

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**City of Portland, Maine
For the Fiscal Year Ended
June 30, 2002**

**CITY OF PORTLAND, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**



Where we fly, the Jetport's nonstop service cities.

Duane G. Kline
Finance Director

CITY OF PORTLAND, MAINE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2002

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CITY OF PORTLAND, MAINE

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The Jetport is only minutes away from Portland's downtown.

**CITY OF PORTLAND**

November 21, 2002

Honorable Karen A. Geraghty, Mayor
and Distinguished Members of the City Council
Portland, Maine

In accordance with the requirements of our City Charter and in recognition of the increased interest in public officials' accountability to citizens and potential investors, the comprehensive annual financial report of the City of Portland for fiscal year ended June 30, 2002, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Portland. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements of the City of Portland in conformity with accounting principals generally accepted in the United States. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes management's discussion and analysis of the City's financial activities, the basic financial statements and the combining and individual fund statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

CITY'S ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

The City of Portland was first settled in 1632, and incorporated in 1786. The first city charter was granted in 1832, and its present charter was adopted September, 1923, and amended several times, most recently November 4, 1986. A nine member city council constitutes the legislative body, and a nine member school committee has general authority for public schools. The mayor is selected by the City Council for a one year term and presides over the council meetings. The city manager is the chief executive officer of the City.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. 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.

The financial reporting entity of the City includes all the funds of the City of Portland, Maine, as well as all of its component units. Component units are legally separate entities for which the City (the primary government) is financially accountable. The City provides the full range of municipal services that includes police and fire, highways and sanitation, human services, culture, parks and recreation, education, public improvements, planning and zoning, and general administrative services. Sanitary sewer services, transportation and waterfront services, and a recreation facility operation are accounted for in the City's Enterprise Funds.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Downtown Portland Corporation is reported as a special revenue fund in the City's fund financial statements and included in the Governmental Activities column in the City's Government-wide financial statements; and the Portland Fish Pier Authority is reported as part of the Seaport Enterprises, an enterprise fund in the City's fund financial statements and included in the Business-type Activities column in the City's Government-wide financial statements. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Portland Public Library and Portland Fish Exchange are reported as discretely presented component units.

Financial statements for the following entities are not included in this report as they are administered by boards separate from, or independent of, the City Council and otherwise have not met the established criteria for inclusion in the reporting entity:

- Greater Portland Transit District
- Regional Waste Systems

However, brief descriptions of these organizations are incorporated in the notes to financial statements.

ECONOMIC CONDITION AND OUTLOOK

The City of Portland derives its economic strength and stability from its role as a regional center for finance, commerce and distribution for northern New England. The local economy is heavily tied to the medical and financial service sector, with Maine Medical Center as the largest medical facility in northern New England and a major employer in the City.

Unemployment in the greater Portland area increased .1% during 2002. The City's unemployment rate at 2.5%, as reported by the State of Maine Department of Labor for June, 2002, remains at a level that has historically been below state and national rates (3.9% and 5.9% respectively).

The downtown Class A and B office rental markets have softened a bit from their low of a nearly 0% vacancy rate in January of 2001, but remain strong and under 4% today. The continued low vacancy rates has been the impetus for increasing rental rates and has prompted several new construction projects. Growth in the regions core industries of health care, finance and insurance provide a steady demand for office space, both downtown and in the suburbs. The retail vacancy rate, which hit its all time high of 40% in May of 1992, is now under 5%. The high-end merchandising of the Old Port has continued to strengthen and grow while Congress Street, the core of the City's downtown district, has evolved to a more sophisticated mix of office and retail space, providing long-term stability to the area.

The continued growth of Portland as a desirable port-of-call for the cruise industry has contributed significantly to the dominance of the Old Port as a tourist destination, further enhancing Portland's economy. Portland is one of the top two largest international passenger ports in New England and in 2002, Portland hosted 42 passenger ships and 180 turns on our International Ferry, bringing a total of 206,000 international passengers plus another 980,000 domestic ferry passengers.

In addition, the Port of Portland continues to thrive and is the largest foreign inbound transit port in the United States, the largest cargo tonnage port in New England, second largest oil port on east coast and is the second largest fishing port in New England.

Maintaining our office, retail, commercial, marine and industrial districts so that they continue to provide diverse development opportunities remains an ongoing priority for the future. The City's downtown core revitalization has been well established and continues to thrive. The City of Portland has been a strong and influencing force in its business community. A sense of partnership between brokers, bankers, business, and the public sector has been created and programs have been collectively developed to help insure that the enhanced business climate in Portland will continue to grow and create new opportunities for years to come.

An indicator of the strong local economy is reflected in the growth of the City's assessed value of real and personal property which increased approximately 8% during the year. In addition, the collection of current and delinquent property taxes during the current year, which exceeded 101% of the current year's tax levy, is a further indication of a strong local economy.

MAJOR INITIATIVES

For the year. The area of opportunity for the City of Portland is an urban industrial district on the Portland peninsula known as Bayside. Although these industrial and warehouse uses provided employment opportunities to residents in years past, Bayside represents a tremendous opportunity for redevelopment into a densely populated urban community, mixed with office, retail and residential development. The City has received Federal funding assistance to implement the "Vision for Bayside" master plan and will continue to find ways to partner with the Federal and State government, in addition to private developers, as Bayside is transformed and wove into the vital core of the Portland downtown.

The City continued to work with Northern New England Passenger Rail Authority and other agencies to restore passenger train travel between Portland and Boston. Construction of a railway station was completed on Sewell Street in Portland, and rail service was restored in December 2001.

In 1999, the City Charter was amended to allow the City to incur general obligation debt to fund its unfunded pension liability. During the current year the City was successful in putting together the final agreements refinancing its \$111 million unfunded unpooled pension liability to produce annual savings of approximately \$845 thousand until it is paid off in 2025. The total estimated savings over the term of the issue is \$21.3 million.

For the Future. It is widely recognized that the City's waterfront area is a vital part of what has been and what will maintain Portland's strong economy. A recent State voter approved referendum has paved the way for a new \$16 million cruise ship and passenger facility on the east end of the Portland waterfront. The construction of that facility will bring significant growth to the eastern end of the Portland peninsula and planning for the assimilation of an additional half-million square feet of office, retail and residential development is underway.

By consolidating passenger activities on the east end of the waterfront, the International Marine Terminal will be able to increase its cargo capacity while the entire west end of the waterfront is expected to grow with marine industrial uses. These initiatives could involve capital improvement investments in excess of \$40 million during the next ten years and the City will be aggressively seeking federal and state participation in these projects.

Portland school officials have established a task force to study the condition of Portland's twelve elementary schools. Funding has been provided for preliminary architectural and engineering assistance and a request for State funding assistance for revisions to the elementary school system (preliminary cost estimate, \$80 million) has been made. No local funding decisions will be made until the State's participation has ultimately been determined.

DEPARTMENTAL FOCUS

This year the City has elected to highlight the Department of Transportation and Waterfront and to focus on the efforts and accomplishments of its airport operations. The Jetport is undertaking numerous major projects to assure that customer demands are met well into the future, which will enable the Jetport to be the economic engine for the entire region.

The runway project is in its second year of construction. First phase was to move and expand Johnson Road/Western Avenue which was completed early this fiscal year. Repaving of the runway was also completed this fiscal year. This did have a minor effect on our flights, since in order to complete the work; the runway was closed each evening from 10:30 pm to 6:00 am the next morning. Next year, the runway will be expanded 400 feet, to an ultimate length of 7,200 feet. Additionally a new navigational system will be installed to greatly enhance the operational ability of the Jetport. When completed, airlines will be able to safely takeoff with only 600 feet visibility. The majority of the cost associated with this project is being paid for with AIP grants.

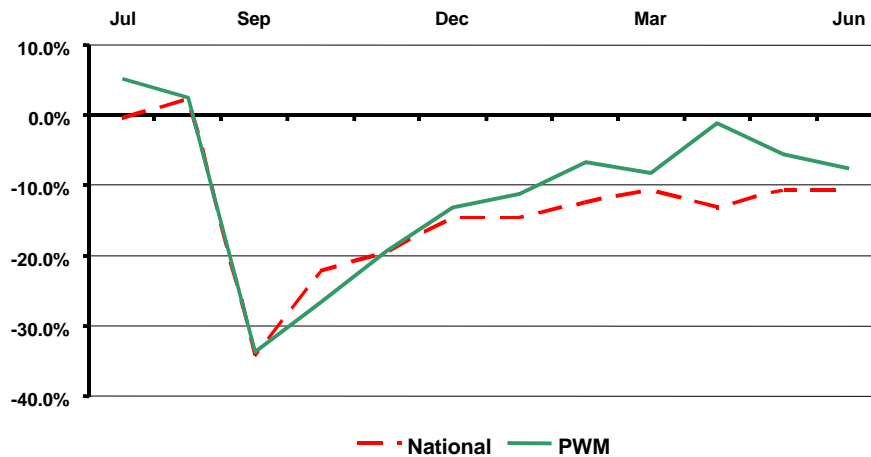
Parking is being expanded with a new multilevel parking garage and roadway system. Construction was started this fiscal year and will be completed mid January 2003. The parking garage will provide 1,159 customer parking spaces and will also house the rental car offices and ready spots. Effectively, these additional spaces will double the parking available for our customers. Because of the construction and security restrictions, parking availability to our customers in FY02 was greatly decreased.

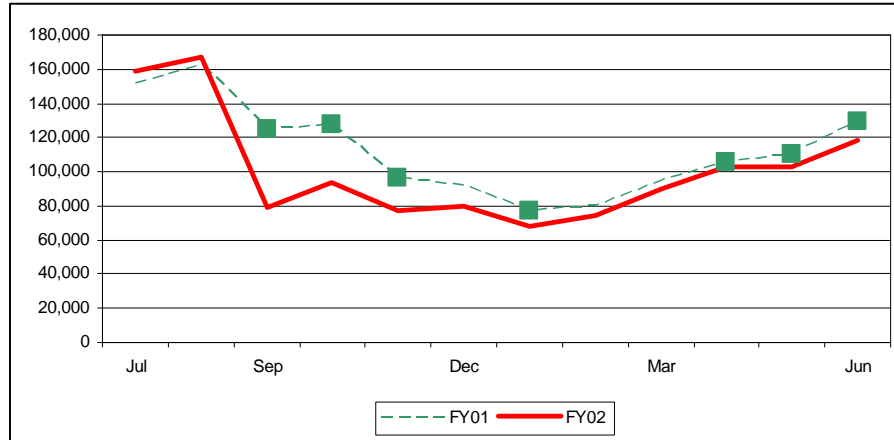
The design was started for a small addition to the bag claim area of the terminal. Expansion is expected to start in late 2003, and a Part 150 noise study update was started this fiscal year to explore ways of reducing noise for our surrounding communities.

The second Passenger Facility Charge (PFC) program will be completed in FY2003 and a new PFC program has been submitted to the FAA. The approval of this program is expected by the end of November 2002 and will fund part of the new roadway around the parking garage, terminal bag claim expansion, local share of the runway project (not covered by grants), future snow removal equipment, additional boarding bridges, and reimbursement of other construction projects.

9/11 Summary – The terrorist attacks of September 11 had an impact on the Jetport, although the impact was less than what has been reported on the national level. It is important to keep in mind that not all of the impacts that are shown in the Jetport’s financial statements were from the events of 9/11. Parking was reduced because of construction, flights were reduced due to runway closures because of construction, and finally our comparisons with passenger levels were reduced larger than they would have been because in the prior year the Jetport set numerous all time monthly passenger records.

Total passengers for FY01 were at a record 1,353,680 with total passengers for FY02 at 1,211,185, a loss of 142,495 passengers. Even with this loss, passenger levels remained above the national average.





Note: the marked months on the above chart indicate the record setting months.

Although total revenues during the current year declined as expected, revenues per passenger, remained constant.

Comparing total daily seats from July 2001 vs. July 2000, we did experience a lost of 766 daily seats. Total flights only decreased by 8 per day although there was an increase of 4 jets per day. The airlines have continually been upgrading the regional flights to regional jets, which is greatly desired by our customers, it has had an additional positive effect of noise reduction in the surrounding communities. Portland is served by American Eagle, Continental Express, Delta, Northwest, United Express, and USAirways to 14 major hubs with over 100 daily flights.

The department looks forward to continuing to build on its successes with the Jetport as it strives to met the challenging, growing and changing transportation needs of Southern Maine.

The citizens of Portland applaud the department’s ongoing efforts and those of its employees for their individual dedication, initiative and commitment to serving the people of this great city.

FINANCIAL INFORMATION

The City's Finance Department is responsible for establishing and maintaining an internal control designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The City adopts fiscal year budgets for its General and Enterprise Funds. These budgets are established in accordance with the laws which govern the City's operations. Special Revenue Funds do not have legally adopted budgets, but 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. Estimated purchase order amounts are encumbered prior to the release of the order to the vendor. Open encumbrances are reported as a reservation of fund equity at year end. Budgets are legally adopted by the City Council through the passage of an appropriation resolve.

Cash Management. Cash temporarily idle during the year was invested in certificates of deposit, Treasury Bills, Federal Farm Credits and Federal Home Loan Notes, with U.S. Treasury obligations being the most frequently used vehicles. The average yield on these investments was 3.29%, a decrease of 2.86% from last year. The City's total investment income during the year was \$1.17 million, a decrease of \$1.36 million from last year. The decrease in investment income was directly attributable to the decrease in the average daily rate of return earned on investments and a decrease in the average daily cash balance invested of \$5.4 million.

Risk Management. The City employs a full time risk manager and a safety coordinator to work with employees, supervisors and safety committees to address injury prevention. Attempts are made to identify situations which may cause injury or illness to employees and to resolve workplace safety and occupational health concerns. Strategic planning of workers' compensation cases including medical case management, supervisory/employee relations, transitional work and litigation management has been incorporated into the City's risk management program in addition to property and casualty, police professional, and general liability risks management.

The City self-insures its workers' compensation program. By referendum election on November 8, 1994, the voters of the City amended the City's Charter to allow money to be borrowed to fund the settlement of long-term workers' compensation obligations. Bond proceeds in the amount of \$3,925,000 are being used to fund lump sum settlements of certain claims (\$163,400 and \$3.76 million in the current and prior fiscal years, respectively) and reduce the City's long-term workers' compensation liabilities.

Pension and other postemployment benefits. The City of Portland contributes to the Consolidated Plan for Participating Local Districts (CPPLD), a cost-sharing multiple-employer defined benefit pension plan administered by the Maine State Retirement System (MSRS). The City joined the CPPLD effective July 1, 1995. As a participant of the plan, the City is required to make contributions at an actuarially determined rate.

During the year, the City entered into an agreement with the Maine State Retirement System (MSRS) for the payoff by the City of its initial unpooled unfunded actuarial liability ("IUUAL"). The City authorized up to \$115,000,000 aggregate principal amount of the City's general obligation pension bonds to provide funds to pay MSRS to prepay the City IUUAL. On July 19, 2001, the City issued taxable general obligation bonds in the amount of \$111,800,000 for this purpose. Bond proceeds, net of issuance costs, were delivered to the MSRS. Subsequent to delivery of bond proceeds, all investments became the responsibility of the MSRS and any future investment gains or losses experienced by MSRS do not result in any additional payment by the City in regard to its extinguished IUUAL obligation.

Additional information on the City of Portland's pension arrangements can be found in Note 17 in the notes to the financial statements.

OTHER INFORMATION

Independent Audit. The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Runyon Kersteen Ouellette was selected by the City Council to perform the audit. In addition to meeting the requirements set forth in the City Charter, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are separate from this report.

Awards. In its comprehensive annual financial report (CAFR) for the year ended June 30, 2001, the City elected to early implement Statement No. 34 of the Governmental Accounting Standards Board (GASB) *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the year ended June 30, 2001. This was the ninth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of Paul T. Colpitts, and by each member of the accounting staff. I would also like to acknowledge the efforts of the accounting firm of Runyon Kersteen Ouellette, the city finance department's Management Information Systems team and Print Shop staff for their contributions made in preparing and publishing this report. In particular, credit is given to Gary Goddard for the report cover and photo layouts design.

Sincerely,



Duane G. Kline
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portland,
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "William Patrick Vasta".

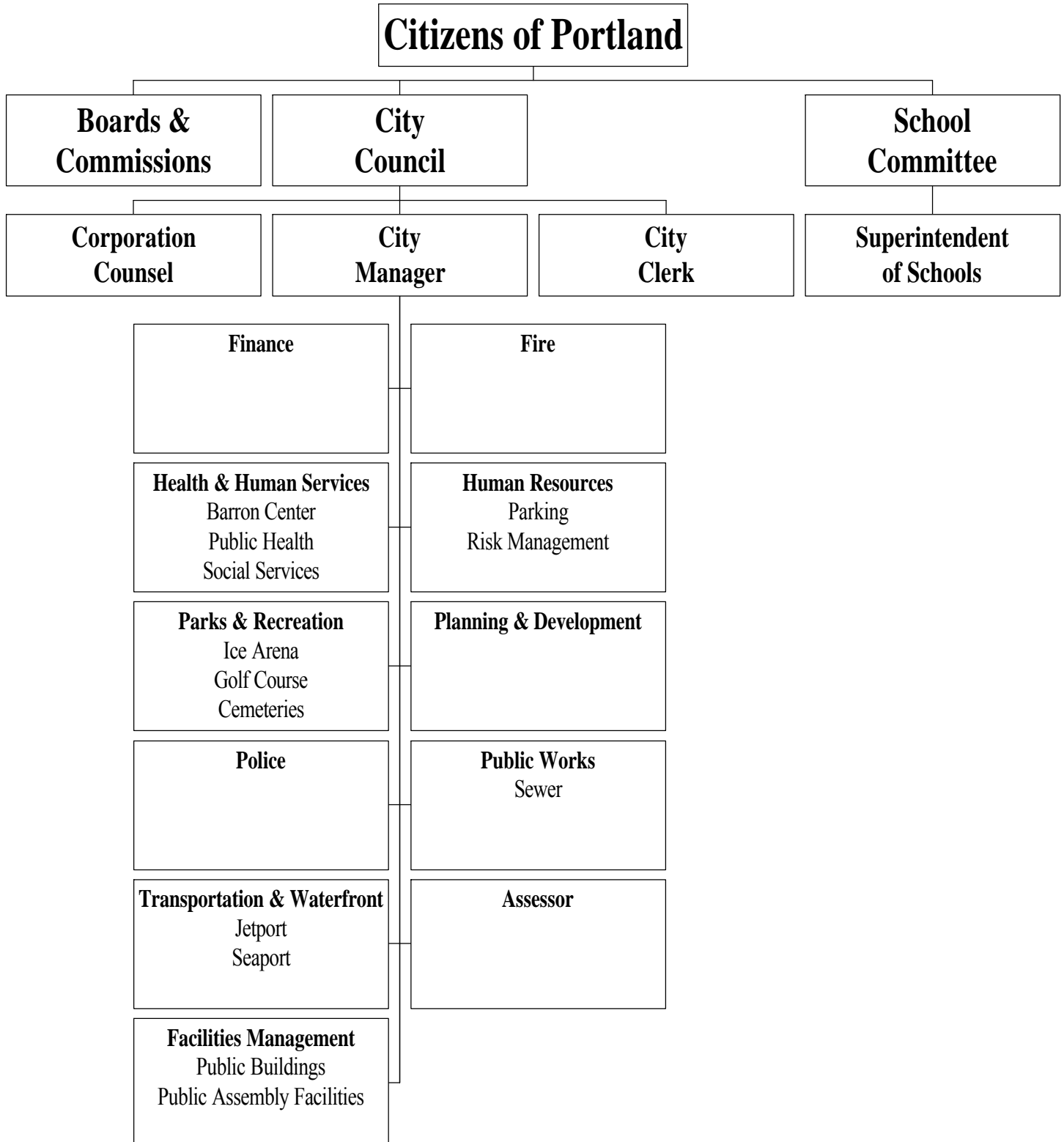
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

City of Portland, Maine

Organization Chart



CITY OF PORTLAND, MAINE
PRINCIPAL EXECUTIVE OFFICERS

AS OF JUNE 30, 2002

City Council

Karen A. Geraghty, Mayor

<i>James F. Cloutier</i>	<i>Jay Hibbard</i>
<i>Philip John Dawson</i>	<i>Nicholas Mavodones, Jr.</i>
<i>Jill C. Duson</i>	<i>Peter E. O'Donnell</i>
<i>Cheryl A. Leeman</i>	<i>Nathan H. Smith</i>

City Staff

Joseph E. Gray, Jr., City Manager

Linda C. Cohen, City Clerk

Duane G. Kline, Finance Director

Gary C. Wood, Corporation Counsel



*Top photo: The Jetport's General Aviation area with the new parking garage construction underway.
Bottom photo: Artist Rendering of the new parking garage.*

Report of Independent Auditors

City Council
City of Portland, Maine:

We have audited the accompanying basic financial statements of the City of Portland, Maine, as of and for the year ended June 30, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the City of Portland, Maine's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Portland, Maine as of June 30, 2002, and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Required Supplemental information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The combining statements and individual fund schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the information in the introductory and statistical sections of this report and therefore express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Runyon Kersteen Ouellette

November 21, 2002
South Portland, Maine

Management's Discussion & Analysis

As management of the City of Portland, we offer readers of the City of Portland's financial statements this narrative overview and analysis of the financial activities of the City of Portland for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 8 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Portland exceeded its liabilities at the close of the most recent fiscal year by \$207,099 (*net assets*).
- The City's total net assets increased by \$6,808. Approximately 61.5% of this increase is attributable to an increase in capital grants received by the City's seaport and transportation business-type activities.
- As of the close of the current fiscal year, the City of Portland's governmental funds reported combined ending fund balances of \$47,074, an increase of \$2,374 in comparison with the prior year. Approximately 53 percent of this total amount, \$25,145, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9,981, or 3.52% of total general fund expenditures, including transfers out.
- The City's total debt increased by \$15,197 (5.5%) during the current fiscal year. The key factor in this increase was \$14,185 in interim financing of the Jetport's parking garage expansion project (proceeds from line-of-credit advances of \$10,649 and trade accounts payable of \$3,536, subsequently paid with additional line-of-credit advances).

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City of Portland itself (known as the *primary government*), but also a legally separate fish exchange and a legally separate library for which the City of Portland is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 32 – 33 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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Portland maintains 11 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 eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of 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.

The basic governmental fund financial statements can be found on pages 34 – 38 of this report.

Proprietary funds. The City of Portland maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Portland uses enterprise funds to account for its jetport, sewer utility, seaport enterprises (which includes an international ferry terminal, fish pier, and a dry dock and ship repair facility), parking garage (which was sold to a private developer during the current year), golf course and ice arena facility operations.

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

The City of Portland adopts an annual appropriated budget for its enterprise funds. Schedules of revenues, expenditures and encumbrances on the budgetary basis of accounting statement have been provided for each enterprise fund to demonstrate compliance with this budget.

The basic proprietary fund financial statements can be found on pages 39 – 43 of this report. The budget basis schedules demonstrating compliance can be found on pages 84 – 89 of this report.

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

The basic fiduciary fund financial statements can be found on page 44 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 – 78 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80 – 81 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Portland, assets exceeded liabilities by \$207,099 at the close of the most recent fiscal year.

City of Portland's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Current and other assets	\$ 69,054	\$ 65,721	\$ 17,173	\$ 30,075	\$ 86,227	\$ 95,796
Capital assets	280,888	283,122	131,758	97,950	412,646	381,072
Total assets	<u>349,942</u>	<u>348,843</u>	<u>148,931</u>	<u>128,025</u>	<u>498,873</u>	<u>476,868</u>
Long-term liabilities	221,414	222,471	32,972	29,262	254,386	251,733
Other liabilities	<u>19,678</u>	<u>20,144</u>	<u>17,710</u>	<u>4,700</u>	<u>37,388</u>	<u>24,844</u>
Total liabilities	<u>241,092</u>	<u>242,615</u>	<u>50,682</u>	<u>33,962</u>	<u>291,774</u>	<u>276,577</u>
Net assets:						
Invested in capital assets, net of related debt	184,336	192,227	96,422	75,791	280,758	268,018
Restricted	19,666	22,838	9,687	10,769	29,353	33,607
Unrestricted (deficit)	<u>(95,152)</u>	<u>(108,837)</u>	<u>(7,860)</u>	<u>7,503</u>	<u>(103,012)</u>	<u>(101,334)</u>
Total net assets	\$ <u>108,850</u>	\$ <u>106,228</u>	\$ <u>98,249</u>	\$ <u>94,063</u>	\$ <u>207,099</u>	\$ <u>200,291</u>

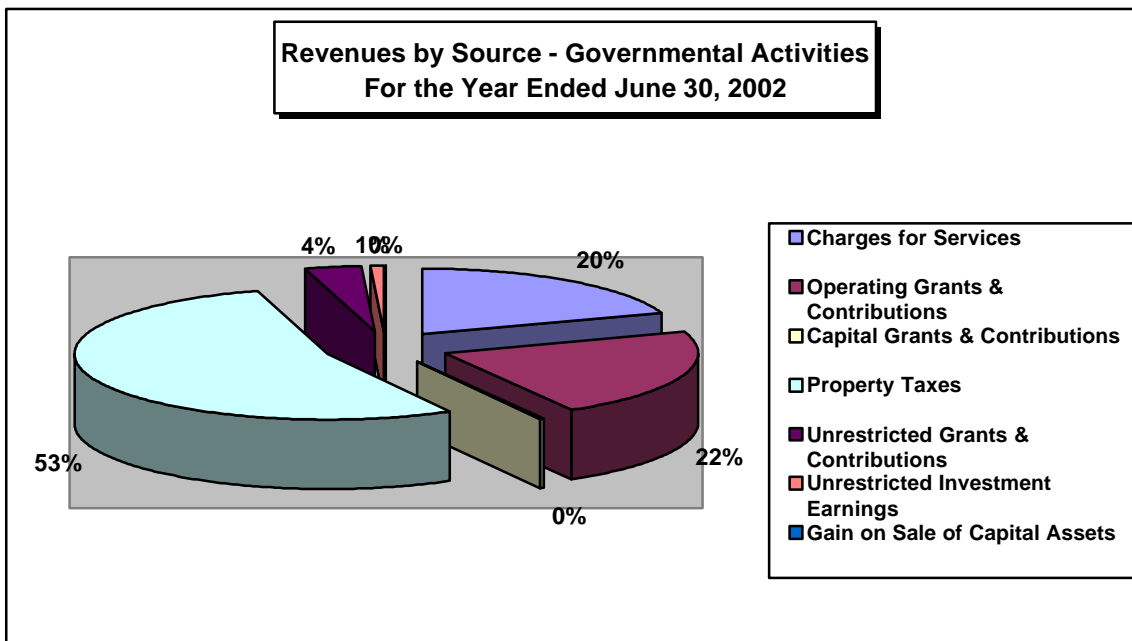
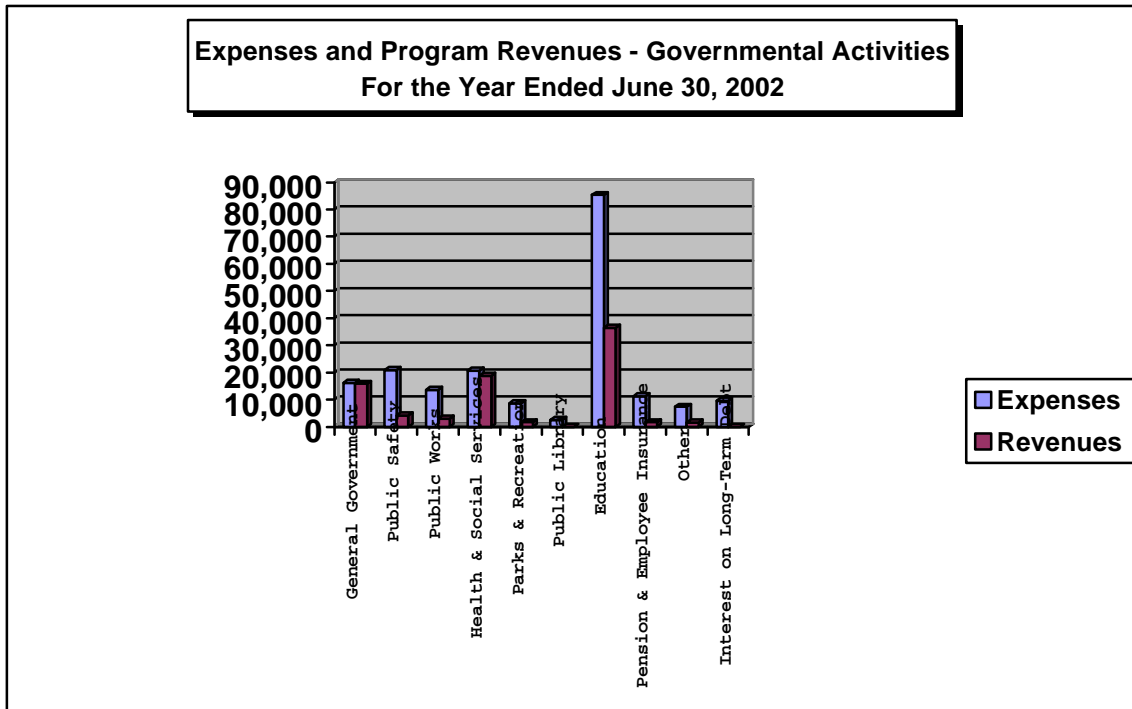
By far the largest portion of the City of Portland's net assets (135 percent or \$280,758) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Portland uses these capital assets to provide services to citizens, consequently, these assets are *not* available for future spending. Although the City of Portland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Portland's net assets (14.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, a deficit of \$103,012, arose primarily because the City did not include in past budgets the amounts needed to fully finance liabilities (\$111,344) arising from prior service costs of its employee retirement plan. As more fully described in the notes to the financial statements (Notes 7 and 17.C, on pages 69 and 77 respectively), the City refinanced its \$111 million unfunded pension liability to produce annual savings of approximately \$845 thousand until the bonds issued are paid off in 2025. The City will need to include these amounts in future years' budgets as they become due.

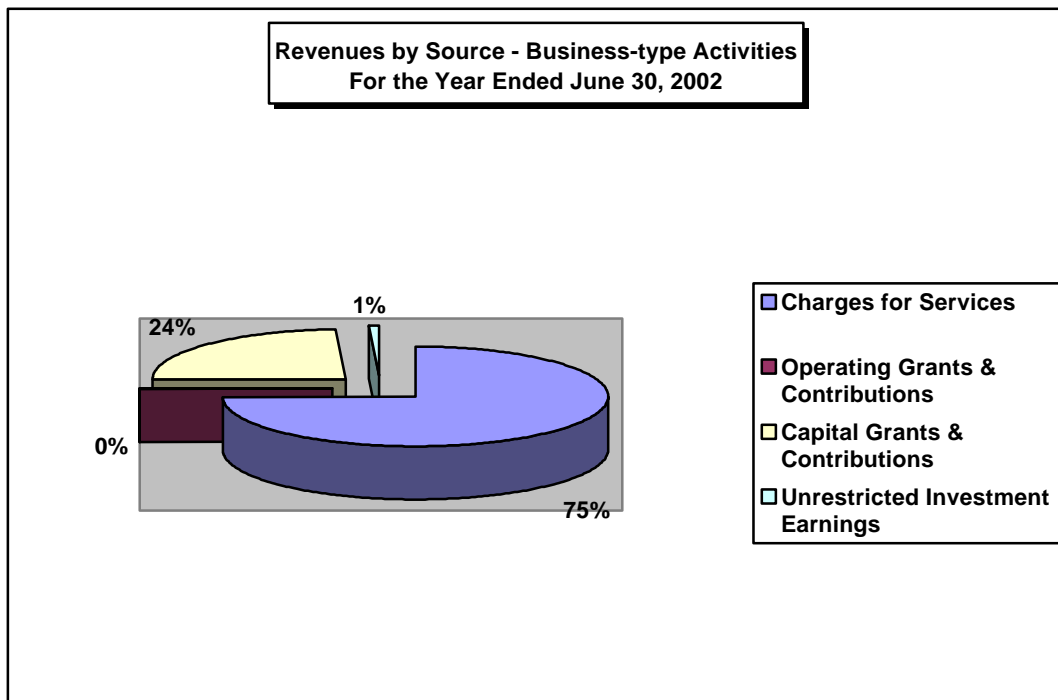
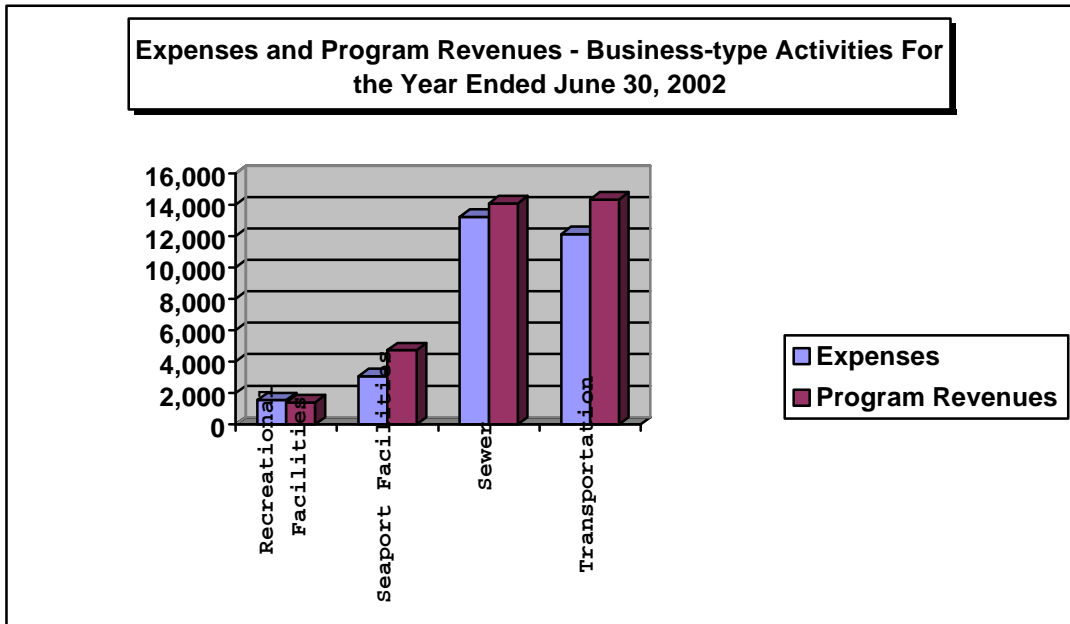
City of Portland's Changes in Net Assets

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 38,965	\$ 32,925	\$ 25,994	\$ 26,616	\$ 64,959	\$ 59,541
Operating grants and contributions	43,998	42,203	86	65	44,084	42,268
Capital grants and contributions	187	227	8,454	2,733	8,641	2,960
General Revenues:						
Property and other taxes	106,604	99,140	-	-	106,604	99,140
Grants and Contributions not restricted to specific programs	7,327	7,710	-	-	7,327	7,710
Other	<u>1,438</u>	<u>3,447</u>	<u>(336)</u>	<u>784</u>	<u>1,102</u>	<u>4,231</u>
Total revenues	<u>198,519</u>	<u>185,652</u>	<u>34,198</u>	<u>30,198</u>	<u>232,717</u>	<u>215,850</u>
Expenses:						
General government	16,187	18,310	-	-	16,187	18,310
Public safety	20,939	22,555	-	-	20,939	22,555
Public works	13,623	13,423	-	-	13,623	13,423
Health and social services	20,644	18,109	-	-	20,644	18,109
Parks and recreation	8,765	5,467	1,540	1,453	10,305	6,920
Public library	2,568	2,517	-	-	2,568	2,517
Education	85,340	82,083	-	-	85,340	82,083
Pension & health insurance	11,227	16,669	-	-	11,227	16,669
Other	7,393	6,914	-	-	7,393	6,914
Interest on long-term debt	9,687	5,472	-	-	9,687	5,472
Seaport	-	-	3,089	1,610	3,089	1,610
Sewer	-	-	13,230	12,629	13,230	12,629
Transportation	<u>-</u>	<u>-</u>	<u>12,135</u>	<u>11,069</u>	<u>12,135</u>	<u>11,069</u>
Total expenses	<u>196,373</u>	<u>191,519</u>	<u>29,994</u>	<u>26,761</u>	<u>226,367</u>	<u>218,280</u>
Increase (decrease) in net assets						
before transfers	2,146	(5,867)	4,204	3,437	6,350	(2,430)
Transfers	<u>476</u>	<u>410</u>	<u>(20)</u>	<u>(410)</u>	<u>456</u>	<u>-</u>
Increase (decrease) in net assets	2,622	(5,457)	4,184	3,027	6,806	(2,430)
Net assets - beginning of year	<u>106,228</u>	<u>111,685</u>	<u>94,065</u>	<u>91,038</u>	<u>200,293</u>	<u>202,723</u>
Net assets - end of year	<u>\$ 108,850</u>	<u>\$ 106,228</u>	<u>\$ 98,249</u>	<u>\$ 94,065</u>	<u>\$ 207,099</u>	<u>\$ 200,293</u>

Governmental activities. Governmental activities resulted in an increase in the City of Portland's net assets of \$2,622, thereby accounting for 38.5 percent of the total increase in the net assets of the City of Portland. Key factors in the increase in governmental net assets include a combination of actual revenues being in excess of estimates, management efforts to control and reduce budgeted expenditures and \$456 provided by the issuance of general obligation bonds in excess of the amount needed for the City to extinguish the unfunded unpoolled actuarial liability of its defined benefit pension plan which is more fully described in Note 17.C on page 77 of this report.



Business-type activities. Business-type activities increased the City of Portland’s net assets by \$4,184. Key elements of this increase are attributable to the operations of seaport and transportation activities.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Portland's governmental funds reported and combined ending fund balances of \$47,074, an increase of \$2,374 in comparison with the prior year. Approximately 53 percent of this total amount (\$25,145) constitutes *unreserved fund balance*, which is available to meet the future financial needs of the City. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$5,666), 2) to funds various revolving loan programs (\$4,746), 3) to pay debt service (\$139), 4) to generate income to pay for the perpetual care of the municipal cemetery (\$6,358), or 5) for a variety of other restricted purposes (\$5,020).

The general fund is the central operating fund of the City of Portland. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,660 (\$2,678 of which has been designated by management for subsequent years' expenditures), and the general fund's total fund balance was \$14,449. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.8 percent of total general fund expenditures (\$261,584), while total fund balance represents 5.5 percent of that same amount. However, when adjusting total general fund expenditures for the one time effect of the extinguishment of the City's IUUAL pension obligation (\$111,344), the unreserved fund balance represents 8.4% of the adjusted general fund expenditures (\$150,240) while total fund balance represents 9.6% of the same amount.

The fund balance of the City of Portland's general fund increased by \$2,467 during the current fiscal year. Key factors in this increase include a combination of actual revenues being in excess of estimates, management efforts to control and reduce budgeted expenditures and \$456 provided by the issuance of general obligation bonds in excess of the amount needed for the City to extinguish the unfunded unpooling actuarial liability of its defined benefit pension plan.

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

The unreserved net asset deficit of the five enterprise funds totaled \$443 and includes net asset deficits in the Jetport (\$4,330), Seaport Enterprises (\$1,518), and Ice Arena Facility (\$36).

Net assets reserved for operating maintenance, renewal and replacement, and debt service in the Jetport enterprise fund totaled \$2,270 at the end of the current year (a decrease of \$1,271 or 35.0 percent from the previous year).

During the current year, the sale of the (Fore Street) Parking Garage to a private developer and the transfer of residual assets to other funds resulted in a decrease of net assets of \$1,688 that includes a loss on the sale of fixed assets of \$599.

The Golf Course enterprise operations experienced a decrease in net assets of \$49 while increases in the net assets of the Jetport, Sewer, Seaport Enterprises and Ice Arena ranged from \$24 to \$2,483.

Budgetary Highlights

As demonstrated by the following schedule, the City continues to meet its responsibility for sound financial management. The City management acknowledged that the City could not continue to draw down on fund balance to finance its ongoing operations as budgeted. In the fall of the year 2001 the managers developed information that the economy was not going to be performing according to the budget projections made early in budget planning cycle and undertook a mid year general fund budget adjustment that resulted in eliminating the use fund balance in the current year to finance operations. This was a result of cost reductions as well as some fee increases on the revenue side.

Actual revenues, on the budget basis for the combined general and enterprise fund operations, exceeded revenue estimates by \$5.2 million, and departmental and enterprise fund expenditures on the budget basis were less than appropriated amounts by \$395 thousand.

	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	Variance with Final Budget - Positive (Negative)
Revenues:			
General Fund	\$ 183,883	\$ 188,918	\$ 5,035
Enterprise Funds	<u>27,427</u>	<u>27,621</u>	<u>194</u>
	<u>\$ 211,310</u>	<u>\$ 216,539</u>	<u>\$ 5,229</u>
Expenditures:			
General Fund	\$ 184,295	\$ 183,738	\$ 557
Enterprise Funds	<u>26,834</u>	<u>26,996</u>	<u>(162)</u>
	<u>\$ 211,129</u>	<u>\$ 210,734</u>	<u>\$ 395</u>
Other financing sources (uses):			
General Fund	\$ 412	\$ 358	\$ (54)
Enterprise Funds	<u>66</u>	<u>106</u>	<u>40</u>
	<u>\$ 478</u>	<u>\$ 464</u>	<u>\$ (14)</u>

While differences between the original budget and the final amended budget were relatively minor they did include a \$4,592 reclassification from pension and insurance to debt service to reflect the effects of the refinancing of the City's unfunded unpooled actuarial liability. In addition, there was an additional appropriation of fund balance of \$600 to cover the cost of a general liability claim settlement and an additional appropriation for Education (\$518) from unanticipated revenues received during the current year.

The following schedule presents a summary of General Fund revenues on the budgetary basis of accounting for the fiscal year ended June 30, 2002, and the amount and percentage of increases and decreases in relation to prior year revenues:

<u>Revenues</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Increase / (Decrease) from 2001</u>	<u>Percentage of Increase / (Decrease)</u>
Taxes	\$ 106,736	56.5%	\$ 7,980	8.1%
Licenses and permits	2,460	1.3	(67)	(2.7)
Fines	1,084	0.6	195	21.9
Uses of money and property	5,650	3.0	195	3.6
Intergovernmental	7,250	3.8	(803)	(10.0)
Current services	18,433	9.8	2,608	16.5
School	21,454	11.4	1,084	5.3
Other revenue	6,117	3.2	542	9.7
Interdepartmental charges	16,734	8.9	1,264	8.2
Balance forward	<u>3,000</u>	<u>1.6</u>	<u>(1,885)</u>	<u>(38.6)</u>
 Total	 <u>\$ 188,918</u>	 <u>100.0%</u>	 <u>\$ 11,113</u>	 6.3%

Revenue for general government functions totaled \$188.9 million dollars (on the budgetary basis of accounting) in fiscal year ended June 30, 2002.

Current and prior years' real estate and personal property taxes continue to represent the largest revenue source, with \$96.7 million, or 51.2% of all general fund revenues. The increase in property tax revenues from 2001 of \$7.7 million is due to an 8.0% increase in the assessed value of real and personal property and a 1.3% increase in the tax rate from \$24.00/\$1,000 to \$24.31/\$1,000 of assessed value. Excise tax collections represent 5.3% (\$10 million) of all general fund revenues. This revenue source increased 2.6% (\$259 thousand) from 2001, an apparent result of consumer confidence in the economy expressed in the purchase of new automobiles.

Current services revenues at the Barron Center, a City operated nursing facility, increased \$1.3 million (14.7%) to \$10.1 million. In addition, other program revenue increases were realized in the following areas: parks and recreation (\$247), public safety (\$473), and general government (\$327). Increased fees and utilization of services contributed to these increases.

A 7.4% decrease in state revenue sharing resulted in a \$528 decrease in intergovernmental revenues.

State aid to education received in support of regular and adult education and debt service decreased \$681 from the previous year. In addition, federal aid and program revenues decreased \$263 and \$112, respectively.

The following schedule represents a summary of General Fund expenditures on the budgetary basis of accounting for the fiscal year ended June 30, 2002, and the percentage of increases and decreases in relation to prior year amounts:

Expenditures	Amount	Percentage of Total	Increase / (Decrease) from 2001	Percentage of Increase / (Decrease)
General government	\$ 13,367	7.3%	\$ (722)	-5.1%
Public safety	21,512	11.7	(19)	(0.1)
Public works	9,613	5.2	(983)	(9.3)
Health and social services	15,450	8.4	1,170	8.2
Parks and recreation	4,455	2.4	(255)	(5.4)
Public library	2,474	1.3	16	0.7
Education	71,709	39.0	2,864	4.2
Pension & employee insurance	13,069	7.1	(2,950)	(18.4)
Other	7,221	3.9	307	4.4
Debt service	<u>24,869</u>	<u>13.5</u>	<u>6,206</u>	33.3
Total	\$ <u>183,739</u>	<u>100.0%</u>	\$ <u>5,634</u>	3.2%

Negotiated wage increases are responsible for expenditure increases across all functions.

A reduction in the City's general liability insurance claims incurred (\$442) was the key factor in the reduction of general government expenditures.

Of the \$6,206 increase in debt service expenditures and the \$2,950 decrease in pension and employee expenditures, \$4,400 is due to the effects of the refinancing of the City's unfunded unpooled actuarial liability for its pension plan.

As described in Notes to Financial Statements (Note 1.D), the City treats interfund and interdepartmental transfers as revenues and expenditures for budgetary purposes. Interdepartmental expenditures increased \$1,264, or 8.2%. The following schedule presents a summary of interdepartmental expenditures for the fiscal year ended June 30, 2002, and the percentage of increases and decreases in relation to prior year amounts:

<u>Expenditures</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Increase / (Decrease) from 2001</u>	<u>Percentage of Increase / (Decrease)</u>
General government	\$ 1,891	11.3%	\$ (165)	(8.0)%
Public safety	1,802	10.8	350	24.1
Public works	943	5.6	(133)	(12.4)
Health and social services	116	0.7	(1)	(0.9)
Parks and recreation	233	1.4	(12)	(4.9)
Public library	-	0.0	(7)	(100.0)
Pension & employee insurance	2,303	13.8	502	27.9
Debt service	<u>9,447</u>	<u>56.5</u>	<u>730</u>	8.4
	<u>\$ 16,735</u>	<u>100.0%</u>	<u>\$ 1,264</u>	8.2%

General Fund Balance. Although the total general fund balance was budgeted to decrease \$3,000 in 2002, there was an actual increase of \$2,467. Current cash flow projections and the strength of the City's general fund balance provide continued assurance that the likelihood of the City's need to enter the short-term debt market to pay for current expenditures remains remote.

Enterprise Operations. The City's enterprise operations consist of five separately accounted for operations which are administered by three different departments. Transportation and Waterfront administers two enterprise operations, the Portland International Jetport and the Seaport Enterprises. Public Works administers the City's sanitary sewer operations and Parks & Recreation administers the City's ice arena and two municipal golf courses.

During the year the City sold the Fore Street Parking Garage to a private developer and transferred residual assets to other funds, including \$558 to Debt Service, \$442 to Special Revenues for HCD Title I qualifying purposes, and \$339 to the General Fund which has been designated for future economic development initiatives.

During the year, the City sold \$6,990 in general obligation bonds to finance enterprise fund repairs and capital improvements as follows:

Sewer and CSO Construction	\$ 6,790
Seaport Enterprises	135
Golf Courses	<u>65</u>
	<u>\$ 6,990</u>

Operating revenues for the City's combined enterprise operations decreased by \$673, or 2.5%. Seaport Enterprises revenues were down 1.5% (\$37) and Jetport revenues were down 20.9% (\$2,138). Key factors in the reduction of Jetport revenues include the effects of September 11, 2001 and its runway and parking garage expansion programs which resulted in reduced revenues from parking facilities (\$831), car rental commissions (\$535) and fees from airlines (\$572).

Sewer, Golf Course and Ice Arena enterprise operations experienced increases in operating revenues of \$1,409 (11.2%), \$130 (15.7%), and \$16 (4.0%), respectively.

Total operating expenses for the combined enterprise operations increased \$3,037, or 12.1%. The Ice Arena's operating expenses increased \$39, the Jetport and Sewer operating expenses increased \$1,342 and \$562 respectively, due primarily to negotiated wage and contractual service increases.

Capital Asset and Debt Administration

Capital assets. The City of Portland's investment in capital assets for its governmental and business type activities as of June 30, 2002 amounts to \$412,649 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City of Portland's investment in capital assets for the current fiscal year was 8.3 percent (a .79 percent decrease for governmental activities and a 34.5 percent increase for business-type activities).

City of Portland's Capital Assets

(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2002	2001	2002	2001	2002	2001
Land	\$ 12,719	\$ 11,796	\$ 16,160	\$ 12,379	\$ 28,879	\$ 24,175
Buildings and improvements	78,848	79,658	32,654	28,600	111,502	108,258
Improvements other than building:	10,553	10,466	50,562	45,220	61,115	55,686
Machinery and equipment	13,232	14,248	3,930	3,941	17,162	18,189
Infrastructure	160,545	162,644	-	-	160,545	162,644
Construction in progress	4,991	4,310	28,452	7,810	33,443	12,120
Total	<u>\$ 280,888</u>	<u>\$ 283,122</u>	<u>\$ 131,758</u>	<u>\$ 97,950</u>	<u>\$ 412,646</u>	<u>\$ 381,072</u>

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

- A variety of street and sidewalk construction projects throughout the city were begun, completed and/or at various stages of completion during the year. Completed governmental infrastructure projects during the year totalled approximately \$1,261.
- A variety of capital improvement projects were undertaken at the Jetport to its parking, terminal and runway facilities. Of the \$28,303 addition to capital assets, \$20,964 is an increase in construction in progress, which totaled \$24,707 at the end of the current year.
- The city is in the midst of a multi-year combined sewer overflow abatement program. During the current year \$4,358 was spent on these and other capital asset projects. Approximately \$4,622 was transferred from construction in progress to land improvements for completed projects during the year and at the end of the current year projects under construction totalled \$3,699.
- Of the \$2,470 in Seaport Enterprises capital asset additions, \$2,206 were transferred from the City's governmental activities. In addition there were various waterfront improvement projects

that were begun, completed and/or at various stages of completion during the year. Of the addition to capital assets, \$36 is an increase in construction in progress, which totaled \$46 at the end of the year.

Additional information on the City of Portland’s capital assets can be found in Note 5 on pages 62 – 64 of this report.

Long-term debt. At the end of the current fiscal year, the City of Portland had total bonded debt outstanding of \$238,991. Of this amount, \$237,180 comprises debt backed by the full faith and credit of the city. The remainder of the City of Portland’s debt represents bonds secured solely by a two dollar per ticket surcharge on Merrill Auditorium ticket sales.

City of Portland's Outstanding Debt

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
General obligation bonds	\$ 204,372	\$ 95,863	\$ 32,808	\$ 28,517	\$ 237,180	\$ 124,380
Revenue bonds	1,811	1,971	-	-	1,811	1,971
Total	\$ 206,183	\$ 97,834	\$ 32,808	\$ 28,517	\$ 238,991	\$ 126,351

The City of Portland’s total bonded debt increased by \$112,640 (89.1 percent) during the current fiscal year. The key factor in this increase was the issuance of \$111,800 taxable general obligation bonds to extinguish the City’s unfunded, unpoolled actuarial liability for its defined benefit pension plan which is more fully described in Notes 7 and 17.C, on pages 69 and 77, respectively, of this report.

The City of Portland maintains a “Aa1” rating from Moody’s and a “AA” rating from Standard & Poor’s for general obligation debt. Please refer to these agencies’ reports for a comprehensive explanation of their rating assessment.

State statutes limit the amount of general obligation debt a municipality may issue to 15 percent of its total state assessed valuation. The current debt limitation for the City of Portland is \$645,773, which is significantly in excess of the City of Portland’s outstanding general obligation debt. Additional information on the City of Portland’s long-term debt can be found in Note 7 on pages 66 – 70 of this report.

Economic Factors and Next Year’s Budgets and Rates

Portland continues to be a viable economic center for Northern New England. The local economy of the City remains strong. We continue to experience stable economic growth from business development, waterfront initiatives, new valuation growth and employment levels.

- The unemployment rate for the City of Portland is currently 2.5 percent, which is a .1 percent increase from a rate of 2.4 percent a year ago. This compares favorably to the state's average unemployment rate of 3.9 percent and the national average rate of 5.9 percent.
- The vacancy rate of the city's central business district has remained at under 10 percent since the mid 1990's and is currently approximately 4 percent.
- Inflationary trends in the region compare favorably to national indices.

In adopting the budget for the ensuing fiscal year 2003, the City officials considered many factors in making judgements and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic city services to the citizens while attempting to keep the property tax rate low.

During the current year the Finance Committee of the City Council adopted a fund balance policy, the purpose of which was to establish guidelines for the general fund balance to help insure the future financial stability of the City and to mitigate financial risk that can occur from unforeseen revenue fluctuations or unanticipated expenditures. The goal of the City is to maintain an unreserved general fund balance equal to 8.3% of expenditures that include required debt service transfers. As this ratio is 7.3%, when current expenditures are adjusted for the one time effect of the extinguishment of the City's IUUAL pension obligation and required transfers, at June 30, 2002, it is the interim policy to stabilize the fund balance at its existing level by relying on current income to fund operations and to restore the fund balance in upcoming budget cycles in such amounts as deemed prudent under then-existing economic conditions, until it reaches the goal of 8.3% of expenditures.

An eye is kept on the State's emerging policies regarding proposed decreases for Portland's school funding as well as to many proposed changes in the State revenue sharing formula that would affect the portion of sales and income taxes that Portland received from the statewide collection pool.

During the upcoming fiscal year (2003) the City's management will continue to monitor and evaluate local economic conditions. In the forefront of our revenue and expenditure concerns are:

- Revenue projections:
 - Looming State budget deficits are approaching 20% of their funds, and state economists predict an uncertain future.
 - A weakening in consumer confidence that may translate to a reduction in building permits, parking revenues, recreational fees, and tax collections.
 - Declining rates of return on investments.
- Health Insurance, Overtime & Other Costs:
 - The cost of health care continues to rise and if current trends continue, the City could foresee as much as a 25%+ increase in claims paid during the 2003 fiscal year.
 - The cost of overtime payments due to heightened security concerns at our ports, compounded with the uncertainty of winter operations makes this an area of continued concern.

- County and other assessments:
 - The City is aware of pressures from potential assessment increases from Cumberland County due to the rising operating costs of the Cumberland County Jail and from Regional Waste Systems due to economic changes in financing the costs of trash disposal.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF PORTLAND, MAINE

STATEMENT OF NET ASSETS

June 30, 2002

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Portland Fish Exchange	Portland Public Library
ASSETS					
Cash and cash equivalents	\$ 17,684,689	\$ 6,014,124	\$ 23,698,813	\$ 242,371	\$ 82,602
Investments	32,681,734	7,190,538	39,872,272	-	5,182,086
Taxes receivable	2,318,721	-	2,318,721	-	-
Accounts receivable	3,267,792	2,746,975	6,014,767	536,792	39,655
Allowance for uncollectible accounts	(1,020,000)	(227,789)	(1,247,789)	-	-
Loans receivable	5,082,102	-	5,082,102	-	-
Allowance for uncollectible loans	(255,950)	-	(255,950)	-	-
Due from other governments	7,350,906	958,959	8,309,865	-	-
Due from other funds	400,000	-	400,000	-	-
Due from primary government	-	-	-	-	42,099
Inventories	1,122,360	182,160	1,304,520	19,106	-
Other assets	422,301	307,260	729,561	7,492	112,487
Capital assets (net of accumulated depreciation):					
Land	12,719,442	16,159,845	28,879,287	-	-
Buildings and improvements	78,847,746	32,653,797	111,501,543	-	-
Improvements other than buildings	10,553,002	50,562,260	61,115,262	-	-
Machinery and equipment	13,231,602	3,930,000	17,161,602	712,772	157,613
Infrastructure	160,545,069	-	160,545,069	-	-
Construction in progress	4,990,829	28,452,387	33,443,216	-	-
Total assets	<u>349,942,345</u>	<u>148,930,516</u>	<u>498,872,861</u>	<u>1,518,533</u>	<u>5,616,542</u>
LIABILITIES					
Accounts payable	4,230,525	3,163,974	7,394,499	79,167	11,685
Other liabilities	10,272,858	2,248,372	12,521,230	47,779	169,920
Deferred revenue	123,597	-	123,597	19,787	-
Due to other governments	179,587	-	179,587	-	-
Due to other funds	-	400,000	400,000	-	-
Due to component unit	42,099	-	42,099	-	-
Notes payable	150,000	11,311,669	11,461,669	-	-
Noncurrent liabilities:					
Due within one year	15,321,016	3,876,477	19,197,493	73	-
Due in more than one year	210,772,732	29,680,708	240,453,440	-	-
Total liabilities	<u>241,092,414</u>	<u>50,681,200</u>	<u>291,773,614</u>	<u>146,806</u>	<u>181,605</u>
NET ASSETS					
Invested in capital assets, net of related debt	184,336,384	96,422,143	280,758,527	712,699	157,613
Restricted for:					
Capital projects	6,633,347	7,417,414	14,050,761	-	-
Debt service	922,383	-	922,383	-	-
Reserve requirements	-	2,270,000	2,270,000	-	-
Perpetual care, nonexpendable	6,357,653	-	6,357,653	-	-
Endowments, expendable	2,275,427	-	2,275,427	-	1,441,927
Endowments, nonexpendable	3,476,411	-	3,476,411	-	2,874,055
Unrestricted	<u>(95,151,674)</u>	<u>(7,860,241)</u>	<u>(103,011,915)</u>	<u>659,028</u>	<u>961,342</u>
Total net assets	<u>\$ 108,849,931</u>	<u>\$ 98,249,316</u>	<u>\$ 207,099,247</u>	<u>\$ 1,371,727</u>	<u>\$ 5,434,937</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, 2002

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Portland Fish Exchange	Portland Public Library		
Primary government:											
Governmental activities:											
General government	\$ 16,187,203	\$ 9,792,334	\$ 5,883,033	\$ 186,756	\$ (325,080)	\$ -	\$ (325,080)	\$ -	\$ -		
Public safety	20,939,162	3,448,079	688,873	-	(16,802,210)	-	(16,802,210)	-	-		
Public works	13,623,149	2,131,218	827,032	-	(10,664,899)	-	(10,664,899)	-	-		
Health and social services	20,644,064	14,934,648	3,794,537	-	(1,914,879)	-	(1,914,879)	-	-		
Parks and recreation	8,764,651	1,227,401	521,930	-	(7,015,320)	-	(7,015,320)	-	-		
Public library	2,567,880	-	-	-	(2,567,880)	-	(2,567,880)	-	-		
Education	85,339,844	4,144,989	32,282,137	-	(48,912,718)	-	(48,912,718)	-	-		
Pension and employee insurance	11,227,315	1,729,117	-	-	(9,498,198)	-	(9,498,198)	-	-		
Other	7,392,806	1,557,065	-	-	(5,835,741)	-	(5,835,741)	-	-		
Interest on long-term debt	9,686,524	-	-	-	(9,686,524)	-	(9,686,524)	-	-		
Total governmental activities	196,372,598	38,964,851	43,997,542	186,756	(113,223,449)	-	(113,223,449)	-	-		
Business-type activities:											
Recreational facilities	1,539,575	1,397,093	-	-	-	(142,482)	(142,482)	-	-		
Seaport facilities	3,088,530	2,378,036	-	2,342,816	-	1,632,322	1,632,322	-	-		
Sewer	13,230,068	14,025,331	48,916	-	-	844,179	844,179	-	-		
Transportation	12,134,549	8,193,541	36,611	6,111,424	-	2,207,027	2,207,027	-	-		
Total business-type activities	29,992,722	25,994,001	85,527	8,454,240	-	4,541,046	4,541,046	-	-		
Total primary government	\$ 226,365,320	\$ 64,958,852	\$ 44,083,069	\$ 8,640,996	(113,223,449)	-	(108,682,403)	-	-		
Component units:											
Portland Fish Exchange	\$ 2,776,030	\$ 2,539,639	\$ -	\$ -	\$ -	\$ -	\$ (236,391)	\$ -	\$ -		
Portland Public Library	3,899,756	(236,428)	3,343,880	47,051	-	-	-	-	-	(745,253)	
Total component units	\$ 6,675,786	\$ 2,303,211	\$ 3,343,880	\$ 47,051	\$ -	\$ -	\$ (236,391)	\$ -	\$ -	\$ (745,253)	
General revenues:											
Property taxes					96,605,560		96,605,560				
Other taxes					9,998,869		9,998,869				
Grants and contributions not restricted to specific programs					7,327,023		7,327,023				
Unrestricted investment earnings					1,178,795	263,126	1,441,921	12,356		(230,202)	
Gain (loss) on sale of capital assets					259,570	(598,810)	(339,240)				
Transfers					475,646	(19,600)	456,046				
Total general revenues and transfers					115,845,463	(355,284)	115,490,179	12,356		(230,202)	
Change in net assets					2,622,014	4,185,762	6,807,776	(224,035)		(975,455)	
Net assets - beginning					106,227,917	94,063,554	200,291,471	1,595,762		6,410,392	
Net assets - ending					\$ 108,849,931	\$ 98,249,316	\$ 207,099,247	\$ 1,371,727	\$ -	\$ 5,434,937	

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

CITY OF PORTLAND, MAINE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2002

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,316,452	\$ 460,964	\$ 3,202,997	\$ 3,704,276	\$ 17,684,689
Investments	13,898,952	322,367	4,358,492	14,101,923	32,681,734
Taxes receivable	2,318,721	-	-	-	2,318,721
Accounts receivable	3,073,286	-	-	194,506	3,267,792
Allowance for uncollectible accounts	(1,020,000)	-	-	-	(1,020,000)
Loans receivable	98,872	-	-	4,983,230	5,082,102
Allowance for uncollectible loans	-	-	-	(255,950)	(255,950)
Due from other governments	1,419,211	-	-	5,931,695	7,350,906
Due from other funds	1,124,515	-	-	-	1,124,515
Inventories	1,014,227	-	-	108,133	1,122,360
Other assets	421,651	-	-	650	422,301
Total assets	<u>\$ 32,665,887</u>	<u>\$ 783,331</u>	<u>\$ 7,561,489</u>	<u>\$ 28,768,463</u>	<u>\$ 69,779,170</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,045,484	\$ -	\$ 927,922	\$ 1,257,119	\$ 4,230,525
Other liabilities	8,867,413	-	220	1,415,225	10,282,858
Deferred revenue	2,412,221	-	-	13,681	2,425,902
Due to other governments	179,587	-	-	-	179,587
Due to other funds	-	-	-	724,515	724,515
Due to component unit	42,099	-	-	-	42,099
Notes payable	-	-	-	150,000	150,000
Accrued self-insurance liabilities	3,402,662	-	-	-	3,402,662
Accrued vacation and sick pay	1,267,296	-	-	-	1,267,296
Total liabilities	<u>18,216,762</u>	<u>-</u>	<u>928,142</u>	<u>3,560,540</u>	<u>22,705,444</u>
Fund balances:					
Reserved for:					
Encumbrances	254,498	-	1,220,770	4,190,339	5,665,607
Loans receivable	98,872	-	-	4,647,280	4,746,152
Inventories	1,014,227	-	-	108,133	1,122,360
Unamortized bond issuance costs	421,651	-	-	-	421,651
Debt service	-	-	-	139,052	139,052
Perpetual care	-	-	-	6,357,653	6,357,653
Endowments	-	-	-	3,476,411	3,476,411
Unreserved:					
Designated	2,678,637	783,331	-	441,690	3,903,658
Undesignated, reported in:					
General fund	9,981,240	-	-	-	9,981,240
Capital projects fund	-	-	5,412,577	-	5,412,577
Special revenue funds	-	-	-	3,571,938	3,571,938
Permanent fund	-	-	-	2,275,427	2,275,427
Total fund balances	<u>14,449,125</u>	<u>783,331</u>	<u>6,633,347</u>	<u>25,207,923</u>	<u>47,073,726</u>
Total liabilities and fund balances	<u>\$ 32,665,887</u>	<u>\$ 783,331</u>	<u>\$ 7,561,489</u>	<u>\$ 28,768,463</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, 2002

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

Total fund balances - total governmental funds, Exhibit 3		\$	47,073,726
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			280,887,690
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			2,302,305
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation bonds	\$	204,371,610	
Revenue bonds		1,811,279	
Notes payable		225,812	
Capital leases		1,942,605	
Self-insurance		6,820,463	
Compensated absences		5,982,221	
Arbitrage		239,800	
Accopunts payable		20,000	
			<u>(221,413,790)</u>
Net assets of governmental activities	\$		<u>108,849,931</u>

The notes to the financial statements are an intergral 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, 2002

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
General property and other taxes	\$ 106,736,283	\$ -	\$ -	\$ -	\$ 106,736,283
Licenses and permits	2,459,759	-	-	-	2,459,759
Fines, forfeits and penalties	1,083,506	-	-	-	1,083,506
Uses of money and property	5,253,215	2,649	308,902	(234,679)	5,330,087
Intergovernmental	31,474,576	-	-	19,527,525	51,002,101
Current services	20,637,645	-	-	2,939,923	23,577,568
Other	6,231,855	-	-	672,599	6,904,454
Total revenues	173,876,839	2,649	308,902	22,905,368	197,093,758
Expenditures					
Current:					
General government	11,454,270	-	-	3,067,142	14,521,412
Public safety	19,594,705	-	-	711,258	20,305,963
Public works	8,272,370	-	-	1,425,558	9,697,928
Health and social services	15,150,593	-	-	5,099,333	20,249,926
Parks and recreation	4,188,763	-	-	849,422	5,038,185
Public library	2,520,219	-	-	-	2,520,219
Education	71,946,413	-	-	9,737,756	81,684,169
Pension and employee insurance	121,236,633	-	-	-	121,236,633
Other	7,220,516	172,290	-	-	7,392,806
Debt service:					
Principal	-	11,311,425	-	-	11,311,425
Interest	-	9,686,524	-	-	9,686,524
Capital outlay	-	-	10,621,680	-	10,621,680
Total expenditures	261,584,482	21,170,239	10,621,680	20,890,469	314,266,870
Excess (deficiency) of revenues over (under) expenditures	(87,707,643)	(21,167,590)	(10,312,778)	2,014,899	(117,173,112)
Other financing sources (uses)					
Proceeds from sale of general obligation bonds	111,800,000	-	7,455,000	-	119,255,000
Transfers in	673,515	21,950,921	469,068	905,584	23,999,088
Transfers out	(22,299,057)	-	(673,947)	(733,762)	(23,706,766)
Total other financing sources (uses)	90,174,458	21,950,921	7,250,121	171,822	119,547,322
Net change in fund balances	2,466,815	783,331	(3,062,657)	2,186,721	2,374,210
Fund balances - beginning	11,982,310	-	9,696,004	23,021,202	44,699,516
Fund balances - ending	\$ 14,449,125	\$ 783,331	\$ 6,633,347	\$ 25,207,923	\$ 47,073,726

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, 2002

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

Net change in fund balances - total governmental funds, Exhibit 4 \$ 2,374,210

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.

Capital outlays	\$ 7,255,308	
Depreciation expense	<u>(9,489,441)</u>	(2,234,133)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,425,211
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The issuance of long-term debt (e.g., bonds, 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 assets.

Debt issued	\$ (119,255,000)	
Principal reclassified to business-type activities	183,321	
Refinancing of unfunded pension liability	110,899,203	
Principal repaid	<u>11,311,425</u>	3,138,949

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.

Employee pension expense	\$ (889,885)	
Public safety expense	(721,850)	
Education expense	(105,875)	
Miscellaneous expenses	<u>(364,613)</u>	<u>(2,082,223)</u>

Change in net assets of governmental activities, Exhibit 2 \$ 2,622,014

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

CITY OF PORTLAND, MAINE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGET BASIS)

For the Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
General property and other taxes	\$ 105,267,448	\$ 105,267,448	\$ 106,736,283	\$ 1,468,835
Licenses and permits	2,321,350	2,321,350	2,459,759	138,409
Fines, forfeits and penalties	784,750	784,750	1,083,506	298,756
Uses of money and property	5,180,214	5,180,214	5,649,867	469,653
Intergovernmental	7,430,703	7,430,703	7,249,731	(180,972)
Current services	17,936,144	17,936,144	18,432,925	496,781
School	20,067,781	20,585,437	21,454,411	868,974
Other	5,207,188	5,207,188	6,117,342	910,154
Interdepartmental charges	16,169,646	16,169,646	16,734,221	564,575
City fund balance appropriation	2,400,000	3,000,000	3,000,000	-
Total revenues	182,765,224	183,882,880	188,918,045	5,035,165
Expenditures				
General government	12,928,882	13,865,511	13,366,573	498,938
Public safety	20,904,241	21,377,084	21,512,470	(135,386)
Public works	10,855,555	10,888,510	9,612,943	1,275,567
Health and social services	15,921,636	16,141,867	15,449,618	692,249
Parks and recreation	5,106,836	5,117,107	4,454,569	662,538
Public library	2,524,331	2,524,331	2,474,331	50,000
Education	71,382,159	71,899,815	71,708,985	190,830
Pension and employee insurance	15,094,525	10,707,597	13,069,141	(2,361,544)
Other	8,380,191	7,102,191	7,220,516	(118,325)
Debt service	20,078,947	24,670,946	24,869,235	(198,289)
Total expenditures and encumbrances	183,177,303	184,294,959	183,738,381	556,578
Excess (deficiency) of revenues over (under) expenditures and encumbrances	(412,079)	(412,079)	5,179,664	5,591,743
Other financing sources (uses)				
Net transfers from other funds	412,079	412,079	358,465	(53,614)
Total other sources	412,079	412,079	358,465	(53,614)
Excess of revenues and other sources over expenditures and encumbrances	\$ -	\$ -	\$ 5,538,129	\$ 5,538,129

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

CITY OF PORTLAND, MAINE

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
Business-type Activities - Enterprise Funds

June 30, 2002

	<u>Jetport</u>	<u>Sewer</u>	<u>Seaport Enterprises</u>	<u>Golf Courses</u>	<u>Ice Arena Facility</u>	<u>Totals Current Year</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 40,217	\$ 5,504,271	\$ 406,398	\$ 60,559	\$ 2,679	\$ 6,014,124
Investments	54,945	6,558,049	547,094	26,889	3,561	7,190,538
Accounts receivable	1,336,878	1,189,779	215,333	2,608	2,377	2,746,975
Allowance for uncollectible accounts	(86,530)	(69,559)	(71,700)	-	-	(227,789)
Due from other governments	958,959	-	-	-	-	958,959
Inventories	84,784	25,463	-	71,913	-	182,160
Total current assets	<u>2,389,253</u>	<u>13,208,003</u>	<u>1,097,125</u>	<u>161,969</u>	<u>8,617</u>	<u>16,864,967</u>
Noncurrent assets:						
Other assets	2,110	254,252	50,251	-	647	307,260
Capital assets:						
Land	9,814,095	5,408	6,265,967	51,195	23,180	16,159,845
Buildings and improvements	32,412,148	809,531	28,215,888	907,871	1,789,613	64,135,051
Improvements other than buildings	36,459,261	48,944,917	2,538,899	1,214,710	8,605	89,166,392
Machinery and equipment	7,758,956	3,221,389	434,533	469,192	88,508	11,972,578
Construction in progress	24,707,480	3,699,170	45,737	-	-	28,452,387
Less accumulated depreciation	<u>(46,838,904)</u>	<u>(12,814,700)</u>	<u>(15,696,834)</u>	<u>(1,579,165)</u>	<u>(1,198,361)</u>	<u>(78,127,964)</u>
Total capital assets (net of accumulated depreciation)	<u>64,313,036</u>	<u>43,865,715</u>	<u>21,804,190</u>	<u>1,063,803</u>	<u>711,545</u>	<u>131,758,289</u>
Total noncurrent assets	<u>64,315,146</u>	<u>44,119,967</u>	<u>21,854,441</u>	<u>1,063,803</u>	<u>712,192</u>	<u>132,065,549</u>
Total assets	<u>66,704,399</u>	<u>57,327,970</u>	<u>22,951,566</u>	<u>1,225,772</u>	<u>720,809</u>	<u>148,930,516</u>
LIABILITIES						
Current liabilities:						
Notes payable, line-of-credit	11,311,669	-	-	-	-	11,311,669
Accounts payable	2,940,001	89,631	84,616	31,203	18,523	3,163,974
Other liabilities and accrued expenses	1,430,549	1,019,491	298,246	66,586	18,674	2,833,546
Due to other funds	400,000	-	-	-	-	400,000
General obligation bonds, current	169,347	1,933,142	1,020,845	70,527	82,978	3,276,839
Accrued self-insurance liabilities, current	5,988	8,476	-	-	-	14,464
Total current liabilities	<u>16,257,554</u>	<u>3,050,740</u>	<u>1,403,707</u>	<u>168,316</u>	<u>120,175</u>	<u>21,000,492</u>
Noncurrent liabilities:						
General obligation bonds	1,193,422	25,685,081	1,966,164	530,162	156,723	29,531,552
Accrued self-insurance liabilities	74,358	74,798	-	-	-	149,156
Total noncurrent liabilities	<u>1,267,780</u>	<u>25,759,879</u>	<u>1,966,164</u>	<u>530,162</u>	<u>156,723</u>	<u>29,680,708</u>
Total liabilities	<u>17,525,334</u>	<u>28,810,619</u>	<u>3,369,871</u>	<u>698,478</u>	<u>276,898</u>	<u>50,681,200</u>
NET ASSETS						
Invested in capital assets, net of related debt	51,638,598	23,082,734	20,700,132	520,779	479,900	96,422,143
Restricted for -						
Operating maintenance	1,300,000	-	-	-	-	1,300,000
Renewal and replacement	300,000	-	-	-	-	300,000
Debt service	270,000	-	400,000	-	-	670,000
Unrestricted (deficit)	<u>(4,329,533)</u>	<u>5,434,617</u>	<u>(1,518,437)</u>	<u>6,515</u>	<u>(35,989)</u>	<u>(442,827)</u>
Total net assets	<u>\$ 49,179,065</u>	<u>\$ 28,517,351</u>	<u>\$ 19,581,695</u>	<u>\$ 527,294</u>	<u>\$ 443,911</u>	<u>\$ 98,249,316</u>

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

CITY OF PORTLAND, MAINE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

Business-type Activities - Enterprise Funds

For the Year Ended June 30, 2002

	Jetport	Sewer	Seaport Enterprises	Parking Garage	Golf Courses	Ice Arena Facility	Totals Current Year
Operating revenues:							
Charges for services	\$ 8,080,542	\$ 13,929,997	\$ 2,378,036	\$ 112,999	\$ 960,740	\$ 413,241	\$ 25,875,555
Operating expenses:							
Personal services	3,030,161	2,349,089	477,457	-	551,302	219,520	6,627,529
Contractual services	3,328,447	207,308	243,078	2,400	80,464	9,784	3,871,481
Portland Water District services	-	7,840,182	-	-	-	-	7,840,182
Supplies and materials	385,243	123,614	31,949	-	120,734	20,762	682,302
Rentals	177,544	7,764	89,647	-	32,030	536	307,521
Utilities	521,286	52,611	201,937	-	58,828	139,811	974,473
Maintenance	363,995	221,883	16,630	-	34,871	16,184	653,563
Depreciation and amortization	3,568,752	868,586	1,174,448	24,523	112,413	59,223	5,807,945
Other	544,068	519,116	228,045	15,736	19,384	24,682	1,351,031
Total operating expenses	11,919,496	12,190,153	2,463,191	42,659	1,010,026	490,502	28,116,027
Operating income (loss)	(3,838,954)	1,739,844	(85,155)	70,340	(49,286)	(77,261)	(2,240,472)
Nonoperating revenues (expenses):							
Interest and other revenue	1,077,062	192,996	-	-	-	23,112	1,293,170
Interest expense	(153,333)	(1,039,915)	(641,362)	(19,061)	(27,832)	(11,215)	(1,892,718)
Loss on sale of fixed assets	-	-	-	(598,810)	-	-	(598,810)
Total nonoperating revenues (expenses)	923,729	(846,919)	(641,362)	(617,871)	(27,832)	11,897	(1,198,358)
Income (loss) before contributions and transfers	(2,915,225)	892,925	(726,517)	(547,531)	(77,118)	(65,364)	(3,438,830)
Capital contributions	5,301,376	-	2,342,816	-	-	-	7,644,192
Transfers in	-	137,138	876,490	-	28,567	89,213	1,131,408
Transfers out	-	-	(10,156)	(1,140,852)	-	-	(1,151,008)
Change in net assets	2,386,151	1,030,063	2,482,633	(1,688,383)	(48,551)	23,849	4,185,762
Total net assets - beginning	46,792,914	27,487,288	17,099,062	1,688,383	575,845	420,062	94,063,554
Total net assets - ending	\$ 49,179,065	\$ 28,517,351	\$ 19,581,695	\$ -	\$ 527,294	\$ 443,911	\$ 98,249,316

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

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CITY OF PORTLAND, MAINE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Business-type Activities - Enterprise Funds

Year Ended June 30, 2002

	Jetport	Sewer	Seaport Enterprises	Parking Garage	Golf Courses	Ice Arena Facility	Total
Cash flows from operating activities							
Receipts from customers and users	\$ 7,690,410	\$ 13,651,637	\$ 2,441,777	\$ 164,703	\$ 958,132	\$ 426,215	\$ 25,332,874
Payments to suppliers	(5,221,459)	(9,072,807)	(812,799)	(18,136)	(378,180)	(211,016)	(15,714,397)
Payments to employees	(2,930,980)	(2,287,191)	(427,391)	-	(534,112)	(217,834)	(6,397,508)
Net cash provided by operating activities	(462,029)	2,291,639	1,201,587	146,567	45,840	(2,635)	3,220,969
Cash flows from noncapital financing activities							
Transfers from other funds	-	137,138	876,490	-	28,567	89,213	1,131,408
Transfers to other funds	-	-	(10,156)	(1,513,575)	-	-	(1,523,731)
Nonoperating revenues	862,681	144,251	-	-	-	23,112	1,030,044
Increases in due to other funds	400,000	-	-	-	-	-	400,000
Decreases in advances from other funds	-	-	(600,000)	-	-	-	(600,000)
Net cash provided (used) by noncapital financing activities	1,262,681	281,389	266,334	(1,513,575)	28,567	112,325	437,721
Cash flows from capital and related financing activities							
Contributed capital	5,301,376	-	2,342,816	-	-	-	7,644,192
Proceeds from line of credit advances	10,649,320	-	-	-	-	-	10,649,320
Proceeds from sale of bonds	-	6,790,000	135,000	-	65,000	-	6,990,000
Proceeds from sale of capital assets	-	-	-	1,000,000	-	-	1,000,000
Acquisition and construction of capital assets	(28,303,128)	(4,357,900)	(2,470,462)	-	(95,516)	(50,172)	(35,277,178)
Non-operating accounts payable:							
Beginning of year	(192,961)	(690,813)	-	-	-	(35,591)	(919,365)
End of year	3,728,270	388,272	50,898	-	-	4,469	4,171,909
Principal paid on bond maturities	(169,435)	(1,521,631)	(455,857)	(37,735)	(57,355)	(83,630)	(2,325,643)
Principal paid on note payable, line of credit	(1,575,064)	-	-	-	-	-	(1,575,064)
Interest paid on debt	(156,288)	(990,870)	(668,260)	(20,794)	(28,113)	(13,200)	(1,877,525)
Net cash provided (used) by capital and related financing activities	(10,717,910)	(382,942)	(1,065,865)	941,471	(115,984)	(178,124)	(11,519,354)

Cash flows from investing activities								
Purchase of investments	(1,140,455)	(12,417,232)	(2,274,518)	-	(827,164)	(317,982)	(16,977,351)	
Proceeds from sale and maturity of investments	7,235,868	12,473,869	2,129,455	211,080	860,312	370,044	23,280,628	
Principal received on direct financing leases	-	-	-	89,549	-	-	89,549	
Interest income	214,381	48,745	-	-	-	-	263,126	
Net cash used by investing activities	6,309,794	105,382	(145,063)	300,629	33,148	52,062	6,655,952	
Net increase (decrease) in cash and cash equivalents								
Cash and cash equivalents, beginning of year	3,647,681	3,208,803	149,405	124,908	68,988	19,051	7,218,836	
Cash and cash equivalents, end of year	\$ 40,217	\$ 5,504,271	\$ 406,398	\$ 0	\$ 60,559	\$ 2,679	\$ 6,014,124	
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (3,838,954)	\$ 1,739,844	\$ (85,155)	\$ 70,340	\$ (49,286)	\$ (77,261)	\$ (2,240,472)	
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation and amortization	3,568,752	868,586	1,174,448	24,523	112,413	59,223	5,807,945	
Change in operating assets and liabilities:								
Accounts receivable	552,029	(278,170)	5,887	51,704	(2,608)	12,974	341,816	
Inventories	(6,526)	-	-	-	(25,476)	-	(32,002)	
Due from other governments	(942,161)	-	-	-	-	-	(942,161)	
Accounts payable	53,976	(67,602)	(1,513)	-	(5,893)	744	(20,288)	
Other liabilities and accrued expenses	99,181	61,707	107,920	-	17,190	1,685	287,684	
Self-insurance	51,674	(32,726)	-	-	(500)	-	18,448	
Total adjustments	3,376,925	551,795	1,286,742	76,227	95,126	74,626	5,461,441	
Net cash provided by operating activities	\$ (462,029)	\$ 2,291,639	\$ 1,201,587	\$ 146,567	\$ 45,840	\$ (2,635)	\$ 3,220,969	
Noncash investing, capital, and financing activities:								
Disposal of capital assets	-	(184,988)	-	(1,924,702)	-	-	-	
Accumulated depreciation on capital asset dispositions	-	184,988	-	325,892	-	-	-	
Transfer of bonded debt	-	-	-	372,723	-	-	-	

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

CITY OF PORTLAND, MAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2002

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 973,909
Investments	<u>350,520</u>
Total assets	<u><u>1,324,429</u></u>
 LIABILITIES	
Held for student activities and other purposes	713,035
Held for performance guarantees	231,163
Other liabilities	<u>380,231</u>
Total liabilities	<u><u>1,324,429</u></u>
 NET ASSETS	 \$ <u><u>-</u></u>

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

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Portland, Maine was incorporated on March 26, 1832 under the laws of the State of Maine. The City operates under a Council Manager form of government and provides the following services: public safety, public works, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Blended Component Units. The Portland Fish Pier Authority, a local development corporation, was organized by the City for the express purpose of managing for the City its public fish pier facilities. The Portland Fish Pier Authority board of directors is an advisory board governed by the Portland City Council and is staffed by City employees. The City has leased, for a sixty-year term, its public fish pier facilities, and assigned its interest in all related operating leases, including the Portland Fish Exchange lease, to the Portland Fish Pier Authority. The premises are devoted to public purposes only and use is restricted to the landing or processing of shellfish, finfish and other natural products of the sea, or for other activities directly related to these purposes. The financial statements of the Fish Pier Authority, for the year ended June 30, 2002, have been incorporated into the City's financial statements in the Seaport Enterprises enterprise fund.

The Downtown Portland Corporation (DPC), a local development corporation, was organized by the City in 1991 for the purposes of implementation and administration of the City's economic development programs. The DPC board of directors is an advisory board governed by the Portland City Council and is staffed by City employees. The DPC is financially dependent upon the City. The financial statements of the DPC, for the year ended June 30, 2002, have been incorporated into the City's Special Revenue Funds.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Discretely Presented Component Units. The Portland Public Library was established under State Statute in 1889. The Library operates under the control of a Board of Trustees, which is not appointed by the Portland City Council, in which the power to hire officers, approve the budget and amend the by-laws is vested. However, 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 provided approximately 84% of all financial support received by the Library during the year ended June 30, 2002. The City believes that the financial statements would be incomplete without the inclusion of the Library as a discretely presented component unit. The Library, which has been determined to be not a governmental entity, has its financial statements prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations.

The Portland Fish Exchange was incorporated by the Portland City Council in 1986, as a local development corporation exclusively for the purpose of promoting fishing and fishing-related business enterprises in the City through the operation of a commercial fish auction whereby fishermen may display their products and qualified fish retailers and processors may bid for and purchase the fish. The City is the sole voting member of the Exchange and has the exclusive right to appoint the Board of Directors and amend the Articles of Incorporation and may cancel any amendment to the rules of operation adopted by the Board of Directors. The financial statements of the Exchange, for the year ended March 31, 2002 (the latest date available), are presented as an enterprise fund type.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices:

Portland Fish Exchange
6 Portland Fish Pier
Portland, Maine 04101

Portland Fish Pier Authority
40 Commercial Street, Suite 100
Portland, Maine 04101

Downtown Portland Corporation
389 Congress Street
Portland, Maine 04101

Portland Public Library
5 Monument Square
Portland, Maine 04101

Related Organization. The Portland City Council is responsible for appointing the Board of Commissioners of the Portland Housing Authority. The City's accountability for the Portland Housing Authority does not extend beyond making these appointments. The Portland City Council is also responsible for appointing the Board of Directors of the Portland Widows' Wood Society. The City's accountability for the Portland Widows' Wood Society does not extend beyond making these appointments.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

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

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

The *Jetport Fund* is used to account for the operation of the local airport, which serves the southwestern part of the State. The revenue is produced primarily through contracts and leases. It is one of the largest (by passenger volume) facilities in Northern New England.

The principal function of the *Sewer Fund* is to account for the sewer services provided to the City residents and business establishments. The Portland Water District (not a City department) owns and operates the filtration plant for which the Sewer Fund pays a monthly fee. The City owns and maintains the infrastructure sewer lines and is responsible for the costs of maintenance, improvements and expansion. All users of the system pay monthly or quarterly fees, based upon water volume, to support the expenditures of the fund.

The *Seaport Enterprises Fund* is used to account for the operations of an international ferry terminal which is home to Scotia Prince Cruises and the Hapag Lloyd container operation, and the Ocean Gateway facilities which includes the Maine State Pier and the former Bath Iron Works ship repair facility, now known as the Portland Ocean Terminal. In addition to conducting its own operations, this fund includes the operations of the Fish Pier Authority, a blended component unit, which provides facilities which make the provision of various services to fishing vessels and the operation of the public fish auction possible. The operations of the Fish Pier Authority consist primarily of lease revenue and maintenance expenses.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

The *Parking Garage Fund* is used to account for the operation of a multiple deck public parking garage.

The operation of two adjacent public golf courses, eighteen holes and nine holes, respectively, is accounted for in the *Golf Courses Fund*. Daily fees and season memberships are the main source of revenue supporting the facilities.

The operations of a public ice arena are accounted for in the *Ice Arena Facility Fund*.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

The City complies with Governmental Accounting Standards Board Statement (GASB) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This Statement requires the City to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

The City follows certain accounting principles for general fund budgetary reporting purposes that differ from GAAP, the most significant of which are encumbrances being treated as expenditures and appropriations of prior year fund balances being treated as revenue for budgetary purposes, and interfund and interdepartmental transfers under accounting principles generally accepted in the United States of America being treated as revenues and/or expenditures for budgetary reporting purposes. In addition, the City's budgetary reporting for insurance claims, compensated absences, and investment income is done in accordance with the cash basis method of accounting, as opposed to the modified accrual method required by accounting principles generally accepted in the United States of America. Also, capital leases are not budgeted. Finally, the general fund revenue and expenditures related to on-behalf payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are not budgeted. Such on-behalf payments were approximately \$7,474,800 for the year ended June 30, 2002.

Budgets for the general and enterprise funds are formally adopted each year through the passage of an appropriation resolve. Unencumbered appropriations lapse at fiscal year-end. Special revenue funds do not have legally adopted budgets, but have administratively approved project budgets. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because goods and services have not been received in the current year. However, for budgetary purposes, encumbrances are treated as expenditures.

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements.

The Portland Public Library is authorized by its governing board to invest in obligations of the U.S. Treasury, corporate stocks and bonds, financial institutions, mutual funds and repurchase agreements.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

The Portland Fish Exchange is authorized by its governing board to invest in obligations of the U.S. Treasury and financial institutions.

Investments are reported at fair value, except that investments with a remaining maturity at time of purchase of one year or less are stated at amortized cost. Income earned from the investment of pooled cash is allocated to various funds on the basis of the average cash balance allocated the fund.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the combined balance sheet.

G. Inventories

Inventories are valued at cost, using the first-in, first-out (FIFO) method. The costs of inventory items are recognized as expenditures in the Governmental Funds and as expenses in the Enterprise Funds when used.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expenses incurred by the Sewer Fund during the current fiscal year was \$1,150,167. Of this amount, \$110,252 was included as part of the cost of capital assets under construction in connection with sewer lines.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the assets' estimated useful lives ranging from 3 to 50 years.

I. Long-Term Care Facility Patient Revenues and Third-Party Contractual Adjustments

Patient accounts receivable and revenues are recorded at established charges when services are performed. Revenues from services to patients include amounts reimbursable under Medicare, Medicaid and welfare agreements and programs. Differences between established charges and third-party payor rates, which are generally lower, are recorded as reductions to operating revenues.

A substantial portion of the City's long-term care facility services are reimbursed by third-party payors at rates subject to redetermination based on the filing of annual cost reports 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 results of such examinations become known. Amounts related to the City's long-term care facility are recorded in the general fund.

J. Compensated Absences

Employees earn vacation and sick leave as they provide services. Pursuant to collective bargaining agreements, employees may accumulate (subject to certain limitations) unused sick leave and, upon retirement, termination or death, may be compensated for amounts up to 180 days at current rates of pay.

Vacation time is earned based on anniversary date and length of service in amounts ranging between two and four 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 paid for allowable accruals upon termination of employment.

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Enterprise Funds. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charged and amortized over the term of the related debt.

In the fund financial statements, governmental fund types generally recognize bond premiums and discounts, as well as bond issuance costs, during the current period. (However, the costs associated with the general obligation pension bonds sold to finance the City's initial unpooling unfunded actuarial liability have been deferred and amortized over the life of the bonds using the effective interest method). The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

M. Bond Issuance Costs

In Governmental Fund types, issuance costs are generally recognized in the current period (except that costs associated with the general obligation pension bonds have been deferred and amortized over the life of the bonds using the effective interest method). Issuance costs for the Enterprise Funds are capitalized and are being amortized on a straight-line basis over the life of the related bond. The difference between the reacquisition price of Enterprise Fund bonds and the net carrying amount of debt refunded is deferred and amortized over the life of the new bond issue or the old debt, whichever is shorter.

N. Unbilled Service Receivables

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

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

O. Interfund Activity

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions and is accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonreciprocal activity is the internal counterpart to nonexchange transactions and is reported as transfers.

P. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for all types of receivables which historically experience uncollectible accounts.

Q. Allowance for Uncollectible Loans

Allowances for uncollectible loans are established when City management determines its ability to collect the outstanding loan balance has been impaired. Loans are reviewed on an annual basis to evaluate collectibility. Primary considerations in this are management's evaluation of the fair value of the collateral, if any (net of any outstanding superior debt), the current level of delinquency for real estate-based loans, and business and economic conditions.

R. Use of Estimates

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

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

2. Stewardship, Compliance and Accountability

Each year, on or before May 1, the City Manager submits to the City Council a budget for the ensuing fiscal year, along with an accompanying message.

The Manager's message explains the budget both in fiscal terms and in terms of its effect on work programs. It outlines the proposed financial policies of the City for the coming fiscal year; describes the important features of the budget; indicates any major changes from the current year in financial policies, expenditures and revenues, together with the reasons for such changes; and includes such other information that the Manager deems desirable. It also describes the tax impact of the proposed budget.

The budget preparation deviates from the GAAP basis as previously described in Note 1.D. It provides a complete financial plan of the City's General and Enterprise Funds for the ensuing fiscal year. It begins with a general summary of its contents and shows in detail all estimated income, indicating the proposed property tax levy affecting the General Fund, and all proposed expenditures, including debt service, for the ensuing fiscal year, arranged to show comparative figures for actual and estimated income and expenditures to the preceding fiscal year.

A budget for the General and Enterprise Funds is formally adopted each year through the passage of an appropriation resolve. Special Revenue Funds do not have legally adopted budgets but have administratively approved project budgets. Copies of the budget, as adopted, are public records and are made available for inspection by the public at designated places.

The Manager may, at his discretion, transfer appropriated amounts, except those amounts appropriated for education, between functions. Total expenditures for the fiscal year may not exceed the appropriation resolve passed for the period without Council approval. The City Council may, by resolution, appropriate additional amounts, but only up to the amount of excess revenues and unencumbered budget surplus remaining after the purpose of the original appropriation has been satisfied. At the end of the fiscal year, all unencumbered appropriations lapse unless specifically continued by resolution of the City Council.

There were supplementary appropriations of the City's General Fund balance made during the year ended June 30, 2002, for the self-insurance program totaling \$600,000. In addition there was an additional appropriation of \$518,000 for Education from unanticipated revenues received during the current year. There were no supplemental appropriations of the City's Proprietary (Enterprise) Fund balances made during the year.

General Fund revenues and expenditures reported in the Statement of Revenues, Expenditures and Encumbrances - Budget and Actual (Budget Basis) are presented on the basis budgeted by the City. As stated above, the City follows certain accounting principles for budgetary reporting purposes that differ from accounting principles generally accepted in the United States.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Such differences and their effects on the general fund's reported operations are summarized in the following reconciliation:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Statement of Revenues, Expenditures and Encumbrances – Budget and Actual (Exhibit 5)	\$ 188,918,045	\$ 183,738,381	\$ 358,465
Appropriation of fund balance	(3,000,000)	–	–
Activity reported in special revenue fund:			
School food service program	(1,963,679)	(2,136,938)	(281,059)
Activity budgeted in the general fund, reported in the special revenue fund:			
Street openings	(354,835)	(266,820)	–
Change in current provision for accrued insurance claims and compensated absences	–	(386,952)	–
Refinancing of City's initial unpoolled unfunded pension actuarial liability	–	111,777,471	111,800,000
Amortization of pension issue costs	–	(11,431)	–
Revenue and expenditures reported as interfund transfers under generally accepted accounting principles	(9,442,552)	(22,512,559)	(21,702,948)
Revenue and expenditures reported as interdepartmental transfers under generally accepted accounting principles	(7,287,017)	(16,734,221)	–
Contributions made on behalf of the City for the teachers' retirement plan	7,474,800	7,474,800	–
Accrued interest receivable	(472,910)	–	–
Increase in fair market value of investments	4,987	–	–
2002 encumbrances	–	(254,498)	–
2001 encumbrances	–	<u>123,345</u>	<u>–</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - General Fund (Exhibit 4)	<u>\$ 173,876,839</u>	<u>\$ 261,584,482</u>	<u>\$ 90,174,458</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

The following two schedules summarize the enterprise funds' revenue and expense budgets. The City follows certain accounting principles for budgetary reporting purposes that differ from generally accepted accounting principles. These differences are outlined below.

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budget Basis)	Final Budget- Positive (Negative)
Revenues:				
Jetport	\$ 9,564,556	\$ 9,564,556	\$ 9,037,479	\$ (527,077)
Sewer	13,999,045	13,999,045	14,767,538	768,493
Seaport Enterprises	2,308,562	2,308,562	2,306,335	(2,227)
Parking Garage	180,000	180,000	112,999	(67,001)
Golf Courses	968,587	968,587	960,740	(7,847)
Ice Arena Facility	<u>406,362</u>	<u>406,362</u>	<u>436,353</u>	<u>29,991</u>
Total revenues – budget basis	<u>\$ 27,427,112</u>	<u>\$ 27,427,112</u>	27,621,444	<u>\$ 194,332</u>
Total operating revenues – Exhibit 7			<u>25,875,555</u>	
			<u>\$ 1,745,889</u>	

The primary reasons for the \$1,745,889 difference between actual budget basis revenues of \$27,621,555 and the total operating revenues of \$25,875,555, as reported in Exhibit 7, are as follows:

- The financial statement classifications of nonoperating revenues and operating transfers required by GAAP are treated as operating revenues for budgetary purposes.
- The appropriation of fund balance to fund current year operating budgets is treated as operating revenue for budgetary purposes.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

	Budgeted Amounts		Actual (Budget Basis)	Positive (Negative)
	Original	Final		
Expenditures/encumbrances:				
Jetport	\$ 8,997,717	\$ 8,997,717	\$ 8,587,916	\$ 409,801
Sewer	13,999,045	13,999,045	14,480,287	(481,242)
Seaport Enterprises	2,298,406	2,298,406	2,328,548	(30,142)
Parking Garage	87,529	87,529	76,665	10,864
Golf Courses	903,272	903,272	976,405	(73,133)
Ice Arena Facility	547,772	547,772	546,250	1,522
Operating transfers out	(65,939)	(65,939)	(105,744)	39,805
 Total expenditures and encumbrances – budget basis	 \$ <u>26,767,802</u>	 \$ <u>26,767,802</u>	 26,890,327	 \$ <u>(122,525)</u>
 Total operating expenses – Exhibit 7			 <u>28,116,027</u>	
			 <u>\$ (1,225,700)</u>	

The primary reasons for the \$1,225,700 difference between the actual budget basis of expenditures and encumbrances of \$26,890,327 and the total operating expenses of \$28,116,027, as reported in Exhibit 7, are as follows:

- Encumbrances are recognized as expenditures for budgetary purposes.
- Nonoperating expenses and operating transfers out are classified as operating expenses for budgetary purposes.
- Depreciation expense is not recognized for budgetary purposes.
- The principle amortization of general obligation bonds, notes payable and capital leases are recognized as expenditures for budgetary purposes.
- Capital outlay that has been included in an enterprise fund's operating budget is reported as an expenditure for budgetary purposes.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

3. Deposits and Investments

The City maintains a cash pool that is available for use by all funds. In addition, cash and investments are separately held by several of the funds.

At June 30, 2002, the carrying amount of the City's cash and cash equivalent deposits was \$24,672,722 and the bank balance was \$14,276,814. Of the bank balance, \$595,310 was covered by federal depository insurance. Under state statutes, deposits or investments that exceed 25% of the capital, surplus and undivided profits of the depository institution are collateralized. At June 30, 2002, the City's deposits were less than 25% of such amounts of its depository institution. Therefore, no portion of the City's remaining cash balances of \$13,681,504 was so collateralized.

At times during the year, the balance of uncollateralized deposits exceeded the balance at June 30 because of increased amounts of property tax deposits. Cash and cash equivalents consisted primarily of bank deposits and U.S. Treasury obligations during the year.

Interest income earned on the City's pooled cash balance is allocated to certain enterprise funds by applying the average monthly interest rate earned on the cash management account to the average cash balance of each enterprise fund.

The carrying amount of deposits for the Portland Public Library, a discretely presented component unit, was \$82,602 and the bank balance was \$104,487. Of the bank balance, 100,000 was covered by federal depository insurance.

The carrying amount of deposits for the Portland Fish Exchange, a discretely presented component unit, was \$242,371 and the bank balance was \$514,832. Of the bank balance, \$100,581 was covered by federal depository insurance. The Portland Fish Exchange's remaining cash balance of \$414,251 was collateralized.

Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

At year-end, the City's investment balances were as follows:

	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government securities	\$ -	\$ -	\$ 24,081,608	\$ 24,081,608	\$ 24,081,608
Repurchase agreements	\$ -	\$ -	\$ 7,010,797	\$ 7,010,797	\$ 7,010,797
Corporate bonds	-	-	1,828,348	1,828,348	1,828,348
Common stock	<u>-</u>	<u>-</u>	<u>5,126,948</u>	<u>5,126,948</u>	<u>5,126,948</u>
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,047,700</u>	\$ 38,047,700	\$ 38,047,700
Items not subject to categorization certificates of deposit				<u>2,175,092</u>	<u>2,175,092</u>
				<u>\$ 40,222,792</u>	<u>\$ 40,222,792</u>

At year-end, the Portland Public Library's investment balances were as follows:

	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash and cash equivalents	\$ -	\$ -	\$ 130,485	\$ 130,485	\$ 130,485
U.S. Government securities	-	-	1,679,378	1,679,378	1,679,378
Equity securities	<u>-</u>	<u>-</u>	<u>1,960,520</u>	<u>1,960,520</u>	<u>1,960,520</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,770,383</u>	\$ 3,770,383	\$ 3,770,383
Items not subject to categorization mutual funds				<u>1,411,703</u>	<u>1,411,703</u>
				<u>\$ 5,182,086</u>	<u>\$ 5,182,086</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

A reconciliation of cash and investments as shown on the statement of net assets for the primary government follows:

Carrying amount of deposits	\$ 24,672,722
Carrying amount of investments	<u>40,222,792</u>
Total	<u>\$ 64,895,514</u>
Exhibit 1:	
Cash and cash equivalents	\$ 23,698,813
Investments	<u>39,872,272</u>
Exhibit 9:	
Cash and cash equivalents	973,909
Investments	<u>350,520</u>
	<u>\$ 64,895,514</u>

Due to higher cash flows at certain times during the year, the City's investment in U.S. Government securities for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in Category 3 at those times were substantially higher than at year-end.

4. Property Tax

Property taxes were levied June 29, 2001 on the assessed values of real property as of April 1, 2001, as described below. Taxes were due in two installments, September 7, 2001 and March 8, 2002. Interest was charged at a 11.50% annual percentage rate on amounts not paid by September 8, 2001 and March 9, 2002. 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, 2002 were assessed at the rate of 24.31 mills on the dollar on a total assessed valuation of \$4,042,164,563.

Property taxes collected during fiscal year 2002 and during the first sixty days of fiscal year 2003 are recognized as revenue in 2002. Receivables estimated to be collectible after the sixty day period are recorded as deferred revenue.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

5. Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,795,519	\$ 966,021	\$ 42,098	\$ 12,719,442
Construction in progress	<u>4,309,571</u>	<u>2,730,657</u>	<u>2,049,399</u>	<u>4,990,829</u>
Total capital assets, not being depreciated	<u>16,105,090</u>	<u>3,696,678</u>	<u>2,091,497</u>	<u>17,710,271</u>
Capital assets, being depreciated:				
Buildings	123,476,994	3,105,097	1,565,511	125,016,580
Improvements other than buildings	16,489,561	1,985,872	2,316,182	16,159,251
Machinery and equipment	29,007,168	1,486,294	136,132	30,357,330
Infrastructure	<u>220,777,936</u>	<u>1,261,540</u>	<u>—</u>	<u>222,039,476</u>
Total capital assets, being depreciated	<u>389,751,659</u>	<u>7,838,803</u>	<u>4,017,825</u>	<u>393,572,637</u>
Less accumulated depreciation for:				
Buildings	(43,818,653)	(2,952,902)	602,721	(46,168,834)
Improvements other than buildings	(6,023,089)	(697,545)	1,114,385	(5,606,249)
Machinery and equipment	(14,759,626)	(2,478,145)	112,043	(17,125,728)
Infrastructure	<u>(58,133,558)</u>	<u>(3,360,849)</u>	<u>—</u>	<u>(61,494,407)</u>
Total accumulated depreciation	<u>(122,734,926)</u>	<u>(9,489,441)</u>	<u>1,829,149</u>	<u>(130,395,218)</u>
Total capital assets being depreciated, net	<u>267,016,733</u>	<u>1,650,638</u>	<u>2,188,676</u>	<u>263,177,419</u>
Governmental activities capital assets, net	<u>\$ 283,121,823</u>	<u>\$ 2,046,040</u>	<u>\$ 4,280,173</u>	<u>\$ 280,887,690</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 12,378,907	\$ 3,780,938	\$ –	\$ 16,159,845
Construction in progress	<u>7,810,236</u>	<u>23,285,901</u>	<u>2,643,750</u>	<u>28,452,387</u>
Total capital assets, not being depreciated	<u>20,189,143</u>	<u>27,066,839</u>	<u>2,643,750</u>	<u>44,612,232</u>
Capital assets, being depreciated:				
Buildings and improvements	58,018,026	7,012,251	895,226	64,135,051
Improvements other than buildings	81,080,009	8,086,383	–	89,166,392
Machinery and equipment	<u>11,509,110</u>	<u>648,456</u>	<u>184,988</u>	<u>11,972,578</u>
Total capital assets, being depreciated	<u>150,607,145</u>	<u>15,747,090</u>	<u>1,080,214</u>	<u>165,274,021</u>
Less accumulated depreciation for:				
Buildings and improvements	(29,417,699)	(2,389,447)	325,892	(31,481,254)
Improvements other than buildings	(35,860,062)	(2,744,070)	–	(38,604,132)
Machinery and equipment	<u>(7,568,534)</u>	<u>(659,032)</u>	<u>184,988</u>	<u>(8,042,578)</u>
Total accumulated depreciation	<u>(72,846,295)</u>	<u>(5,792,549)</u>	<u>510,880</u>	<u>(78,127,964)</u>
Total capital assets being depreciated, net	<u>77,760,850</u>	<u>9,954,541</u>	<u>569,334</u>	<u>87,146,057</u>
Business-type activities capital assets, net	<u>\$ 97,949,993</u>	<u>\$37,021,380</u>	<u>\$3,213,084</u>	<u>\$131,758,289</u>

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

Governmental activities:	
General government	\$1,409,583
Public safety	896,011
Public works, including depreciation of general infrastructure assets	4,555,879
Health and human services	184,065
Parks and recreation	339,359
Education	1,964,992
Library	<u>139,552</u>
Total depreciation expense – governmental activities	<u>\$9,489,441</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Business-type activities:	
Transportation	\$3,567,908
Waterfront	1,169,330
Parking garage	24,522
Golf	112,413
Sewer	859,585
Ice arena	<u>58,791</u>
Total depreciation expense – business-type activities	<u>\$5,792,549</u>

Construction commitments

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public buildings and improvements	\$ 2,465,728	\$ 557,471
Park improvements	2,448,350	224,592
Streets and sidewalk improvements	1,512,207	806,510
Wastewater treatment facilities improvements	4,644,308	506,995
Purchase of new equipment	1,087,566	196,269
Jetport construction projects	<u>27,997,699</u>	<u>21,854,751</u>
Total	<u>\$40,155,858</u>	<u>\$24,146,588</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Discretely Presented Component Units

Activity for the Portland Fish Exchange as of March 31, 2002.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$1,004,372	\$ 57,391	\$ —	\$ 1,061,763
Machinery and equipment	<u>594,137</u>	<u>156,085</u>	<u>19,358</u>	<u>730,863</u>
Total capital assets being depreciated	<u>1,598,509</u>	<u>213,476</u>	<u>19,358</u>	<u>1,792,626</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(984,463)</u>	<u>(114,749)</u>	<u>19,358</u>	<u>(1,079,854)</u>
Total capital assets being depreciated, net	<u>\$ 614,046</u>	<u>\$ 98,727</u>	<u>\$ —</u>	<u>\$ 712,772</u>

Activity for the Portland Public Library for the year ended June 30, 2002.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 88,665	\$ —	\$ —	\$ 88,665
Machinery and equipment	<u>867,282</u>	<u>68,820</u>	<u>373,074</u>	<u>563,028</u>
Total capital assets being depreciated	<u>955,947</u>	<u>68,820</u>	<u>373,074</u>	<u>651,693</u>
Less accumulated depreciation for:				
Buildings	(83,726)	(4,939)	—	(88,665)
Machinery and equipment	<u>(714,894)</u>	<u>(59,267)</u>	<u>368,746</u>	<u>(405,415)</u>
Total capital assets being depreciated, net	<u>\$ 157,327</u>	<u>\$ 4,614</u>	<u>\$ 4,328</u>	<u>\$ 157,613</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

6. Jointly Governed Organizations

The City of Portland participates in two jointly governed organizations, which are not part of the City's reporting entity.

The City, in conjunction with one other municipality, participates in the Greater Portland Transit District. The District provides public transportation services to the residents of the participating communities. The District is managed by a Board of Directors selected by the elected municipal officers of each participating municipality. Except for members' proportional share of bonds payable, which are repaid through member assessments, no participant has any obligation or entitlement and the City's share of any residual interest has not been determined. The City of Portland's proportional share of bonds payable (87.0%) and its member assessment for the year ended June 30, 2002, were \$69,600 and \$2,065,655, respectively.

Regional Waste Systems (RWS) provides solid waste disposal services to the 21 participating communities (including the City of Portland) and 11 associate member communities. RWS is managed by a Board of Directors selected by the elected municipal officers of its member communities. Except for requirements pursuant to Waste Handling Agreements (participating municipalities are obligated severally to deliver certain of the solid waste produced within the municipality to RWS for processing and to make service payments and pay tipping fees for such processing, which, when added to other available monies, will at least equal required debt service on RWS's bonds), no participant has any obligation, entitlement or residual interest. During the year ended June 30, 2002, the City paid RWS \$1,525,086 in tipping fees and assessments for solid waste disposal services. In addition, RWS has estimated that landfill closure and postclosure costs at June 30, 2001 (latest available information) amounted to \$17,698,760 of which Portland's share, based on estimated tonnage to be delivered, amounted to 28.72% or \$5,083,261.

7. Long-Term Liabilities

The following is a summary of changes in non-current governmental liabilities, including current portions reported in the Statement of Net Assets.

	Balance			Balance	Due Within
	<u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2002</u>	<u>One Year</u>
General obligation bonds	\$ 95,863,243	\$ 119,627,723	\$ 11,119,356	\$ 204,371,610	\$ 10,208,161
Revenue bonds	1,971,053	-	159,774	1,811,279	-
Notes payable	244,420	-	18,608	225,812	14,427
Capital leases	2,512,339	-	569,734	1,942,605	418,470
Self-insurance	9,571,078	10,946,932	10,294,885	10,223,125	3,402,662
Compensated absences	6,007,338	4,027,214	2,785,035	7,249,517	1,267,296
Arbitrage	351,350	-	111,550	239,800	-
Accounts payable	40,000	-	10,000	30,000	10,000
Unfunded pension liability	<u>110,899,203</u>	<u>-</u>	<u>110,899,203</u>	<u>-</u>	<u>-</u>
	<u>\$ 227,460,024</u>	<u>\$ 134,601,869</u>	<u>\$ 135,968,145</u>	<u>\$ 226,093,748</u>	<u>\$ 15,321,016</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

The following is a summary of changes in non-current business-type liabilities, including current portions reported in the Statement of Net Assets.

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 28,516,757	\$ 6,990,000	\$ 2,698,367	\$ 32,808,390	\$ 3,276,839
Self-insurance	145,172	839,648	821,199	163,621	14,464
Compensated absences	<u>410,937</u>	<u>364,750</u>	<u>190,513</u>	<u>585,174</u>	<u>585,174</u>
	<u>\$ 29,072,866</u>	<u>\$ 8,194,398</u>	<u>\$ 3,710,079</u>	<u>\$ 33,557,185</u>	<u>\$ 3,876,477</u>

As of June 30, 2002, general obligation bonds, capital leases and notes payable reported in the statement of net assets consisted of the following:

<u>Bond Issue</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	Balance at <u>June 30, 2002</u>
General obligation bonds:						
Various purpose	11/01/81	\$ 12,455,000	11.700%	\$ 1,615,000	\$ -	\$ 1,615,000
Bath Iron Works	07/01/82	15,000,000	11.400%	11,277	738,723	750,000
Various purpose	11/01/84	5,135,000	9.070%	516,209	248,791	765,000
Various purpose	12/01/85	7,660,000	7.500%	1,083,530	376,470	1,460,000
Various purpose	03/01/87	6,820,000	5.400%	1,183,271	516,729	1,700,000
Various purpose	07/01/88	12,735,000	7.100%	3,886,549	558,451	4,445,000
Various purpose	10/01/89	14,475,000	6.800%	5,123,311	636,689	5,760,000
Various purpose	10/01/90	19,450,000	6.900%	6,837,600	1,667,400	8,505,000
Refunding Issue	09/01/91	6,775,000	5.700%	694,077	380,923	1,075,000
Various purpose	07/01/92	9,390,000	5.700%	258,222	111,778	370,000
Various purpose	04/01/94	15,785,000	6.100%	1,289,568	270,432	1,560,000
Various purpose	06/01/95	17,570,000	5.060%	9,193,079	881,921	10,075,000
Various purpose	06/01/96	10,540,000	5.484%	5,449,171	570,829	6,020,000
Various purpose	09/01/97	13,695,000	4.960%	7,189,912	3,190,088	10,380,000
Refunding and various purpose	03/01/98	15,040,000	5.373%	11,089,280	2,985,721	14,175,000
Various purpose	09/01/98	18,275,000	4.375%	8,731,235	4,998,764	13,730,000
Various purpose	09/01/98	20,160,000	5.349%	11,284,791	5,135,209	16,420,000
Various purpose	09/01/99	13,545,000	4.940%	9,680,528	2,549,472	12,230,000
Multit-modal taxable pension bond	07/17/01	111,800,000	variable	111,800,000	-	111,800,000
Various purpose	04/01/02	<u>14,445,000</u>	4.391%	<u>7,455,000</u>	<u>6,990,000</u>	<u>14,445,000</u>
Total general obligation bonds		<u>\$ 360,750,000</u>		<u>\$204,371,610</u>	<u>\$ 32,808,390</u>	<u>\$ 237,180,000</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

	<u>General City</u>	<u>Enterprise Funds</u>	<u>Balance at June 30, 2000</u>
Capital leases:			
School Department computer	\$ 19,980	\$ —	\$ 19,980
School Department computer	112,798	—	112,798
School Department computer	61,022	—	61,022
School Department energy system	1,429,707	—	1,429,707
School Department copiers	<u>319,098</u>	<u>—</u>	<u>319,098</u>
 Total capital leases	 1,942,605	 —	 1,942,605
Notes payable:			
U.S. Environmental Protection Agency	33,511	—	33,511
U.S. Environmental Protection Agency	112,301	—	112,301
Perpetual Care Trust Fund	<u>80,000</u>	<u>—</u>	<u>80,000</u>
 Total notes payable	 <u>225,812</u>	 <u>—</u>	 <u>225,812</u>
 Total	 206,540,027	 32,808,390	 239,348,417
 Less current portion	 <u>10,641,058</u>	 <u>3,276,839</u>	 <u>13,917,897</u>
 Total long-term	 <u>\$195,898,969</u>	 <u>\$ 29,531,551</u>	 <u>\$ 225,430,520</u>

Bonds for capital improvements which were authorized but unissued at June 30, 2002, amount to \$5,000,000.

During the year ended June 30, 2002, the City was in compliance with all significant bond covenants.

In 1992, the City sold \$6,775,000 of general obligation bonds to advance refund certain other outstanding debt by depositing funds with the Trustee. At June 30, 2002, \$850,000 of the amount which had been in-substance defeased was still outstanding.

In fiscal 1998, the City sold \$14,315,000 of general obligation bonds to advance refund certain other outstanding debt by depositing funds with the Trustee. The principal amounts of the various purpose issues refunded, which are still outstanding, were as follows:

<u>Issue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
July 1, 1992	\$3,531,366	\$1,528,634	\$ 5,060,000
April 1, 1994	<u>6,427,160</u>	<u>1,347,840</u>	<u>7,775,000</u>
 Total	 <u>\$9,958,526</u>	 <u>\$2,876,474</u>	 <u>\$ 12,835,000</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

The annual requirements to amortize general obligation bonds, capital leases and notes payable debt outstanding as of June 30, 2002 are as follows:

Year Ending June 30	General Obligation Bonds						
	General City		Enterprise Funds		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Grand Total
2003	\$10,208,161	\$ 8,602,589	\$ 3,276,839	\$ 1,603,034	\$ 13,485,000	\$ 10,205,623	\$ 23,690,623
2004	9,622,695	8,581,053	2,492,305	1,433,430	12,115,000	10,014,483	22,129,483
2005	8,949,960	8,606,634	2,335,040	1,306,062	11,285,000	9,912,696	21,197,696
2006	8,519,076	8,584,553	2,250,924	1,190,318	10,770,000	9,774,871	20,544,871
2007	7,693,046	8,716,400	2,126,954	1,082,767	9,820,000	9,799,167	19,619,167
2008 – 2012	30,794,711	47,257,808	9,460,289	3,917,122	40,255,000	51,174,930	91,429,930
2013 – 2017	21,686,992	50,901,532	7,048,008	1,882,030	28,735,000	52,783,562	81,518,562
2018 – 2022	41,071,969	40,870,943	3,818,031	399,052	44,890,000	41,269,995	86,159,995
2023 – 2026	<u>65,825,000</u>	<u>15,800,599</u>	<u>—</u>	<u>—</u>	<u>65,825,000</u>	<u>15,800,599</u>	<u>81,625,599</u>
Grand totals	<u>\$204,371,610</u>	<u>\$197,922,111</u>	<u>\$32,808,390</u>	<u>\$12,813,815</u>	<u>\$237,180,000</u>	<u>\$210,735,926</u>	<u>\$447,915,923</u>

Year Ending June 30	Capital Leases			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 418,470	\$ 103,481	\$ 521,951	\$ 14,427	\$ —	\$ 14,427
2004	354,779	82,137	436,916	18,608	—	18,608
2005	313,706	62,109	375,815	18,608	—	18,608
2006	330,880	44,936	375,816	18,608	—	18,608
2007	255,849	26,810	282,659	14,082	—	14,082
2008 – 2012	268,921	13,739	282,660	51,232	—	51,232
2013 – 2017	<u>—</u>	<u>—</u>	<u>—</u>	<u>90,247</u>	<u>—</u>	<u>90,247</u>
	<u>\$1,942,605</u>	<u>\$ 333,212</u>	<u>\$2,275,817</u>	<u>\$ 225,812</u>	<u>\$ —</u>	<u>\$ 225,812</u>

On July 17, 2001, the City issued \$111.8 million in multi-modal, taxable, variable rate general obligation bonds to refinance debt owed to the Maine State Retirement System and entered into an interest rate swap in order to pay fixed rates over the life of the debt. The City will pay fixed rates ranging from 4.9% on the first maturity in December 2001, to 8.9% on the final maturity in 2026. The bonds were priced at 3.85% on July 17, 2001 and are reset weekly at the USD-LIBOR-BBA rate plus .4%. Payments are due monthly on the first day of each month.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

The City's Jetport Enterprise Fund had no additional borrowings under an existing \$7,500,000 line of credit agreement with a bank at the international LIBOR rate plus .55% (2.39% at June 30, 2002), secured by passenger facility charges revenue, the balance of which was \$662,349 at June 30, 2002.

The City's Jetport Enterprise Fund obtained an additional \$30,000,000 line-of-credit to provide interim financing for its parking garage expansion project with a bank. Interest, which is due when the line-of-credit is converted to permanent financing (estimated to be in March, 2003,) is at the international LIBOR rate plus .55% (approximately 2.4% at June 30, 2002). Borrowings under this line-of-credit, which are secured by the Jetport's net revenues, totalled \$10,649,320, the balance of which was \$10,649,320 plus accrued interest of \$61,577 at June 30, 2002.

At June 30, 2002, the City has \$1,811,279 of auditorium revenue bonds outstanding. These bonds are not general obligation bonds or a pledge of the faith and credit of the City. Repayment of the bonds will be made from revenues generated by a surcharge on tickets or rental of the City auditorium. The scheduled semi-annual payments include interest at 5.5% per annum. The scheduled annual principal payments of \$135,294 began January 1, 1999. In the event that sufficient cash flows are not generated to meet the scheduled payments, any deficiency will be added to future required payments.

At June 30, 2002, the City has an outstanding note payable of \$150,000 in the special revenue fund. This note bears interest at 5% per year, and requires annual interest payments of \$7,500. The entire principal balance is due January 30, 2003.

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, 2002, the statutory limit for the City was \$645,772,500.

8. Overlapping Debt

The City is liable for its proportional 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, 2002, consists of the following:

<u>Entity</u>	<u>Percentage</u>	<u>Share of Bonded Debt Amount</u>
Cumberland County	20.85%	\$ 4,179,190
Greater Portland Transit District	87.00	69,600
Portland Water District (sewer debt)	100.00	12,929,750
Portland Water District (water debt)	31.15	9,928,423
Regional Waste System	27.66	<u>19,359,210</u>
Total overlapping debt		<u>\$ 46,466,173</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

9. Leases

Leasing arrangements where the City is lessee:

The City leases computers for use by the School Department under a five-year lease expiring in 2003. The agreement contains a purchase option whereby the City may purchase the equipment for \$1.00 at the end of the lease term.

The City leases computers for use by the School Department under a six-year lease expiring in 2006. The agreement contains a purchase option whereby the City may purchase the equipment for \$1.00 at the end of the lease term.

The City leases for use by the School Department under a ten year lease which expires in 2007 an energy management system. The City has the option to purchase this system for the present value of the remaining lease payments or ownership will be transferred to the City at the end of the lease term.

The City leases photo copiers for use by the School Department under a five year lease which expires in 2003. The agreement contains a purchase option whereby, prior to the end of the lease term, the City may purchase the equipment for the present value of the remaining lease payments or ownership will be transferred to the City at the end of the lease term upon payment of \$1.00.

The City leases computers for use by the School Department under a five year lease expiring in 2003. The agreement contains a purchase option whereby, prior to the end of the lease term, the City may purchase the equipment for the present value of the remaining lease payments or ownership will be transferred to the City at the end of the lease term upon payment of \$1.00.

Future minimum lease payments under these capital leases and the present value of minimum lease payments at June 30, 2002, are as follows:

For the years ending June 30:	
2003	\$ 521,952
2004	436,916
2005	375,816
2006	375,816
2007	282,659
2008	<u>282,659</u>
Net minimum lease payments	2,275,818
Less amounts representing interest	<u>333,213</u>
Present value of minimum lease payments	<u>\$1,942,605</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

\$3,419,170 of assets, capitalized under lease agreements, are recorded as equipment in the statement of net assets.

Leasing arrangements where the City is lessor:

The City has several operating leases covering other properties, which include space in the Portland International Jetport, parking garages, Fish Pier, Golf Course, Hadlock Field, Deering Oaks and Portland International Ferry Terminal. The total costs for such leases were \$2,424,434 for the year ended June 30, 2002. The future minimum lease payments are as follows:

	<u>Operating Leases</u>
For the years ending June 30:	
2003	\$3,018,584
2004	403,565
2005	66,829
2006	198,052
2007	10,536
Years after 2007	<u>48,693</u>
 Total future minimum lease payments	 <u>\$3,746,259</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:

	<u>Cost</u>	<u>Carrying Value</u>
Land:		
Fish Pier	\$ 2,200,000	\$ 2,200,000
Portland Ocean Terminal	1,076,460	1,076,460
Casco Bay Ferry Terminal	<u>511,000</u>	<u>511,000</u>
Total land	3,787,460	3,787,460
 Property, plant and equipment:		
Fish Pier	5,875,935	1,893,069
Casco Bay Ferry Terminal	7,741,000	4,292,679
Jetport	14,131,795	7,610,036
Golf Courses	284,567	35,570
International Ferry Terminal	12,052,600	5,747,934
Hadlock Field	<u>2,578,108</u>	<u>2,179,768</u>
Total property, plant and equipment	<u>42,664,005</u>	<u>21,759,056</u>
	<u>\$ 46,451,465</u>	<u>\$ 25,546,516</u>

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

10. Interfund Balances and Transfers

Interfund balances of amounts due to/from other funds and operating transfers by fund at and for the year ended June 30, 2002, are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,124,515	\$ —	\$ 673,515	\$ 22,299,057
Debt Service	—	—	21,950,921	—
Capital Projects Fund	—	—	469,068	673,947
Nonmajor governmental funds	—	724,515	905,584	733,762
Enterprise Funds:				
Jetport	—	400,000	—	—
Sewer	—	—	137,138	—
Seaport Enterprises	—	—	976,490	10,156
Parking Garages	—	—		1,513,574
Golf Courses	—	—	28,567	—
Ice Arena Facility	—	—	89,213	—
Primary Government and Component Unit:				
Primary government – general fund	—	42,099	—	2,520,219
Component unit – library	<u>42,099</u>	<u>—</u>	<u>2,520,219</u>	<u>—</u>
	<u>\$1,166,614</u>	<u>\$1,166,614</u>	<u>\$ 27,750,715</u>	<u>\$ 27,750,715</u>

11. Contingent Liabilities

The City participates in a number of federally assisted grant programs, principal of which are the Housing Development Action Grant, Community Development Block Grant, Airport Development Aid, Economic Development Administration, National School Lunch and Improving America's School Act programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for, or including, the year ended June 30, 2002, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. 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.

12. Litigation

There are various claims and suits pending against the City which arise in the normal course of the City's activities. In the opinion of the City management, based in part on known subsequent settlements, the ultimate disposition of these various claims and suits will not materially affect the financial position of the City.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

13. Designated Fund Balance

Designated fund balance of the General Fund at June 30, 2002, consists of amounts which the City intends to use for the following purposes:

Self-insurance program:	
General liability reserve	1,000,000
Health insurance liability reserve	350,000
Economic development activities	338,837
Arbitrage rebate	239,800
Debt service	<u>750,000</u>
	<u>\$2,678,637</u>

Designated fund balance of the non-major governmental funds at June 30, 2002, consists of \$441,690 restricted to U.S. Housing and Urban Development (HCD Title I) qualifying purposes.

14. 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 prohibitive cost and began covering claim settlements and judgments out of its General Fund resources. The City currently reports all of its risk management activities in its General and Enterprise Funds and Statement of Net Assets. The liability for claims and judgments of the General Fund not expected to be paid during the next fiscal year is reported in the Statement of Net Assets only because it is not expected to be liquidated with expendable available financial resources. 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. The uninsured risk retention per incident is \$400,000 for liability and \$50,000 for property.

With the exception of 1983 Civil Rights claims, which have no limit, the City's risk retention for liability claims is limited by State statute. The City has purchased commercial insurance for property claims in excess of \$50,000. The Jetport, an Enterprise Fund, is insured under separate policies with commercial insurance carriers with a \$5,000 deductible per incident. There have been no significant reductions in commercial insurance coverage from the prior year and no settlements have exceeded commercial insurance coverage in any of the past three years.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

At June 30, 2002, the amount of these liabilities was \$10,369,699. This liability is the City's best estimate based on available information. Changes in the reported liability since July 1, 2000, resulted from the following:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Liability</u>	<u>Unemploy-</u> <u>ment</u>	<u>Total</u>
Unpaid claims as of July 1, 2000	7,320,888	950,000	970,800	-	9,241,688
Incurred claims	810,087	7,134,883	1,782,759	48,257	9,775,986
Payments	(2,075,316)	(6,813,101)	(453,603)	(48,257)	(9,390,277)
Changes in estimates and other adjustments	<u>767,940</u>	<u>332,218</u>	<u>(357,856)</u>	<u>-</u>	<u>742,302</u>
Unpaid claims as of June 30, 2001	\$ 6,823,599	\$ 1,604,000	\$1,942,100	\$ -	\$10,369,699
Incurred claims	1,484,524	7,904,832	1,340,351	74,980	10,804,687
Payments	(2,157,336)	(7,741,838)	(1,141,930)	(74,980)	(11,116,084)
Changes in estimates and other adjustments	<u>884,658</u>	<u>(162,994)</u>	<u>(393,259)</u>	<u>-</u>	<u>328,405</u>
Unpaid claims as of June 30, 2002	<u>\$ 7,035,445</u>	<u>\$ 1,604,000</u>	<u>\$1,747,262</u>	<u>\$ -</u>	<u>\$10,386,707</u>

In addition, the City participates in the Maine Municipal Association Group Risk Pool, a state-chartered risk pool established exclusively for Maine municipalities. The Risk Pool provides certain property, liability, fidelity and vehicle coverage. There have been no significant changes in insurance coverage during the past year.

If the assets of the Pool are at any time actuarially determined to be insufficient to enable the Pool to discharge its legal liabilities and other obligations and to maintain actuarially sound reserves, the Pool has the power to make up the deficiency by the levy of a pro-rated assessment upon Pool Members for the amount needed to make up the deficiency. There have been no such deficiencies during the past three years. Management believes that no such deficiency exists at June 30, 2002.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

15. Capital Grants

The City is the recipient of several airport development aid program capital grants for continuing projects at the Portland International Jetport. State, federal and local grants were authorized in the amount of \$16,856,445. At June 30, 2002, \$8,594,298 had been expended against these grants.

Amounts due from federal and state governments related to these grants are \$2,201,218.

16. Funding of Deficits

The fund balances of \$25,207,923 in other governmental funds includes a fund balance deficit of \$56,511 in the Educational Grants. This deficit will be funded through a combination of increased user charges and transfers from other funds.

There are unrestricted net asset deficits in the Jetport, Seaport Enterprises and Ice Arena Facility Enterprise Funds of \$4,329,533, \$1,518,437, and \$35,989, respectively, that will be funded through a combination of increased user charges and transfers from other funds.

17. Defined Benefit Pension Plan

A. Plan Description

The City of Portland contributes to the Consolidated Plan for Participating Local Districts (CPPLD), a cost-sharing multiple-employer defined benefit pension plan administered by the Maine State Retirement System (MSRS). The MSRS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423 and 425. CPPLD provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MSRS issues a publicly available Financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine State Retirement System, 46 State House Station, Augusta, Maine 04433-0046.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

B. Funding Policy

Plan members are required to contribute 6.5% of their annual covered salary and the City of Portland is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2002 is 2.8% of covered payroll for the regular plan, 6.5% of covered payroll for the Special #1 Plan and 4.0% of covered payroll for the Special #2 Plan. The contribution requirements of plan members and the City of Portland are established by and may be amended by the State legislature. The City's contribution to the CPPLD for the years ending June 30, 2002, 2001, 2000, 1999, and 1998 were \$5,011,562, \$8,543,671, \$9,330,784, \$7,485,500, and \$7,319,689, respectively, equal to the required contribution for each year.

C. Unfunded Actuarial Accrued Liability

Effective July 1, 1995, the City joined the CPPLD of the Maine State Retirement System (System). Upon entry, the City ceased to be an individual sponsor of PLD 0002 and instead became a participant in the CPPLD. As a participant of the plan, the City was required to fund its remaining unfunded unpooled actuarial liability over a period of 27 years. At June 30, 2001 the remaining balance was \$110,899,203. On July 19, 2001, the City issued taxable general obligation bonds for the purpose of extinguishing its IUUAL obligation and delivered to MSRS \$111,344,389. Subsequent to the delivery of bond proceeds, all investments became the responsibility of the MSRS and any future investment gains or losses experienced by MSRS do not result in any additional payment by the City in regard to its extinguished IUUAL obligation. The City made payments, which were entirely interest, of \$5,393,509, \$5,088,216, \$4,800,204 and \$4,528,500 for the years ended June 30, 2001, 2000, 1999 and 1998, respectively, equal to the required payments each year.

D. School Employees' Retirement Plan

Teachers and certain other School Department employees also participate in the MSRS through the Teachers Retirement Plan, a cost sharing plan with a special funding situation established by the Maine State legislature. School employees participating in the plan are eligible for normal retirement upon attaining age 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement. The authority to establish and amend benefit provisions rests with the State legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers Retirement Plan. That report may be obtained by writing the Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

Employees are required by State statute to contribute 7.65% of their compensation to the retirement system. The City is not required to make contributions to this plan. As required by State statute, contributions are made on behalf of the City for the teachers by a Biennial State appropriation. Contributions paid by the State to the plan for the years ending June 30, 2002, 2001, 2000, 1999 and 1998 were \$7,474,800, \$7,372,300, \$6,213,000, \$6,975,898 and \$6,565,272, respectively, equal to the required contributions for each year.

CITY OF PORTLAND, MAINE

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

18. Landfill Closure and Postclosure Care Costs

Statement No. 18 of the Government Accounting Standards Board entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care* requires the City to record a liability for the estimated costs of landfill closure and postclosure care, as required by governmental authorities.

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 demolition debris in 1990. The City estimates that there are no significant remaining landfill postclosure care costs. This estimate is based on what it would cost to perform all remaining postclosure care in 2002. The actual costs may be higher due to inflation, changes in technology or changes in regulations.

19. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

20. Loans Receivable

The City has four revolving loan programs, which are accounted for within its Special Revenue Funds. Funding for these programs came from federal grants and the City's General Fund. Federal grants and program income continue to fund program loans, which are made to qualified borrowers for housing and economic development activities.

The City annually determines the collectibility of these loans and adjusts its reserve for uncollectible loans to the calculated amounts. At June 30, 2002, the City had established a reserve for uncollectible loans of \$255,950.

21. Subsequent Event

On July 1, 2002, the City issued general obligation bond anticipation notes (tax-exempt) in the amount of \$5,000,000 for various capital projects. The notes, due March 5, 2003, bear interest at 2.25%.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

To account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Community Development Block Grants

To account for Community Development Block Grants received from the federal government under the Housing and Community Development Act of 1974, as amended. These funds are used to repair streets, sidewalks and maintain parks in neighborhoods that qualify under the regulations. Qualified external Human Service Organizations also share in these funds.

City Loan Program

To account for the funds and transactions in the various loan improvement programs. Loans are made to qualified borrowers at a low interest rate for home improvements. The original funding for this program come from community development funds and the City.

School Food Service Program

To account for the operations of a partially subsidized lunch program in the City's school system. The subsidy is received primarily from the State as a passthrough of federal money.

Education Grants

To account for educational grants from state and federal governments. These funds are used to subsidize educational programs.

Other Grants and Special Revenues

To account for all other Special Revenue Funds from federal and state grants and local gifts that affect multiple City programs.

Downtown Portland Corporation (blended component unit)

To account for a local development corporation organized by the City to implement and administer its economic development programs.

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 monies provided by private donors to finance perpetual care of cemeteries. The principal amount of the gifts is to remain intact. Investment earnings are used to finance care and maintenance of the cemeteries.

Endowment

To account for monies 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, 2002

	Special Revenue								Permanent Fund			Total Nonmajor Governmental Funds
	Community Development Block Grants	City Loan Program	School Food Service Program	Education Grants	Other Grants and Special Revenues	Downtown Portland Corporation	Total	Perpetual Care	Endowments	Total		
											Total	
ASSETS												
Cash and cash equivalents	\$ -	\$ 574,075	\$ 63,740	\$ 3,933	\$ 666,002	\$ 1,057,751	\$ 2,365,501	\$ 717,185	\$ 621,590	\$ 1,338,775	\$ 3,704,276	
Investments	-	784,355	86,747	222,791	909,952	1,445,199	3,449,044	5,560,468	5,092,411	10,652,879	14,101,923	
Accounts receivable	-	740	7,609	44,294	103,816	210	156,669	-	37,837	37,837	194,506	
Loans receivable	-	2,728,793	-	-	-	2,174,437	4,903,230	80,000	-	80,000	4,983,230	
Allowance for uncollectible loans	-	(127,603)	-	-	-	(128,347)	(255,950)	-	-	-	(255,950)	
Due from other governments	433,040	70,411	37,648	224,260	5,166,336	-	5,931,695	-	-	-	5,931,695	
Inventories	-	-	108,133	-	-	-	108,133	-	-	-	108,133	
Prepaid items	-	650	-	-	-	-	650	-	-	-	650	
Total assets	\$ 433,040	\$ 4,031,421	\$ 303,877	\$ 495,278	\$ 6,846,106	\$ 4,549,250	\$ 16,658,972	\$ 6,357,653	\$ 5,751,838	\$ 12,109,491	\$ 28,768,463	
LIABILITIES												
Accounts payable	\$ 93,909	\$ 28,749	\$ 23,883	\$ -	\$ 1,109,117	\$ 1,461	\$ 1,257,119	\$ -	\$ -	\$ -	\$ 1,257,119	
Other liabilities	4,616	-	48,297	551,789	632,849	177,674	1,415,225	-	-	-	1,415,225	
Deferred revenue	-	-	-	-	13,681	-	13,681	-	-	-	13,681	
Due to other funds	334,515	-	-	-	390,000	-	724,515	-	-	-	724,515	
Notes payable	-	-	-	-	-	150,000	150,000	-	-	-	150,000	
Total liabilities	433,040	28,749	72,180	551,789	2,145,647	329,135	3,560,540	-	-	-	3,560,540	
FUND BALANCES												
Reserved for:												
Encumbrances	-	70,622	-	-	4,119,717	-	4,190,339	-	-	-	4,190,339	
Loans receivable	-	2,601,190	-	-	-	2,046,090	4,647,280	-	-	-	4,647,280	
Inventories	-	-	108,133	-	-	-	108,133	-	-	-	108,133	
Debt service	-	-	-	-	139,052	-	139,052	-	-	-	139,052	
Perpetual care	-	-	-	-	-	-	-	6,357,653	-	6,357,653	6,357,653	
Endowments	-	-	-	-	-	-	-	-	3,476,411	3,476,411	3,476,411	
Unreserved:												
Designated	-	1,330,860	-	(56,511)	441,690	-	441,690	-	-	-	441,690	
Undesignated	-	4,002,672	231,697	(56,511)	4,700,459	4,220,115	13,098,432	6,357,653	5,751,838	12,109,491	25,207,923	
Total fund balances	\$ 433,040	\$ 4,031,421	\$ 303,877	\$ 495,278	\$ 6,846,106	\$ 4,549,250	\$ 16,658,972	\$ 6,357,653	\$ 5,751,838	\$ 12,109,491	\$ 28,768,463	

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

CITY OF PORTLAND, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2002

	Special Revenue							Permanent Fund			Total Nonmajor Governmental Funds	
	Community Development Block Grants	City Loan Program	School Food Service Program	Education Grants	Other Grants and Special Revenues		Downtown Portland Corporation	Total	Perpetual Care	Endowments		Total
REVENUES												
Uses of money and property	\$ -	\$ 93,087	\$ -	\$ -	\$ 10,209	\$ 200,955	\$ 304,251	\$ (274,788)	\$ (264,142)	\$ (538,930)	\$ (234,679)	
Current services	59,537	225,633	1,044,932	335,228	1,253,674	20,919	2,939,923	-	-	-	2,939,923	
Intergovernmental	2,544,646	731,714	918,747	7,406,201	7,926,217	-	19,527,525	-	-	-	19,527,525	
Donations	-	-	-	-	485,843	-	485,843	57,140	129,616	186,756	672,599	
Total revenue	2,604,183	1,050,434	1,963,679	7,741,429	9,675,943	221,874	23,257,542	(217,648)	(134,526)	(352,174)	22,905,368	
EXPENDITURES												
General government	1,073,400	884,273	-	-	948,308	7,001	2,912,982	14,538	139,622	154,160	3,067,142	
Public safety	98,013	-	-	-	613,245	-	711,258	-	-	-	711,258	
Public works	399,378	-	-	-	1,026,180	-	1,425,558	-	-	-	1,425,558	
Health and social services	709,961	-	-	-	4,389,372	-	5,099,333	-	-	-	5,099,333	
Parks and recreation	323,431	-	-	-	525,991	-	849,422	-	-	-	849,422	
Education	-	-	2,136,938	7,581,090	19,728	-	9,737,756	-	-	-	9,737,756	
Total expenditures	2,604,183	884,273	2,136,938	7,581,090	7,522,824	7,001	20,736,309	14,538	139,622	154,160	20,890,469	
Excess (deficiency) of revenues over (under) expenditures	-	166,161	(173,259)	160,339	2,153,119	214,873	2,521,233	(232,186)	(274,148)	(506,334)	2,014,899	
OTHER FINANCING SOURCES (USES)												
Transfers in:												
General fund	-	-	281,059	-	9,051	-	290,110	-	-	-	290,110	
Proprietary fund	-	-	-	-	441,690	173,784	615,474	-	-	-	615,474	
Transfers out:												
General fund	-	-	-	-	(6,800)	(222,036)	(228,836)	(238,695)	-	(238,695)	(467,531)	
Debt service	-	-	-	-	(266,231)	-	(266,231)	-	-	-	(266,231)	
Total other financing sources (uses)	-	-	281,059	-	177,710	(48,252)	410,517	(238,695)	-	(238,695)	171,822	
Net change in fund balances	-	166,161	107,800	160,339	2,330,829	166,621	2,831,750	(470,881)	(274,148)	(745,029)	2,186,721	
Fund balances - beginning	-	3,836,511	123,897	(216,850)	2,369,630	4,053,494	10,166,682	6,828,534	6,025,986	12,854,520	23,021,202	
Fund balances - ending	\$ -	\$ 4,002,672	\$ 231,697	\$ (56,511)	\$ 4,700,459	\$ 4,220,115	\$ 13,098,432	\$ 6,357,653	\$ 5,751,838	\$ 12,109,491	\$ 25,207,923	

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

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PROPRIETARY FUNDS

To account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the public be financed primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Jetport Enterprise Fund

The Jetport Enterprise Fund is used to account for the operation of the local airport, which serves the southwestern part of the State. The revenue is produced primarily through contracts and leases. It is one of the largest (by passenger volume) facilities in Northern New England and is served by eight airlines.

Sewer Enterprise Fund

The principal function of this fund is to account for the sewer services provided to the City residents and business establishments. The Portland Water District (not a City department) owns and operates the filtration plant for which the Sewer Enterprise Fund pays a monthly fee. The City owns and maintains the infrastructure sewer lines and is responsible for the costs of maintenance, improvements and expansion.

Seaport Enterprises Enterprise Fund

This fund is used to account for the operations of an international ferry terminal which is home to Scotia Prince Cruises and the Hapag Lloyd container operation, and the Ocean Gateway facilities which includes the Maine State Pier and the former Bath Iron Works ship repair facility, now known as the Portland Ocean Terminal. In addition to conducting its own operations, this fund includes the operations of the Fish Pier Authority, a blended component unit, which provides facilities which make the provision of various services to fishing vessels and the operation of the public fish auction possible. The operations of the Fish Pier Authority consist primarily of lease revenue and maintenance expenses.

Parking Garage Enterprise Fund

This fund is used to account for the operation of a multiple deck public parking garage. The city sold its interest in this fund to a private developer during the year.

Golf Course Enterprise Fund

The operation of two adjacent public golf courses, eighteen holes and nine holes, respectively, is accounted for in this fund. Daily fees and seasonal memberships are the main source of revenue supporting the facilities.

Ice Arena Facility Enterprise Fund

The operations of a public ice arena are accounted for in this fund.

CITY OF PORTLAND, MAINE
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
JETPORT ENTERPRISE FUND

For the Year Ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 9,214,657	\$ 9,214,657	\$ 8,770,465	\$ (444,192)
Interest and other revenue	333,876	333,876	250,991	(82,885)
Interfund charges	16,023	16,023	16,023	-
	<u>9,564,556</u>	<u>9,564,556</u>	<u>9,037,479</u>	<u>(527,077)</u>
Expenditures and encumbrances				
Personal services	2,456,184	2,457,484	2,552,151	(94,667)
Contractual services	2,616,022	2,628,022	2,849,368	(221,346)
Supplies and materials	493,500	474,837	403,154	71,683
Rentals	289,300	289,300	180,010	109,290
Utilities	551,310	557,110	503,935	53,175
Maintenance	664,750	670,950	414,076	256,874
Capital outlay	1,145,400	1,150,588	958,593	191,995
Debt service	268,608	268,608	268,608	-
Other	512,643	500,818	458,021	42,797
	<u>8,997,717</u>	<u>8,997,717</u>	<u>8,587,916</u>	<u>409,801</u>
Excess of revenues over expenditures and encumbrances	\$ <u>566,839</u>	\$ <u>566,839</u>	\$ <u>449,563</u>	\$ <u>(117,276)</u>

CITY OF PORTLAND, MAINE

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
SEWER ENTERPRISE FUND**

For the Year Ended June 30, 2002

	Budgeted Amounts		Actual (Budget Basis) Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 13,064,100	\$ 13,064,100	\$ 13,929,997	\$ 865,897
Interest and other revenue	275,000	275,000	152,190	(122,810)
Interfund charges	15,400	15,400	40,806	25,406
Fund balance appropriation	644,545	644,545	644,545	-
Total revenues	13,999,045	13,999,045	14,767,538	768,493
Expenditures and encumbrances				
Personal services	2,376,619	2,375,986	2,305,755	70,231
Contractual services	509,675	299,802	207,523	92,279
Portland Water District Services	7,253,904	7,253,904	7,840,182	(586,278)
Supplies and materials	161,800	166,000	123,614	42,386
Rentals	21,600	15,850	7,764	8,086
Utilities	70,350	61,150	52,611	8,539
Maintenance	206,250	214,983	221,883	(6,900)
Capital outlay	332,600	542,223	519,496	22,727
Debt service	2,722,754	2,722,754	2,722,754	-
Other	343,493	346,393	478,705	(132,312)
Total expenditures and encumbrances	13,999,045	13,999,045	14,480,287	(481,242)
Excess of revenues over expenditures and encumbrances	\$ -	\$ -	\$ 287,251	\$ 287,251

CITY OF PORTLAND, MAINE

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
SEAPORT ENTERPRISES ENTERPRISE FUND**

For the Year Ended June 30, 2002

	Budget Amounts		Actual (Budget Basis) Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 2,308,562	\$ 2,308,562	\$ 2,306,335	\$ (2,227)
Total revenues	2,308,562	2,308,562	2,306,335	(2,227)
Expenditures and encumbrances				
Personal services	405,583	406,583	436,225	(29,642)
Contractual services	256,059	226,886	243,078	(16,192)
Supplies and materials	39,700	33,304	31,949	1,355
Rentals	133,500	121,485	110,734	10,751
Utilities	146,060	186,460	201,937	(15,477)
Maintenance	30,500	25,500	19,217	6,283
Capital outlay	5,000	6,700	4,116	2,584
Debt service	1,127,352	1,127,352	1,127,352	-
Other	154,652	164,136	153,940	10,196
Total expenditures and encumbrances	2,298,406	2,298,406	2,328,548	(30,142)
Excess of revenues over expenditures and encumbrances	10,156	10,156	(22,213)	(32,369)
Other financing uses				
Transfers to other funds	(10,156)	(10,156)	(10,156)	-
(Deficiency) of revenues over (under) expenditures, encumbrances and other financing uses	\$ -	\$ -	\$ (32,369)	\$ (32,369)

CITY OF PORTLAND, MAINE

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
PARKING GARAGE ENTERPRISE FUND**

For the Year Ended June 30, 2002

	<u>Original and Final Budgeted Amounts</u>	<u>Actual (Budget Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Charges for services	\$ 180,000	\$ 112,999	\$ (67,001)
Total revenues	<u>180,000</u>	<u>112,999</u>	<u>(67,001)</u>
Expenditures and encumbrances			
Contractual services	-	2,400	(2,400)
Other	29,000	15,736	13,264
Debt service	<u>58,529</u>	<u>58,529</u>	<u>-</u>
Total expenditures and encumbrances	<u>87,529</u>	<u>76,665</u>	<u>10,864</u>
Excess of revenues over expenditures and encumbrances	<u>\$ 92,471</u>	<u>\$ 36,334</u>	<u>\$ (56,137)</u>

CITY OF PORTLAND, MAINE

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
GOLF COURSE ENTERPRISE FUND**

For the Year Ended June 30, 2002

	Budgeted Amounts		Actual (Budget Basis) Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 968,587	\$ 968,587	\$ 960,740	\$ (7,847)
Total revenues	968,587	968,587	960,740	(7,847)
Expenditures and encumbrances				
Personal services	542,272	541,977	537,710	4,267
Contractual services	49,000	68,195	80,464	(12,269)
Supplies and materials	56,200	49,800	120,734	(70,934)
Rentals	35,703	32,703	32,030	673
Utilities	58,509	60,609	58,828	1,781
Maintenance	47,208	38,808	39,246	(438)
Debt service	87,509	87,509	87,509	-
Other	26,871	23,671	19,884	3,787
Total expenditures and encumbrances	903,272	903,272	976,405	(73,133)
Excess (deficiency) of revenues over (under) expenditures and encumbrances	65,315	65,315	(15,665)	(80,980)
Other financing sources (uses)				
Transfers from (to) other funds	(65,315)	(65,315)	26,900	92,215
Excess of revenues and other financing sources (uses) over expenditures and encumbrances	\$ -	\$ -	\$ 11,235	\$ 11,235

CITY OF PORTLAND, MAINE

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS
ICE ARENA FACILITY ENTERPRISE FUND**

For the Year Ended June 30, 2002

	Budgeted Amounts		Actual (Budget Basis) Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 406,362	\$ 406,362	\$ 436,353	\$ 29,991
Total revenues	406,362	406,362	436,353	29,991
Expenditures and encumbrances				
Personal services	223,285	223,539	216,710	6,829
Contractual services	9,791	9,952	9,784	168
Supplies and materials	24,240	20,639	20,762	(123)
Rentals	732	582	536	46
Utilities	123,940	136,090	139,811	(3,721)
Maintenance	23,250	20,570	23,534	(2,964)
Capital outlay	12,000	12,000	10,761	1,239
Debt service	99,670	99,670	99,670	-
Other	30,864	24,730	24,682	48
Total expenditures and encumbrances	547,772	547,772	546,250	1,522
Deficiency of revenues over expenditures and encumbrances	(141,410)	(141,410)	(109,897)	31,513
Other financing sources				
Transfers from other funds	141,410	141,410	89,000	(52,410)
(Deficiency) of revenues over (under) expenditures, encumbrances and other financing sources	\$ -	\$ -	\$ (20,897)	\$ (20,897)

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**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF PORTLAND, MAINE

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE

June 30, 2002 and 2001

	2002	2001
	<u> </u>	<u> </u>
Governmental funds capital assets:		
Land	\$ 12,719,442	\$ 11,795,519
Buildings and improvements	78,652,481	79,658,341
Improvements other than buildings	10,748,267	10,466,472
Machinery and equipment	13,231,602	14,247,542
Infrastructure	160,545,069	162,644,378
Construction in progress	<u>4,990,829</u>	<u>4,309,571</u>
 Total governmental funds capital assets	 <u>\$ 280,887,690</u>	 <u>\$ 283,121,823</u>
 Investments in governmental funds capital assets by source:		
General fund	\$ 10,508,766	\$ 11,280,824
Special revenue fund	8,802,116	8,544,257
Capital projects fund	252,950,452	254,836,700
Gifts and donations	<u>8,626,356</u>	<u>8,460,042</u>
 Total governmental funds capital assets	 <u>\$ 280,887,690</u>	 <u>\$ 283,121,823</u>

CITY OF PORTLAND, MAINE

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2002

Function and Activity	Land	Buildings and Improvements	Improvements other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:							
Assessor	\$ -	\$ -	\$ -	7,883	\$ -	\$ -	\$ 7,883
Finance	-	-	-	572,978	-	-	572,978
Corporation Counsel	-	-	-	3,933	-	-	3,933
Parking	2,380,793	9,335,132	632,874	34,176	-	-	12,382,975
Transportation and Waterfront	-	2,207,527	1,139,275	8,574	14,813	12,248	3,382,437
Other - unclassified	2,939,047	13,525,665	1,776,406	176,965	-	548,710	18,966,793
Total general government	5,319,840	25,068,324	3,548,555	804,509	14,813	560,958	35,316,999
Public Safety:							
Police	300,071	2,143,944	15,407	2,004,549	-	-	4,463,971
Fire	70,187	763,404	103,389	3,427,006	-	123,313	4,487,299
Total public safety	370,258	2,907,348	118,796	5,431,555	-	123,313	8,951,270
Public Works	799,134	2,787,242	1,248,452	4,011,272	160,530,256	3,061,477	172,437,833
Health and social services	181,063	4,667,886	36,189	161,201	-	117,453	5,163,792
Parks and recreation	2,207,274	33,766	3,927,021	1,142,516	-	869,997	8,180,574
Education	3,163,286	40,509,814	1,869,254	1,577,203	-	199,927	47,319,484
Library	678,587	2,678,101	-	103,346	-	57,704	3,517,738
Total governmental funds capital assets	\$ 12,719,442	\$ 78,652,481	\$ 10,748,267	\$ 13,231,602	\$ 160,545,069	\$ 4,990,829	\$ 280,887,690

CITY OF PORTLAND, MAINE

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2002

Function and Activity	Governmental Funds Capital Assets June 30, 2001	Additions	Deductions	Governmental Funds Capital Assets June 30, 2002
General government:				
Assessor	\$ 15,766	\$ -	\$ 7,883	\$ 7,883
Finance	860,031	-	287,053	572,978
Corporation Counsel	4,937	-	1,004	3,933
Parking	12,613,195	538,499	768,719	12,382,975
Transportation and Waterfront	5,168,101	194,061	1,979,725	3,382,437
Other - unclassified	18,061,608	2,193,372	1,288,187	18,966,793
Total general government	<u>36,723,638</u>	<u>2,925,932</u>	<u>4,332,571</u>	<u>35,316,999</u>
Public Safety:				
Police	5,010,507	-	546,536	4,463,971
Fire	5,291,944	37,250	841,895	4,487,299
Total public safety	<u>10,302,451</u>	<u>37,250</u>	<u>1,388,431</u>	<u>8,951,270</u>
Public Works	173,538,969	3,930,834	5,031,970	172,437,833
Health and social services	5,160,903	186,954	184,065	5,163,792
Parks and recreation	5,920,213	2,888,408	628,047	8,180,574
Education	47,876,063	1,539,341	2,095,920	47,319,484
Library	<u>3,599,586</u>	<u>57,704</u>	<u>139,552</u>	<u>3,517,738</u>
Total governmental funds capital assets	<u>\$ 283,121,823</u>	<u>\$ 11,566,423</u>	<u>\$ 13,800,556</u>	<u>\$ 280,887,690</u>



The Jetport's FedEx facility on Yellowbird Road.

CITY OF PORTLAND, MAINE
 GOVERNMENT-WIDE EXPENSES BY FUNCTION (1)
 Fiscal Year Ended June 30

Fiscal Year	General Government	Public Safety	Public Works	Health and Social Services	Parks and Recreation	Public Library	Education	Pension and Employee Insurance	Other	Interest on Long-term Debt	Facilities			Sewer	Transportation	Total
											Recreational	Seaport	Transportation			
2001	\$ 18,310,485	\$ 22,554,719	\$ 13,422,534	\$ 18,109,446	\$ 5,466,914	\$ 2,517,056	\$ 82,083,216	\$ 16,668,726	\$ 6,913,902	\$ 5,471,800	\$ 1,453,419	\$ 1,610,100	\$ 12,629,391	\$ 11,068,972	\$ 218,280,680	
2002	16,187,203	20,939,162	13,623,149	20,644,064	8,764,651	2,567,880	85,339,844	11,227,315	7,392,806	9,686,524	1,539,575	3,088,530	13,230,068	12,134,549	226,365,320	

(1) Fiscal year 2001 is the initial year of implementation of GASB 34.

CITY OF PORTLAND, MAINE

GOVERNMENT-WIDE REVENUES (1)

Fiscal Year Ended June 30

Fiscal Year	Program Revenues			General Revenues				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	
2001	\$ 59,540,938	\$ 42,267,878	\$ 2,959,715	\$ 99,139,558	\$ 7,709,745	\$ 4,116,513	\$ 113,992	\$ 215,848,339
2002	64,958,852	44,083,069	8,640,996	106,604,429	7,327,023	1,441,921	116,806	233,173,096

(1) Fiscal year 2001 is the initial year of implementation of GASB 34.

CITY OF PORTLAND, MAINE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

Last Ten Fiscal Years (1)

Fiscal Year	General Government	Public Safety	Public Works	Health and Social Services		Parks and Recreation	Public Library	Education	Pension and Employee Insurance	Debt Service (2)	Capital Outlay	Other	Total
				Health and Social Services	Public Safety								
1993	\$ 6,978,201	\$ 13,661,801	\$ 10,699,847	\$ 6,196,004	\$ 1,925,954	\$ 1,818,590	\$ 50,151,465	\$ 10,661,313	\$ 9,560,880	\$ 1,224,299	\$ 11,650,303	(4)	\$ 124,528,657
1994	8,370,927	14,073,075	11,320,910	6,964,550	2,211,958	1,865,298	51,817,889	10,630,653	10,283,061	1,631,624	6,621,343		125,791,288
1995	9,705,379	14,820,051	9,974,224	6,720,513	2,662,473	1,980,336	57,766,984	13,031,314	11,174,170	1,647,238	6,579,964		136,062,646
1996 (5)	10,524,053	15,179,461	10,301,298	7,245,686	2,481,737	2,098,035	61,640,674	12,502,406	11,838,856	2,487,720	4,829,199		141,129,125
1997	11,579,556	15,717,307	9,460,641	6,755,824	3,385,314	2,143,656	63,425,311	12,047,072	12,384,324	5,536,962	7,036,470		149,472,437
1998	12,081,751	16,762,135	9,979,192	14,693,737	3,558,386	2,223,092	65,545,449	12,075,324	12,524,350	309,546	7,273,347		157,026,309
1999	15,541,544	18,054,682	10,612,117	16,108,616	3,839,523	2,276,869	69,225,019	13,737,341	13,929,548	2,669,708	7,240,356		173,235,323
2000	14,527,185	19,386,240	11,396,324	18,636,929	5,045,216	2,367,494	72,501,647	13,037,673	14,503,266	749,462	6,506,772		178,658,208
2001 (7)	16,945,669	21,064,991	10,895,714	17,971,222	4,888,760	2,517,056	78,318,748	13,436,288	15,886,375	-	6,913,902		188,838,725
2002	14,521,412	20,305,963	9,697,928	20,249,926	5,038,185	2,520,219	81,684,169	121,236,633	20,997,949	-	7,392,806		303,645,187

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Debt service for Enterprise Funds reported in respective Enterprise Fund.

(3) Includes effects of refinancing of unfunded pension liability totalling \$110,899,203.

(4) Includes Special Revenue Fund recognition of bad debt expense on loans receivable of \$5,673,830.

(5) Initial year for the recognition of the effects of on behalf of payments.

(6) Initial year of organizational change to include the City's long-term care facility in health and social services area. Approximately \$8,900,000 was the effect of this change.

(7) Initial year of GASB 34 implementation and inclusion of Permanent Fund.

CITY OF PORTLAND, MAINE

GENERAL GOVERNMENTAL REVENUE BY SOURCE

Last Ten Fiscal Years (1)

Fiscal Year	General Property and other Taxes	Licenses and Permits	Inter-Governmental	Current Services	Fines, Forfeits and Penalties	Uses of Money and Property	Other	Total
1993	\$ 85,298,736	\$ 1,148,414	\$ 19,279,883	\$ 8,459,383	\$ 497,853	\$ 4,348,540	\$ 4,019,730	\$ 123,052,539
1994	84,221,749	1,393,502	22,387,328	8,703,274	788,485	4,725,064	3,102,360	125,321,762
1995	83,501,488	1,640,661	26,486,394	11,969,498	734,091	4,833,476	2,984,564	132,150,172
1996	85,239,339	1,755,707	35,958,663 (2)	7,038,318	787,033	5,246,383	3,792,292	139,817,735
1997	87,003,865	1,809,923	38,101,027	7,727,835	736,240	5,727,718	2,985,635	144,092,243
1998	88,416,795	1,760,715	38,965,332	19,222,019 (3)	739,785	5,735,753	2,748,858	157,589,257
1999	93,136,720	1,823,524	43,944,475	19,978,636	874,457	6,106,716	5,358,042	171,222,570
2000	95,172,427	1,986,596	45,803,331	20,609,494	846,032	5,630,543	5,550,691	175,599,114
2001 (4)	98,755,943	2,347,930	48,840,055	21,198,523	888,647	5,453,633	6,532,549	184,017,276
2002	106,736,283	2,459,759	51,002,101	23,577,568	1,083,506	5,021,185	6,904,454	196,784,856

(1) Includes General, Special Revenue and Debt Service Fund revenues.

(2) Initial year for the recognition of the effects of on behalf of payments.

(3) Initial year of organizational change to include the City's long-term care facility in health and social services area. Approximately \$10,670,000 was the effect of this change.

(4) Initial year of GASB 34 implementation and inclusion of Permanent Fund.

TABLE 5

CITY OF PORTLAND, MAINE

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Excise Tax</u>	<u>Total</u>
1993	\$ 79,755,195	\$ 5,543,541	\$ 85,298,736
1994	78,096,026	6,125,723	84,221,749
1995	76,978,077	6,523,411	83,501,488
1996	78,806,638	6,432,701	85,239,339
1997	79,188,352	7,815,513	87,003,865
1998	80,202,632	8,214,163	88,416,795
1999	84,416,376	8,720,344	93,136,720
2000	85,881,546	9,290,881	95,172,427
2001	89,015,895	9,740,048	98,755,943
2002	96,737,415	9,998,868	106,736,283

CITY OF PORTLAND, MAINE

GENERAL GOVERNMENTAL STATE AID REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	State Revenue Sharing	School Aid	Welfare Assistance	Other State Aid	Total State Aid
1993	\$ 4,319,953	\$ 4,781,713	\$ 2,507,098	\$ 1,099,697	\$ 12,708,461
1994	4,798,120	7,147,527	1,877,862	976,781	14,800,290
1995	5,062,206	10,036,127	1,663,749	1,909,065	18,671,147
1996	5,254,091	19,401,972 (1)	1,775,058	2,736,681	29,167,802
1997	5,623,254	21,022,886	1,569,784	2,172,957	30,388,881
1998	6,331,920	21,766,089	1,357,251	1,759,156	31,214,416
1999	6,600,820	22,918,902	1,392,940	1,724,441	32,637,103
2000	7,287,368	22,722,547	1,516,441	1,550,373	33,076,729
2001	7,123,035	23,046,963	1,456,063	1,736,574	33,362,635
2002	6,495,682	23,745,538	1,720,753	2,060,537	34,022,510

(1) Includes initial recognition of on-behalf payments made for teachers' retirement, \$6,375,000.

CITY OF PORTLAND, MAINE
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Last Ten Fiscal Years				Percentage of		Percentage of	
	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes to Tax Levy
1993 (1)	\$79,218,718	\$74,023,943	93.44%	\$5,731,252	\$79,755,195	100.68%	\$4,497,141	5.68%
1994	77,937,209	73,888,445	94.81	4,207,581	78,096,026	100.20	4,262,977	5.47
1995	77,093,945	73,321,687	95.11	3,656,390	76,978,077	99.85	3,467,804	4.50
1996	77,696,588	75,627,064	97.34	3,179,574	78,806,638	101.42	2,862,107	3.68
1997	78,647,621	76,800,485	97.65	2,387,867	79,188,352	100.69	2,193,548	2.79
1998	80,161,790	78,496,354	97.92	1,706,278	80,202,632	100.05	1,870,868	2.33
1999	83,946,337	82,776,375	98.61	1,640,001	84,416,376	100.56	1,369,038	1.63
2000	86,076,857	84,815,635	98.53	1,065,911	85,881,546	99.77	1,045,370	1.21
2001	89,789,266	88,340,341	98.39	675,554	89,015,895	99.14	1,096,439	1.22
2002	96,753,814	95,648,856	98.86	1,088,559	96,737,415	99.99	990,605	1.04

(1) Revaluation fiscal year at 100% of market value.

CITY OF PORTLAND, MAINE

ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1993 (1)	\$ 2,897,082,123	\$ 2,897,082,123	\$ 315,274,415	\$ 315,274,415	\$ 3,212,356,538	\$ 3,212,356,538	100%
1994	2,863,447,274	2,863,447,274	297,028,340	297,028,340	3,160,475,614	3,160,475,614	100
1995	2,844,989,462	2,844,989,462	294,019,363	294,019,363	3,139,008,825	3,139,008,825	100
1996	2,849,052,692	2,849,052,692	313,735,530	313,735,530	3,162,788,222	3,162,788,222	100
1997	2,867,890,320	2,867,890,320	334,379,090	334,379,090	3,202,269,410	3,202,269,410	100
1998	2,907,205,699	2,907,205,699	356,715,597	356,715,597	3,263,921,296	3,263,921,296	100
1999	2,877,347,608	2,877,347,608	369,066,374	369,066,374	3,246,413,982	3,246,413,982	100
2000	2,944,347,025	2,944,347,025	388,344,609	388,344,609	3,332,691,634	3,332,691,634	100
2001	3,333,853,900	3,333,853,900	407,365,500	407,365,500	3,741,219,400	3,741,219,400	100
2002	3,601,818,220	3,601,818,220	440,346,343	440,346,343	4,042,164,563	4,042,164,563	100

(1) Revaluation fiscal year at 100% of market value.

CITY OF PORTLAND, MAINE

PROPERTY TAX RATES--DIRECT AND OVERLAPPING GOVERNMENTS
(per \$1,000 of Assessed Value)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General City</u>	<u>General City Debt Service</u>	<u>County Tax</u>	<u>Transit District</u>	<u>Enterprise Fund</u>	<u>Education</u>	<u>Total</u>
1993 (1) \$	8.29	\$ 1.86	\$ 0.61	\$ 0.48	\$ 0.11	\$ 13.31	\$ 24.66
1994	8.06	1.99	0.76	0.51	0.10	13.24	24.66
1995	8.01	2.04	0.74	0.56	0.07	13.14	24.56
1996	7.75	2.25	0.86	0.58	0.05	13.07	24.56
1997	8.03	2.11	0.83	0.59	(0.07)	13.07	24.56
1998	8.34	2.11	0.82	0.59	(0.11)	12.81	24.56
1999	8.34	2.32	0.80	0.58	(0.14)	13.39	25.29
2000	7.98	2.71	0.73	0.59	(0.15)	13.43	25.29
2001	7.64	2.71	0.71	0.54	(0.22)	12.62	24.00
2002	7.64	2.71	0.74	0.51	0.02	12.69	24.31

(1) Revaluation fiscal year at 100% of market value.

TABLE 10

CITY OF PORTLAND, MAINE

PRINCIPAL TAXPAYERS

June 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Valuation</u>	<u>Percentage of Valuation</u>
UNUM/Provident	Insurance	\$ 129,731,580	3.26 %
October Corporation	Real Estate	65,835,720	1.65
Energy East (CMP)	Public Utility	53,826,780	1.35
J. B. Brown	Real Estate	35,165,730	0.88
Parker-Hannafin	Manufacturing	34,618,360	0.87
BCIA New England Holdings LLC	Real Estate	31,247,380	0.79
One City Center	Real Estate	24,027,010	0.60
Harper Hotels	Hotels	21,941,590	0.55
Northern Utilities	Public Utility	20,930,190	0.53
PVA Limited Partnership	Real Estate	<u>18,114,060</u>	<u>0.46</u>
Totals		\$ <u>435,438,400</u>	<u>10.94 %</u>

CITY OF PORTLAND, MAINE
COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2002

Assessed value per State	\$ <u>4,305,150,000</u>
Debt limit - 15% of assessed value	\$ 645,772,500
Less outstanding debt applicable to debt limit	<u>237,180,000</u>
Legal debt margin	<u>\$ 408,592,500</u>

Debt limit restricted by State statute based on assessed value per State above and percentage below.

	<u>Limit</u>	<u>Outstanding</u>	<u>Balance</u>
Municipal purposes (7.5% maximum)	\$ <u>322,886,250</u>	\$ <u>181,522,410</u>	\$ <u>141,363,840</u>
School purposes (10% maximum)	\$ <u>430,515,000</u>	\$ <u>26,046,784</u>	\$ <u>404,468,216</u>
Storm and sanitary sewer (7.5% maximum)	\$ <u>322,886,250</u>	\$ <u>28,248,037</u>	\$ <u>294,638,213</u>
Airport, water and special districts (3% maximum)	\$ <u>129,154,500</u>	\$ <u>1,362,769</u>	\$ <u>127,791,731</u>
Maximum total debt limit (15%)	\$ <u>645,772,500</u>	\$ <u>237,180,000</u>	\$ <u>408,592,500</u>

CITY OF PORTLAND, MAINE

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

Fiscal Year	(3) Population	Assessed Value	General Bonded Debt	Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	64,358 (1)	\$ 3,212,356,538	\$ 91,370,000	\$ 28,959,346	\$ 62,410,654	1.94%	\$ 969.74
1994	63,310 (2)	3,160,475,614	99,095,000	29,328,434	69,766,566	2.21	1,101.98
1995	66,234	3,139,008,825	107,855,000	29,049,797	78,805,203	2.51	1,189.80
1996	66,234	3,162,788,222	109,115,000	27,368,014	81,746,986	2.58	1,234.21
1997	66,826	3,202,269,410	99,495,000	24,710,985	74,784,015	2.34	1,119.09
1998	66,436	3,263,921,296	106,045,000	22,660,814	83,384,186	2.55	1,255.11
1999	66,049	3,246,413,982	114,215,000	26,001,225	88,213,775	2.72	1,335.58
2000	66,242	3,332,691,634	123,320,000	28,832,973	94,487,027	2.84	1,426.39
2001	66,211	3,741,219,400	124,380,000	28,516,757	95,863,243	2.56	1,447.84
2002	64,227	4,042,164,563	237,180,000 (4)	32,808,390	204,371,610	5.06	3,182.02

Sources:

(1) U.S. Department of Commerce, Bureau of Census

(2) Maine State Data Center.

(3) Annual Market Guide(s), Editor & Publisher Co., NY, NY. (unless otherwise noted).

(4) Includes effects of refinancing unfunded pension liability. Bond issue \$111,800,000.

CITY OF PORTLAND, MAINE

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL
GENERAL GOVERNMENTAL EXPENDITURES**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>(1) Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1993	\$ 5,055,072	\$ 3,995,003	\$ 9,050,075	\$ 122,710,067	7.38%
1994	5,729,088	4,201,273	9,930,361	123,925,990	8.01
1995	6,343,363	4,391,562	10,734,925	134,082,310	8.01
1996	6,690,217	4,692,266	11,382,483	139,031,090	8.19
1997	6,962,971	4,718,157	11,681,128	146,968,781	7.95
1998	7,009,495	4,865,841	11,875,336	154,803,217	7.67
1999	7,550,411	4,951,088	12,501,499	170,958,454	7.31
2000	8,266,748	5,078,355	13,345,103	176,290,714	7.57
2001	10,441,296	5,445,079	15,886,375	188,838,725 (2)	8.41
2002 (3)	11,311,425	9,686,524	20,997,949	303,645,187	6.92

(1) Includes general, special revenue and debt service.

(2) Initial year of GASB 34 implementation and inclusion of Permanent Fund.

(3) Includes effects of refinancing of unfunded pension liability -
\$4,371,521 debt service cost-interest and \$110,899,203 governmental expenditures.

CITY OF PORTLAND, MAINE

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2002

<u>Jurisdiction</u>	<u>Total Debt Outstanding</u>	<u>Percentage Applicable to Portland</u>	<u>Amount Applicable to Portland</u>
Direct:			
City of Portland	\$ 204,371,610 (1)	100.00 %	\$ 204,371,610
Overlapping:			
Cumberland County	20,040,000	20.85	4,179,190
Greater Portland Transit District	80,000	87.00	69,600
Portland Water District:			
Water debt	31,875,000	31.15	9,928,423
Sewer debt	12,929,750	100.00	12,929,750
Regional Waste	69,990,000	27.66	19,359,210
	<u>134,914,750</u>		<u>46,466,173</u>
	<u>\$ 339,286,360</u>		<u>\$ 250,837,783</u>

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

TABLE 15

CITY OF PORTLAND, MAINE

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	(1) Population	(1) Median Household Income	(1) Median Age	(1) Years of Formal Schooling	(3) Public School Enrollment	(4) Unemploy- ment Rate
1993	64,358	\$ 26,576	33	12.6	7,911	5.40 %
1994	63,310 (2)	26,576	33	12.6	7,768	6.64
1995	66,234 (5)	30,476 (5)	33	12.6	8,267	5.15
1996	66,234 (5)	30,476 (5)	33	12.6	8,218	4.30
1997	66,826 (5)	28,719 (6)	33	12.6	8,268	3.60
1998	66,436 (5)	30,304 (6)	33	12.6	8,001	3.10
1999	66,049 (5)	31,236 (6)	33	12.6	7,904	2.20
2000	66,242 (5)	32,319 (6)	33	12.6	7,914	2.60
2001	66,211 (5)	34,786 (6)	35.7	12.6	7,701	2.40
2002	64,227 (5)	41,235 (6)	35.7	13.4	7,616	2.50

Sources:

(1) U.S. Department of Commerce, Bureau of Census (unless otherwise noted).

(2) Maine State Data Center.

(3) Fall semester student enrollment.

(4) Maine Department of Labor.

(5) Annual Market Guide(s), Editor & Publisher Co., NY, NY.

(6) Annual Survey(s) of Buying Power published by Sales and Marketing Management.

CITY OF PORTLAND, MAINE
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years

Fiscal Year	Commercial Construction		Residential Construction		Bank Deposits (000's) (1)	Property Value			Total	
	Number of Units	Value	Number of Units	Value		Commercial	Residential (2)	Personal		
1993	8	\$ 2,292,000	56	\$ 4,276,100	\$ 7,114,385	\$ 1,358,772,335	\$ 1,538,309,788	\$ 315,274,415	\$ 855,389,684	\$ 4,067,746,222
1994	10	2,353,409	65	4,566,160	7,117,774	1,344,691,524	1,518,755,750	297,028,340	879,988,640	4,040,464,254
1995	12	4,489,918	64	4,939,180	6,781,826	1,320,479,307	1,524,510,155	294,019,363	887,697,983	4,026,706,808
1996	8	6,660,785	76	9,828,890	6,564,013	1,315,469,887	1,533,582,805	313,735,530	896,285,830	4,059,074,052
1997	17	14,191,666	61	6,444,485	4,699,047	1,320,878,253	1,547,012,067	334,379,090	931,932,737	4,134,202,147
1998	16	27,767,376	63	16,964,450	5,158,507	1,335,136,645	1,572,069,054	356,715,597	900,897,331	4,164,818,627
1999	22	19,276,752	107	15,761,648	5,005,562	1,354,922,048	1,595,365,560	369,066,374	889,092,211	4,208,446,193
2000	13	15,193,797	99	13,931,556	4,549,458	1,332,475,663	1,611,871,362	388,344,609	915,576,211	4,248,267,845
2001	17	7,715,108	94	22,102,473	3,692,399	1,485,291,870	1,848,562,030	407,365,500	1,094,281,080	4,835,500,480
2002	12	37,511,162	86	12,872,628	- (3)	1,596,567,150	1,943,087,080	440,346,343	1,076,658,850	5,056,659,423

(1) State-wide totals for banks headquartered in Portland.
Source - State of Maine Bureau of Banking.

(2) Excluding multi-unit apartment buildings.

(3) Data not available

CITY OF PORTLAND, MAINE
MISCELLANEOUS STATISTICS
June 30, 2002

Date of incorporation	1786
Form of government	Council - Manager
Area	26 square miles
Lane miles of streets	570
Number of street lights	5,989
Fire protection:	
Number of stations	8 stations, 1 fireboat and 1 rescue boat
Number of firefighters and officers	220
Police protection:	
Number of stations	6
Number of policemen and officers	149
Education (public):	
Number of schools	17
Number of classrooms	562
Number of teachers	579
Number of students	7,616
Water District:	
Portland only:	
Number of services	17,102
Average daily consumption	60 gallons
Miles of water mains	263.40
Sewer:	
Miles of sanitary sewers	188
Miles of storm sewers	48
Building permits issued:	
New structures	98
Recreation and culture:	
Public golf courses	2
Number of parks	45
Number of libraries	1 main - 5 branches
Number of volumes	328,138
City employees (full-time)	1,400

Continued

CITY OF PORTLAND, MAINE
MISCELLANEOUS STATISTICS
June 30, 2002

Major Non-government Employers:

<u>Name</u>	<u>Business</u>	<u>Companywide Employees</u>
Hannaford Bros. Co.	Wholesale and Retail Groceries	8,500
BankNorth Group	Banking	5,300
Maine Medical Center	Medical Facility	5,200
L.L. Bean	Retail Sporting Goods	4,900
Shaw's Supermarkets	Wholesale and Retail Groceries	4,000
UNUM Provident	Insurance	3,500
Verizon	Communications	2,000
Anthem/Blue Cross Blue Shield	Insurance	1,600
Fairchild Semiconductor Corp.	Technology	1,460
Mercy Hospital	Medical Facility	1,200
Key Bank of Maine	Banking	800
Barber Foods	Wholesale Foods	760
Fleet Bank of Maine	Banking	600
Nichols Portland	Technology	570
Blethen Maine Newspapers	Newspaper	530
G.H. Bass & Co.	Shoe Manufacturer	410



Maine Gate Lounge located on the second level provides passengers with a place to relax between the security check point and boarding the plane.

*All photos courtesy of James Daigle
Map art done by CDM Communications.
Front cover, The entrance sign at Congress Street.*