%										
Debt limit	\$ 255,047	\$ 239,891	\$ 231,216	\$ 226,544	\$ 226,565	\$ 229,778	\$ 237,297	\$ 245,907	\$ 248,504	\$ 248,696
Less outstanding debt applicable to debt limit	-	-	-	-	-	-	-	78	235	392
Debt margin for special district purposes	\$ 255,047	\$ 239,891	\$ 231,216	\$ 226,544	\$ 226,565	\$ 229,778	\$ 237,297	\$ 245,829	\$ 248,269	\$ 248,304
Outstanding debt applicable to the limit as a percentage of debt limit for special districts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.09%	0.16%
Maximum total debt limit - 15%	\$1,275,233	\$1,199,453	\$1,156,080	\$1,132,718	\$1,132,823	\$1,148,888	\$1,186,485	\$1,229,535	\$1,242,518	\$1,243,478

TABLE 16

CITY OF PORTLAND, MAINE
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Merrill Auditorium Revenue Bonds				General Airport Revenue Bonds					
Fiscal Year	Ticket Surcharge Revenue	Scheduled(2) Debt Service		Coverage	(Budget Basis of Accounting)				
					Maintenance and Operating		Net Revenues		
		Principal	Interest		Revenues(3)	Expenditures (1)	Revenues	Principal	Interest
2008	\$ 268,548	135,294	75,725	1.27	16,502,828	10,492,597	6,010,231	775,000	1,515,404
2009	253,888	135,294	66,305	1.26	16,479,552	10,258,721	6,220,831	805,000	2,731,837
2010	228,188	135,294	56,801	1.19	17,340,917	10,146,040	7,194,877	835,000	2,722,376
2011	223,668	135,294	47,332	1.22	18,967,185	11,563,182	7,404,003	1,325,000	5,098,033
2012	209,064	340,659	9,075	0.60	21,199,801	12,183,177	9,016,624	1,380,000	6,228,771
2013	-	-	-	-	25,304,708	15,768,752	9,535,956	1,435,000	6,175,145
2014	-	-	-	-	21,568,728	13,037,034	8,531,694	1,865,000	5,669,004
2015	-	-	-	-	24,241,199	14,364,580	9,876,619	1,615,000	5,919,773
2016	-	-	-	-	24,868,076	15,317,842	9,550,234	1,665,000	5,873,848
2017	-	-	-	-	25,786,664	15,930,917	9,855,746	1,720,000	5,496,485

Source: City Finance Department.

(1) Excludes current encumbrances and debt service and capital outlay expenditures.
Includes current year's payments on prior year's encumbrances.

(2) Debt paid in full 2012.

(3) Revenues for 2011 and forward include passenger surcharges which is a specified revenue for debt service coverage.

TABLE 17

**CITY OF PORTLAND, MAINE
DEMOGRAPHIC STATISTICS (1)
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (000's)	Per Capita Personal Income	(2) Public School Enrollment	(3) Unemploy- ment Rate
2008	62,561	\$ 1,672,636	26,624	7,065	4.20
2009	62,561	1,672,636	26,736	6,916	6.80
2010	63,008	1,672,636	26,546	6,929	6.50
2011	66,194	1,794,978	27,117	6,997	6.20
2012	66,279	1,900,305	28,671	6,918	6.10
2013	66,214	1,871,926	28,271	6,986	5.80
2014	66,318	1,865,037	28,123	7,005	4.00
2015	66,666	1,891,803	28,377	6,987	3.80
2016	66,881	1,915,809	28,645	6,859	3.30
2017	66,937	1,980,965	29,594	6,739	2.50

Sources:

- (1) U.S. Census Bureau (unless otherwise noted).
- (2) School department's fall semester student enrollment.
- (3) Maine Department of Labor for the Portland Metropolitan Service Area.

TABLE 18

CITY OF PORTLAND, MAINE
PRINCIPAL NON-GOVERNMENTAL EMPLOYERS
Current Year and Nine Years Ago

<u>Employer</u>	2017			2008		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Maine Medical Center	9,500	1	24.89%	5,537	1	14.32%
UNUM Provident	2,750	2	7.21%	2,998	2	7.75%
Mercy Hospital	1,536	3	4.02%	1,465	3	3.79%
Martin Point Healthcare	585	4	1.53%			
Fairpoint (formerly Verizon)	525	5	1.38%	850	4	2.20%
University of New England	473	6	1.24%			
Spurwink	380	7	1.00%			
Parker-Hannifin (Nichols)	350	8	0.92%	457	8	1.17%
Whole Foods	350	9	0.92%			
Tilson Technology Management	280	10	0.73%			
AdvancePierre (Barber Foods)				832	5	2.15%
TD Bank (BankNorth Group)				527	6	1.36%
Blethen Maine Newspapers				470	7	1.22%
Hannaford Bros. Co.				381	9	0.99%
Goodwill Industries				323	10	0.84%
Total	<u>16,729</u>		<u>43.83%</u>	<u>13,840</u>		<u>35.78%</u>

Source: City Economic Development Division

TABLE 19

CITY OF PORTLAND, MAINE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General government										
Management services	68	48	43	42	49	48	49	48	54	57
Finance and Technology	41	41	43	42	41	41	40	43	42	47
Parking control and garages	30	30	30	30	28	30	29	34	36	36
Planning and development	22	35	35	32	32	34	35	31	37	42
Public buildings	39	36	39	41	42	42	47	48	56	70
Public safety										
Police										
Officers	162	162	162	159	162	162	157	162	162	162
Civilians	60	56	58	57	59	69	55	45	45	58
Fire										
Firefighters, EMTs and officers	207	198	206	205	204	204	203	204	207	217
Non firefighting staff	13	16	16	16	6	6	6	7	8	8
Public works	125	149	153	152	152	147	149	152	146	142
Health and social services										
Public Health	47	62	70	92	81	101	90	84	88	85
Social Service	78	91	79	76	67	57	59	60	54	58
Skilled nursing facility	261	267	266	264	263	261	262	259	259	261
Recreation	116	84	83	77	79	76	67	63	73	106
Public library	54	54	52	55	46	46	44	46	51	52
Education	1,213	1,181	1,171	1,163	1,174	1,178	1,166	1,120	1,137	1,150
Sewer										
Engineering	12	13	13	13	13	14	13	14	14	15
Maintenance and other	19	19	28	25	25	22	24	22	24	22
Stormwater	11	11	-	-	-	-	-	-	-	-
Transportation										
Air rescue	10	14	14	14	14	17	13	13	14	18
Security	13	10	11	14	9	14	14	14	14	13
All other	43	40	37	38	36	27	27	36	35	37
Total	2,643	2,616	2,609	2,607	2,582	2,596	2,549	2,505	2,556	2,656

- City Clerk's Business Licensing, City Manager's Housing Safety & Planning's Inspections transferred to new Permitting & Inspections Department in FY17
- Parks transferred from Public Works Districting to Parks, Recreation & Facilities in FY17
- HHS Administration split from HHS divisions in FY17
- Cemetery & Forestry transferred from Public Works to Parks, Recreation & Facilities during FY16
- City Manager new Housing Safety Division in FY16
- Golf Course Restaurant transferred from the Barron Center to Recreation & Facilities Mgmt in FY15
- Public Health phase-out of city operated Homeless Healthcare Center during FY14
- Economic Development transferred from the City Manager's department in FY14
- Public Health's Portland Community Health Center begins separation from the City in FY13

Source: Municipal and School Department Budgets

TABLE 20

CITY OF PORTLAND, MAINE
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Physical arrests	3,021	3,239	3,567	2,953	4,342	4,605	4,527	3,481	3,964	4,575
Citations	4,724	5,042	5,607	5,846	6,303	6,617	6,311	6,152	7,620	10,026
Total calls for service	74,876	81,460	83,861	84,438	83,885	75,106	84,738	84,007	79,080	85,056
Fire										
Emergency responses	16,496	16,053	16,314	15,833	15,561	14,950	14,173	14,016	13,250	13,851
Structural fires	49	58	164	193	247	225	280	272	267	278
Refuse collection										
Refuse collected (tons)	8,875	9,334	9,472	9,392	9,382	9,446	9,777	10,415	10,345	10,893
Recyclables collected	5,609	5,810	5,463	5,554	5,543	5,683	5,358	5,003	5,015	5,459
Other Public Works										
Requests for service - number of workorders	6,896	5,217	2,861	3,309	3,276	3,437	3,611	4,012	5,087	7,443
Traffic workorders - signals, lights and signs	1,209	1,143	1,206	1,378	1,364	752	1,192	1,591	1,330	1,077
Vehicle maintenance workorders	2,654	2,343	2,168	2,372	3,518	3,437	3,325	3,205	3,360	3,974
Street sweeping - lane miles	3,698	2,450	2,450	2,650	2,275	250	1,500	2,000	2,000	2,050
Number of winter storms	13	8	14	11	11	6	10	5	20	22
Library										
Volumes in collection	376,000	369,868	363,376	360,000	365,000	358,982	336,000	415,000	441,529	371,778
Total circulation	826,000	828,676	869,563	882,278	940,034	940,947	1,089,338	793,037	750,978	807,276
Reference questions	57,187	80,149	80,254	70,835	67,599	72,009	73,283	55,912	67,535	131,941
Attendance	586,000	615,955	612,335	627,501	662,455	666,273	633,854	336,095	452,666	615,615
Wastewater (cubic feet in 100's)										
Average daily sewage treatment	18,000	17,000	17,000	19,800	17,000	22,726	22,912	23,146	25,461	25,695
Customer count (monthly average)	16,600	17,033	17,060	16,922	16,892	16,818	16,495	16,719	16,707	16,674
Planning and development										
Building permits new structures - residential	32	24	33	30	31	31	37	30	24	31
Building permits new structures - commercial	25	19	7	13	15	10	9	22	22	29
Permitting and inspections										
Building inspections	3,767	3,808	3,353	3,259	2,593	2,904	2,455	1,954	2,141	1,472
All other inspections	5,326	5,150	2,040	2,467	2,256	1,344	1,599	3,351	2,427	962
Health and social services										
Food service inspections (1)	908	937	953	572	298	254	232	269	855	632
Housing & general assistance inspections (1)	327	205	280	392	560	612	403	1,589	883	936
Parking control										
Parking violations (calendar year)	106,921	117,874	119,851	123,079	130,122	136,092	144,008	148,417	74,576	148,984

Source: Various City Departments

(1) These inspections were previously performed by the Planning Department

TABLE 21

CITY OF PORTLAND, MAINE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Community policing centers	5	5	5	5	5	5	5	4	4	4
Marked cruisers and other vehicles	50	50	50	49	48	48	50	48	47	45
Unmarked sedans	33	39	39	39	39	38	31	28	26	24
Fire										
Fire stations	10	10	10	10	9	9	8	8	8	8
Fire/rescue boats	3	3	3	3	3	3	2	2	2	2
District owned fire hydrants	1,480	1,500	1,500	1,300	1,450	1,454	1,431	1,427	1,421	1,416
Refuse collection										
Collection trucks - packers	14	14	14	14	14	14	14	19	19	19
Collection trucks - recycle	5	5	5	5	5	5	5	-	-	-
Street sweepers	10	9	8	8	7	7	7	8	7	6
Other Public Works										
Streets (lane miles)	582	582	582	582	582	582	582	582	582	581
Street lights (2)	775	615	615	615	605	6,756	6,241	6,241	6,455	6,578
Traffic signalized intersections	124	115	115	115	115	126	125	111	111	109
Parks and recreation										
Parks	37	37	37	37	37	37	41	41	55	55
City tree inventory	20,000	19,500	19,500	19,500	19,500	20,000	20,000	20,000	20,000	20,000
Public golf courses	2	2	2	2	2	2	2	2	2	2
Ice Arena	1	1	1	1	1	1	1	1	1	1
Playgrounds	30	27	27	27	27	27	27	27	32	32
Ball fields	50	50	50	50	50	50	50	50	50	50
Community centers	5	5	5	5	5	5	5	5	5	5
Swimming pools	3	3	3	3	3	3	3	3	3	3
Education (Public)										
Schools	18	18	18	18	18	18	18	17	17	17
Classrooms	462	462	448	445	454	458	482	461	461	466
Wastewater (1)										
Sanitary sewers (miles)	92	96	85	87	70	70	47	243	243	243
Storm sewers (miles)	138	129	108	107	108	108	112	112	112	108
Combined sewer (miles)	139	141	131	136	142	142	153	NA	NA	NA
Treatment capacity (000's gallons)	80,000	80,000	80,000	80,000	80,000	80,000	80,000	30,000	30,000	30,000
Licensed for (000's gallons)	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800	19,800

(1) 2011 and going forward will be separating sanitary and combined sewer miles, also accuracy has increased due to GIS mapping

(2) Prior to 2013 this number included street lights not owned by the city.

NA = information not available.

Source: Various City departments

Table 22

CITY OF PORTLAND, MAINE
PORTLAND INTERNATIONAL JETPORT
Schedule of Enplanement Data
Last Ten Fiscal Years

AIRLINE	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Air Canada / Air Alliance	-	-	-	-	4,095	5,838	6,463	1,004	-	-
AirTran	-	-	-	-	67,349	94,721	99,466	110,154	96,618	102,187
Continental Airlines										
Colgan / Continental Connection	-	-	-	-	6,147	44,389	73,130	74,304	68,881	1,303
Continental Express / ExpressJet	-	-	-	-	55,418	33,056	8,676	12,813	14,512	66,843
Trans State Airlines	-	-	-	-	95	1,412	-	-	-	-
Delta	106,069	102,962	100,639	110,974	125,867	101,601	75,435	27,881	12,850	-
Atlantic Southeast Airlines	-	-	-	-	-	-	3,672	15,799	40,638	63,687
Chautauqua	-	-	9,167	24,446	3,176	17,151	14,925	563	-	29,683
Comair	-	-	-	-	344	6,209	19,044	13,965	26,354	54,748
Compass	-	74	-	4,815	9,048	-	2,713	2,538	-	-
Endeavor Air	62,479	56,689	55,025	17,115	-	-	-	-	-	-
ExpressJet	34,646	31,670	20,325	7,064	9,367	-	-	-	-	-
Freedom Air	-	-	-	-	-	-	-	-	38,732	-
Go Jet	17,416	6,702	14,332	29,409	20,515	8,125	-	-	-	-
Mesaba	-	-	-	-	-	-	94	59	-	-
Pinnacle	-	-	-	20,620	43,615	60,356	35,920	26,563	2,468	-
Shuttle America	610	22,063	18,288	8,675	21,307	6,905	721	-	-	-
Skywest Airlines	1,546	-	-	-	-	-	-	-	-	-
Elite Airways	8,008	2,964	-	-	-	-	-	-	-	-
JetBlue	92,826	98,298	99,730	102,522	99,925	104,272	116,839	135,571	143,235	147,971
Northwest	-	-	-	-	-	-	-	-	65	14,678
Comair	-	-	-	-	-	-	805	4,608	-	-
Mesaba	-	-	-	-	-	-	-	3,090	49,089	23,583
Pinnacle	-	-	-	-	-	-	23,955	47,435	6,034	15,717
Southwest	148,624	130,567	127,060	116,939	25,411	-	-	-	-	-
Starlink Aviation	-	-	-	-	-	-	-	945	551	-
Twin Cities Air Service	-	-	-	-	433	779	717	246	-	-
U.S. Airways / American Airlines	75,954	47,034	43,605	45,593	42,009	50,134	41,704	26,882	-	-
Air Wisconsin	40,538	54,615	59,737	49,131	54,497	65,584	70,642	82,891	105,579	97,891
Chautauqua	-	-	-	80	-	-	-	48	11,024	9,765
Colgan	-	-	-	-	-	-	-	-	-	7,797
Mesa	-	-	2,456	330	-	-	1,210	-	9,409	19,969
Piedmont	17,714	2,215	-	-	363	12,717	10,126	1,848	1,975	-
PSA Express	54,257	55,428	379	1,187	43	-	904	2,253	1,776	-
Republic Airlines	66,883	91,418	129,478	131,801	123,752	112,659	126,088	146,453	110,536	94,325
Trans State Airlines	3,046	-	-	-	-	-	-	-	-	-
United Airlines	7,974	-	-	-	-	-	-	-	-	-
Air Wisconsin	-	-	-	-	34,555	-	-	-	291	-
Atlantic Southeast Airlines	-	-	-	-	-	-	22,107	2,304	-	-
Commute Air	11,597	-	-	-	-	-	-	-	-	-
ExpressJet	79,365	65,903	34,175	59,303	-	32,895	822	-	-	-
Go Jet	9,456	26,657	30,519	20,472	26,803	18,619	38,253	79,389	73,916	86,879
Mesa	28,954	25,827	23,522	28,834	7,724	30,487	54,645	36,955	47,052	31,691
Republic Airlines	28,584	26,600	62,989	54,431	11,464	-	-	-	-	-
Shuttle America	3,368	25,441	8,473	-	-	-	-	-	-	-
Trans State Airlines	12,999	3,123	2,885	9,407	25,219	16,256	-	2,126	-	909
Subtotal	912,913	876,250	842,784	843,148	818,541	824,165	849,076	858,687	861,585	869,626
Charters and Unscheduled Flights	1,424	148	730	1,156	963	1,045	911	971	905	1,023
Local Total	914,337	876,398	843,514	844,304	819,504	825,210	849,987	859,658	862,490	870,649
Total for United States (000)'s	(a)	830,079	800,087	760,847	738,616	731,130	725,262	711,264	695,912	734,154
Local Market Share of US Total	(b)	0.106%	0.105%	0.111%	0.111%	0.113%	0.117%	0.121%	0.124%	0.119%

(a) Source - Jetport's fiscal year enplanement data

(b) Source - Federal Aviation Administration calendar year enplanement data

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**City of Portland
Department of Finance
389 Congress Street
Portland, Maine 04101**

City of Portland
Audit Results Summary
June 30, 2017

- I. Letter to the Board of Governance
 - a. Auditor responsibility vs. management responsibility
 - b. New pronouncements – Governmental Accounting Standards Board (GASB) 77
 - c. Major estimates in financial statements (five items listed)
 - d. No difficulties or disagreements with management
 - e. Listing of proposed audit adjustments
 - f. Other findings or issues - none
- II. City of Portland Comprehensive Annual Financial Report (CAFR)
 - a. Unmodified (clean) opinion
 - b. Filed for an extension with GFOA due to issuance of CAFR being after December 31
 - c. Should receive the CAFR award from GFOA
- III. Reports required by *Government Auditing Standards* and the Uniform Guidance (Single Audit)
 - a. GAS Report
 - i. No material weaknesses nor significant deficiencies
 - b. Uniform Guidance Report
 - i. City and School expended nearly \$24M in federal awards
 - ii. Tested 6 major programs (5 at City and 1 at School)
 - 1. Finding in HOME program for not performing housing quality standard inspections within the applicable time period
 - 2. Finding in AIP program for failing to file Federal Financial Report accurately
 - iii. Prior year finding in EPA program was corrected
- IV. Reports Required by *Maine Uniform Accounting and Auditing Practices* (MAAP)
 - a. No material weaknesses nor significant deficiencies
 - b. Tested 3 major Department Agreements (all at City) with no findings
 - c. Prior year finding was corrected
- V. Management Letter
 - a. Approval of Public Health Department purchasing card transactions
 - b. Signed fuel purchase cards agreements for fleet department
 - c. Odometer readings in system for fleet department
 - d. Journal entry review
 - e. Infrastructure contributions – release of funds approval
 - f. Year-end adjustments and role of an internal audit function
 - g. Sales tax being paid when utilizing School Department purchasing cards
 - h. School nutrition program cash receipts review and approval
 - i. Activity funds at Deering High, Portland High, and Casco Bay High Schools
 - i. Disbursements – transactions not related to student groups
 - ii. Receipts – Forms not completed properly and timely deposits not being made
 - iii. Boosters utilizing School Department's tax identification number
- VI. Jetport Financial Statements
 - a. Unmodified (clean) opinion
- VII. Jetport – Schedule of Expenditures of Passenger Facility Charges (PFC)
 - a. No material weaknesses nor significant deficiencies
 - b. Finding for failing to file PFC quarterly reports accurately

February 12, 2018

To: City of Portland Finance Committee, acting as Audit Committee
Jon Jennings, City Manager, City of Portland, Maine
Brendan O'Connell, Finance Director, City of Portland, Maine

Portland Board of Public Education Finance Committee, acting as Audit Committee
Xavier Botana, Superintendent, Portland Public Schools
Alicia Gardiner, Executive Director of Budget and Finance, Portland Public Schools

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. They have been identified as "Other Comments" in the attached *Schedule of Findings and Responses*.

City of Portland, Maine
February 12, 2018

The City of Portland, Maine's responses to the other comments identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The City of Portland, Maine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the City of Portland, Maine, including the School Department, during the course of our audit. We will review the status of these comments during our next audit engagement. We have already discussed these issues with various City and School personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the City of Portland Finance Committee and the Board of Public Education Finance Committee (acting as respective Audit Committees), management of the City and the Department of Public Schools, and others within the organization. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



CITY OF PORTLAND, MAINE
Schedule of Findings and Responses
June 30, 2017

OTHER COMMENTS

City of Portland

Public Health Department Purchasing Card

In our testing over purchasing card transactions in the Public Health Department, we noted that six of the twelve transactions selected for testing had purchase approval forms that were not completed in their entirety. The purchase approval forms indicate that approval of a Supervisor and the Division Director is required; however, in the six instances noted, only a Supervisor approved the transaction. We recommend that the department obtain both approvals for all purchases or consider amending their policy and the related forms to require only one approval.

Management Response: Finance Department accounting staff will review the internal policies and procedures in the Public Health Department to determine whether any revisions to the approval process are necessary, and will recommend changes to the department's purchase approval forms based on that review.

Anticipated Completion Date: March 1, 2018

Fuel Purchasing Cards – Fleet

Our testing of the fuel cards used in the Fleet department revealed that one of ten employees tested did not have signed purchasing card user agreements. We recommend that prior to authorization of use of City purchasing cards, the employees are trained in proper practices and return a signed user agreement.

It was also noted that the odometer readings in the system, which are used to verify the validity of fuel purchases, are not always accurate. We recommend the employment of a system that ensures data accuracy for the odometer readings and variances, if any, should be accompanied by explanation and documentation.

Management Response: Finance Department accounting staff will review the procedures followed by the Fleet department prior to issuing purchasing cards and will periodically check that a signed purchasing card user agreement is on file for each employee with a fuel card. In those instances where no agreement is on file, the employee's card will be suspended until the employee is properly trained and returns a signed user agreement.

Finance department staff will perform random checks of odometer readings entered into the system and will issue warnings for inaccurate readings. Multiple warnings for inaccurate odometer readings will result in suspension of individual fuel cards.

Anticipated Completion Date: March 1, 2018

Journal Entry Review

Our review of journal entries throughout our test work revealed that certain journal entries may be posted to the general ledger without adequate review and approval. The Controller and Deputy Finance Director are primarily responsible for posting entries to the general ledger and also have the responsibility for approving entries. There was a period of time in which the Controller's position was vacant and entries were posted without a review. While we found no evidence of fraudulent activity, the possibility of fraud or error still exists. In order to minimize these risks and ensure that controls are not bypassed, we suggest the City develop a contingency plan for when certain management personnel are unavailable.

CITY OF PORTLAND, MAINE
Schedule of Findings and Responses, Continued
June 30, 2017

Management Response: *Journal entries have been reviewed since both the Deputy Finance Director and Controller positions were filled. To prevent this situation from recurring in the future, the Finance Director will review and approve journal entries prior to posting should an extended absence or vacancy occur in either of these positions.*

Anticipated Completion Date: *January 1, 2018*

Infrastructure Contributions - Release of Funds Approval

In reviewing documentation for transfers of funds, we found that the standard forms used by the City were often lacking signed approvals. After further inquiry, City staff was able to produce emails showing informal approval for fund transfers. We suggest that the City utilize the forms available and document approval in one location. Maintenance of electronic approval via the email server is not an ideal situation as files are not accessible by all personnel and may not be properly archived.

Management Response: *Finance Department accounting staff will review the procedures and forms used to authorize the release of funds to ensure that formal, written approvals are properly secured and archived.*

Anticipated Completion Date: *March 1, 2018*

Year-end Adjustments and the Role of Internal Audit

Each year-end, City management reviews thousands of accounts and posts hundreds of entries to prepare the financial system for year-end reporting. In the last two years, due to significant turnover within the Finance Department, there was a larger volume of adjustments, some of which were material to the financial statements, which were necessary to reconcile accounting records to documentation. Such additional entries could have been avoided if a system of monthly reviews and checks had been implemented. These monthly reviews and checks could have been performed by internal audit personnel. Internal auditing has a key role to play in effective management systems.

The City of Portland has many complex transactions and decentralized areas that record financial information. An internal audit function could include periodic reviews of all departments within the City, including the School Department. Some of the processes performed by an internal audit staff could include testing of transactions pertaining to cash receipting, payroll, accounts payable, social service expenditures, reimbursement of expenditures to employees, etc. Additionally, with the complexity of State and Federal laws and regulations continuing to increase, an internal audit staff could routinely evaluate compliance with grant terms and restrictions. We suggest that the City consider creating and implementing an internal audit function to aid in identifying and reconciling issues before significant time passes and key information is lost, and performing periodic reviews of transactions within all departments of the City.

Management Response: *There has been a larger volume of adjustments at the close of the last two fiscal years due to significant turnover, and the Finance Department is now fully staffed in those areas involved with year-end reconciliations and reporting. However, we agree that the decentralized nature of financial recordkeeping and the increasing complexity of financial transactions support the addition of an internal audit function, which has been included in the Department's FY2019 budget proposal.*

Anticipated Completion Date: *July 1, 2018*

CITY OF PORTLAND, MAINE
Schedule of Findings and Responses, Continued
June 30, 2017

Portland Public Schools

Activity Funds

As part of our annual audit, we selected four schools on a rotational basis and performed certain procedures with respect to the individual student activity funds. These procedures included gaining an understanding of the internal control procedures, and performing certain control and substantive testing. During this year's audit, we performed tests at the following locations: Deering High School, Lyman Moore Middle School, Portland High School, and Casco Bay High School. Results are as follows:

Deering High School – In our test of controls over cash disbursements, we found that on at least one occasion, funds were collected from students to reimburse teacher out-of-pocket expenses during a field trip. These funds were not processed through the student activity account. In order to achieve transparency and ensure proper use of funds, we recommend that any funds collected be documented and deposited in accordance with established procedures. In our test of controls over cash receipts, we found several deposits which were not deposited in a timely manner. We recommend that funds collected are deposited within forty-eight hours to minimize the risk of misuse or errors. Additionally, we found certain instances where deposit report forms were not reviewed and approved. We recommend that all forms be reviewed and approved to ensure accurate reporting and to deter potential misuse.

Lyman Moore Middle School – No issues were noted in our testing of controls over cash receipts and cash disbursements.

Portland High School – Controls over cash disbursements were properly designed and implemented. There was only one exception noted during testing where an invoice could not be located. This is deemed an isolated incident. In our test of controls over cash receipts, we found only one deposit of the forty tested which was not deposited in a timely manner. This was deemed an isolated incident and not an enduring issue.

Casco Bay High School – Controls over cash disbursements were properly designed and implemented. There was only one exception noted during testing where an invoice could not be located. This was deemed an isolated incident. In our test of controls over cash receipts, we found several deposits which were not deposited in a timely manner. We recommend that funds collected are deposited within forty-eight hours to minimize the risk of misuse or errors.

During our testing, we also noted several booster clubs utilizing the School Department's tax identification number. These clubs are not school governed organizations and should not be utilizing the School Department's tax identification number. We recommend that the School Department make an effort to remove these unauthorized accounts.

During our testing related to school activity funds, we found several transactions that were not related to student groups. Transactions for fees and other costs that are not related to a specific student group should be processed through the central office to ensure such transactions are subject to proper review and approval and are accounted for in the appropriate budget line. We recommend that the School Department clarify procedures and educate staff so that all purchases for goods or supplies are processed in the appropriate fashion.

CITY OF PORTLAND, MAINE
Schedule of Findings and Responses, Continued
June 30, 2017

Management Response: We will send a reminder to all Schools that Activity Fund transactions should follow established procedures and any funds received should be deposited within 48 hours of receipt. These matters will also be reinforced during the on-site reviews of the Activity Funds periodically conducted by the School Finance Department.

The Booster Clubs have opened new accounts under their own tax identification number.

Anticipated Completion Date: June 30, 2018

School Nutrition Program Cash Receipts

As part of our annual audit, we selected forty school nutrition program cash receipts for testing. Although our testing revealed improvement over the prior year, there still were significant cash receipts that had no review or approval of the daily cash-out and deposit process. We recommend a dual count procedure to reduce the risk of error and to ensure that no one employee can manipulate the daily cash-out reports and the deposits. We recommend that funds collected are deposited within forty-eight hours to minimize the risk of misuse or errors.

Management Response: The Food Service team has implemented dual cash count procedures at each school and will make every effort to deposit funds within 48 hours of receipt.

Anticipated Completion Date: June 30, 2018

Purchasing Cards

As part of our annual audit, we selected fifty school purchasing card transactions for testing. Our testing revealed that the school often paid sales tax on purchases. As a qualified exempt organization, the school should avoid paying sales tax whenever possible and should educate cardholders of the proper procedures to ensure no unnecessary taxes or fees are incurred. We recommend that management review all purchases for potential savings prior to payment.

Management Response: All Card holders will be reminded that sales tax should not be paid on purchases made with the Purchasing Card. The School Departments' tax exempt number is on the back of all Purchasing Cards and can be provided to vendors who require it. If the purchase was made through an on-line vendor, the Purchaser should contact the vendor to request a refund of the sales tax paid.

Anticipated Completion Date: June 30, 2018



TO: Members of the Finance Committee, Jon Jennings, City Manager;
FROM: Brendan T. O'Connell, Director of Finance
DATE: March 22, 2018
RE: City of Portland – Fund Balance Status Report and Recommended Usage

Executive Summary

As part of the FY19 Capital Improvement Plan the City Manager is recommending usage of approximately \$3M of surplus unassigned fund balance to remain in compliance with the City of Portland Fund Balance Policy, to help address the backlog of capital maintenance in the City, and to ease the tax burden within the FY19 operating budget and beyond. This usage of surplus fund balance will keep the City in compliance with the City Fund Balance Policy goal of 12.5% of expenditures. The recommended usage of fund balance will also give the City and the School Department the flexibility to complete \$2M of critical capital improvement projects in FY19 without adding any debt service to the operating budget or tax levy. Finally, the recommended usage of unassigned fund balance will take a tremendous burden out of the FY19 operating budget, by eliminating \$1M of expenditure related to the City wide revaluation.

Additional Background

Chapter 2 of the City Code *Administration* notes that it is the duty of the Finance Director to act to promote, secure and preserve the financial and property interests of the City. Among these required duties are keeping the books and records of the City including financial condition, transmitting financial statements to the City Manager, and exercising general supervision over all officers of the City regarding the proper management of the fiscal concerns of their respective offices. Several fiscal policies have been developed and implemented by the Finance Director to assist in the compliance of those duties as outlined in City Code. The Fund Balance Policy is one of the most important of those policies. Our Fund Balance policy notes "It is the goal of the City to achieve and maintain an unassigned General Fund balance equal to 12.5% of expenditures." At the end of FY16, the City had approximately \$36.6M of unassigned fund balance, or approximately 12.7% of expenditures.

Based on FY17 results, combined with expenditure projections for the coming fiscal year, it is anticipated that an unassigned fund balance of \$38.3M will be required to maintain our 12.5% fund balance policy in the coming fiscal year. As of June 30, 2017 the unassigned fund balance is at \$41.4M, leaving the City with just under a \$3M surplus above the recommended 12.5% threshold. The City Manager has recommended usage of this surplus fund balance for two purposes. First, to fund \$2M of capital improvement projects which would have otherwise been funded with general obligation bonds (and thus triggering 20 years of debt service payments in the operating budget going forward, an estimated savings of approximately \$150,000 per year). Of these projects, \$1M would be City projects and \$1M would be School

Department projects, or a savings of \$75,000 in each. Second, the City Manager is recommending to use approximately \$1.05M of surplus fund balance to pay for one time expenditures related to the required City wide revaluation. If this expenditure is not funded with via usage of excess fund balance, the City would be required to add this amount to the FY19 operating budget, which would increase the tax levy by \$0.14.

CITY OF PORTLAND					
UNASSIGNED FUND BALANCE BY FISCAL YEAR					
BUDGETARY BASIS	2018	2017	2016	2015	2014
General Fund Balance					
Unassigned	41,416,433	\$ 36,599,104	\$ 33,642,720	\$ 34,414,158	\$ 33,107,652
Assigned					
Fund Balance Available	\$ 41,416,433	\$ 36,599,104	\$ 33,642,720	\$ 34,414,158	\$ 33,107,652
Expenditures (FY19 est, FY14-18 actuals)					
General Fund	197,825,155	\$ 186,271,885	\$ 178,524,521	\$ 176,355,473	\$ 170,809,990
School Department	110,507,276	103,602,884	102,776,657	101,592,669	98,275,361
Less: Excluded Debt Service ¹	(1,464,594)	(1,754,848)	(1,812,819)	(1,848,452)	(1,885,180)
Total Expenditures	\$ 306,867,836	\$ 288,119,921	\$ 279,488,359	\$ 276,099,690	\$ 267,200,171
Fund Balance Percentage	13.5%	12.7%	12.0%	12.5%	12.4%
Unassigned Fund Balance	\$ 41,416,433	\$ 36,599,104	\$ 33,642,720	\$ 34,414,158	\$ 33,107,652
Fund Balance Policy - 12.5%	(38,358,479)	(36,014,990)	(34,936,045)	(34,512,461)	(33,400,021)
Fund Balance to be Expended (Restored) to Comply with Policy	\$ 3,057,954	\$ 584,114	\$ (1,293,325)	\$ (98,303)	\$ (292,369)
Recommended Excess Fund Balance Usage:					
FY19 CIP - City Fund Balance	(\$1,000,000)				
FY19 CIP - PPS Fund Balance	(\$1,000,000)				
FY19 / FY20 Revaluation	(\$1,055,000)				
Subtotal	(\$3,055,000)				
Total Fund Balance after Recommendations	\$ 38,361,433				
Fund Balance % after Recommendations	12.5%				
Note: 2014 through 2017 represent actual expenditures, 2018 represents estimates					

Note 2: The City portion of the unassigned Fund Balance is \$37.6M and the School portion of the unassigned fund balance is \$3.8M

Maine Revised Statutes on School Fund Balance and Implications for FY18 PPS Funding

Maine State Law, Title 20-A, MRS section 15689-B (6) states that:

“Notwithstanding any other law, general operating fund balances at the end of a school administrative unit's fiscal year must be carried forward to meet the unit's needs in the next year or over a period not to exceed 3 years. Unallocated balances in excess of 3% of the previous fiscal year's school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy. School boards may carry forward

unallocated balances in excess of 3% of the previous year's school budget and disburse these funds in the next year or over a period not to exceed 3 years. For fiscal years 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 only, the carry-forward of a school administrative unit's unallocated balances is not limited to 3% of the previous fiscal year's school budget."

20-A M.R.S. section 15004 states: "The unexpended balance of all money raised by a school administrative unit, received from the State for general-purpose aid for for other educational programs; from the Federal Government directly or from the Federal Government through the State; from tuition payments made by other units, the State, or by individuals; and other receipts for school purposes shall be carried forward and credited to the unit for educational programs for the ensuing year."

20-A M.R.S. section 15689-B(5) states: "Notwithstanding any other law, money allocated for school purposes may be expended only for school purposes."

20-A M.R.S. section 6052 establishes the requirements for the annual audit of School Department funds.

The intent of these laws is to ensure that public funds raised for education, including those provided by the State, are used for that purpose and are subject to independent audit, and additionally that school administrative units do not accumulate fund balances in excess of a reasonable amount without consideration for tax relief. The calculation of amounts that are covered by the 3% unallocated balance limitation would not include School Reserve funds, Adult Education funds, or Food Service funds.

In 2016, the Portland Public School Department established a School Reserve due to the 20-A requirements. A school capital reserve was established and was later appropriated for usage within the capital improvement plan. This action saved the district approximately \$150,000 in annual debt service cost within the next 20 annual operating budgets.

In FY18, the School Department is expected to receive excess revenue from the State of Maine in their educational subsidy of approximately \$1M. Until the fiscal year is complete, it is uncertain as to whether this additional \$1M could potentially conflict with the M.R.S. regarding carry forward balances. At year end, any excess revenues above expenditures would simply flow into general fund balance, and could later be placed into a school capital reserve if necessary. Every \$1M of potential school capital reserve utilized in place of general obligation debt generates approximately \$75,000 in annual budget savings for the next 20 years.