

TOWN OF CAPE ELIZABETH

FINANCIAL OVERVIEW

Presented by:

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RUNYON KERSTEEN OUELLETTE

Recently, the Town of Cape Elizabeth completed the financial audit process. The School Department is part of the Town and has been included in the Town's financial statements. We are pleased to report that the Town received an unmodified opinion, which means the financial statements are fairly stated in all material respects. Further, the Town reported no significant deficiencies or material weaknesses related to its internal controls. The remainder of this publication is dedicated to providing you with the financial results for fiscal year 2013. We hope you find this information useful and understandable. Finally, we wish to express our appreciation to all those who were so helpful to us during the audit process. It truly is a pleasure working with your staff.

About this presentation

This presentation is intended as a tool to assist the Town Council, School Board and management in understanding its financial operating results. The information contained in this publication should be read in conjunction with the audited financial statements and related disclosures and should not be used for any other purposes without the expressed consent of *RUNYON KERSTEEN OUELLETTE*.

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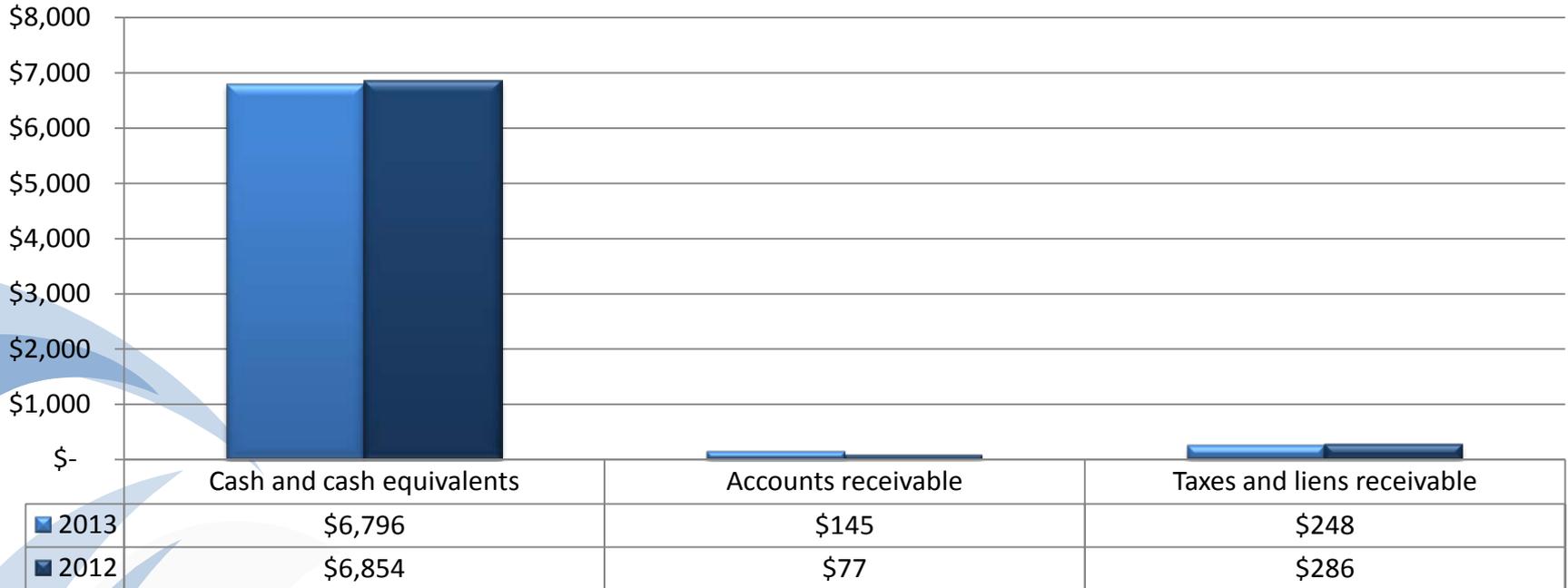
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TOWN OF CAPE ELIZABETH

GENERAL FUND – ASSETS (IN THOUSANDS)



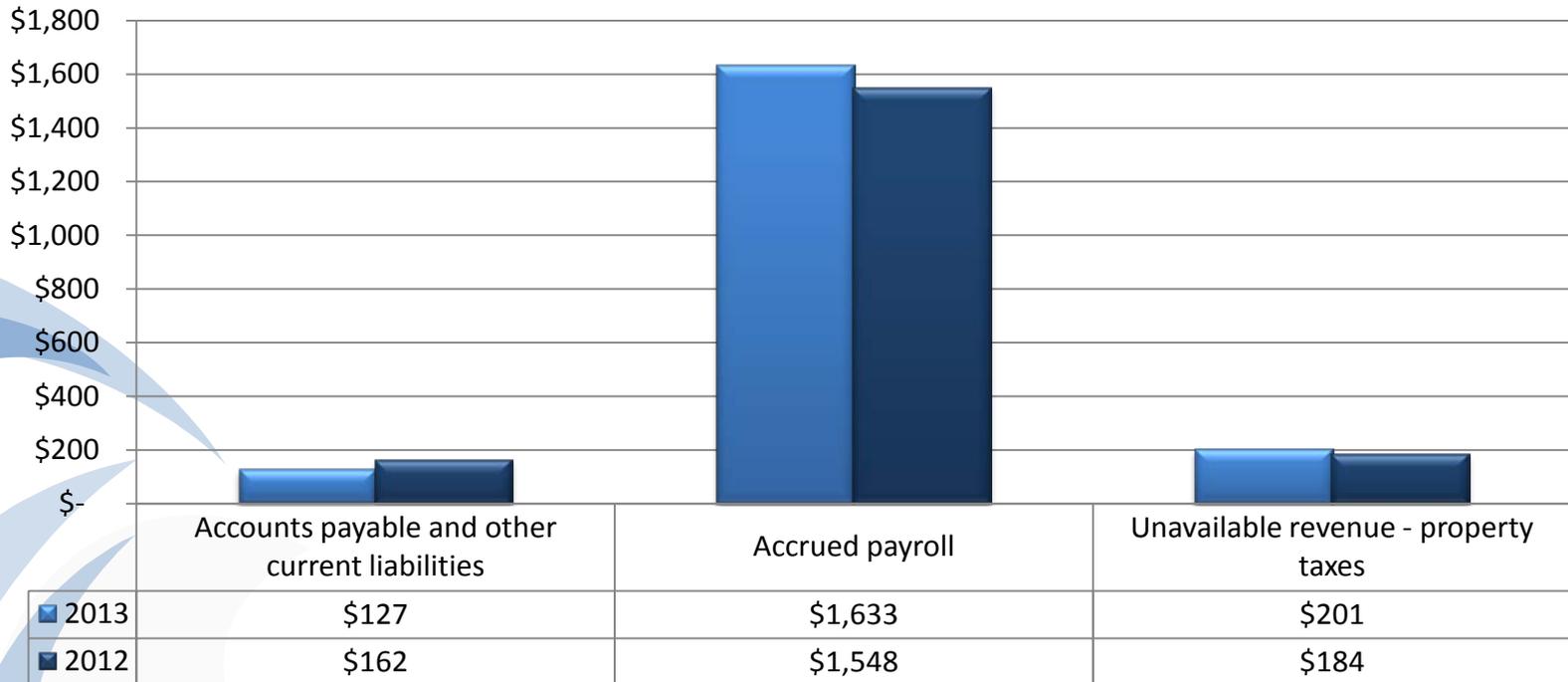
SUMMARY OF SIGNIFICANT CHANGES

- The 2013 **cash balance** (which is net of interfund loans payable) decreased by approximately \$58K. This was mostly due to an excess of expenditures over revenues.
- **Accounts receivable** increased by approximately \$68k due to the timing of payments received at year end.
- Outstanding **taxes and liens** decreased by approximately \$38k due to improved collections in the current year.



TOWN OF CAPE ELIZABETH

GENERAL FUND – LIABILITIES AND DEFERRED INFLOWS OF RESOURCES (IN THOUSANDS)



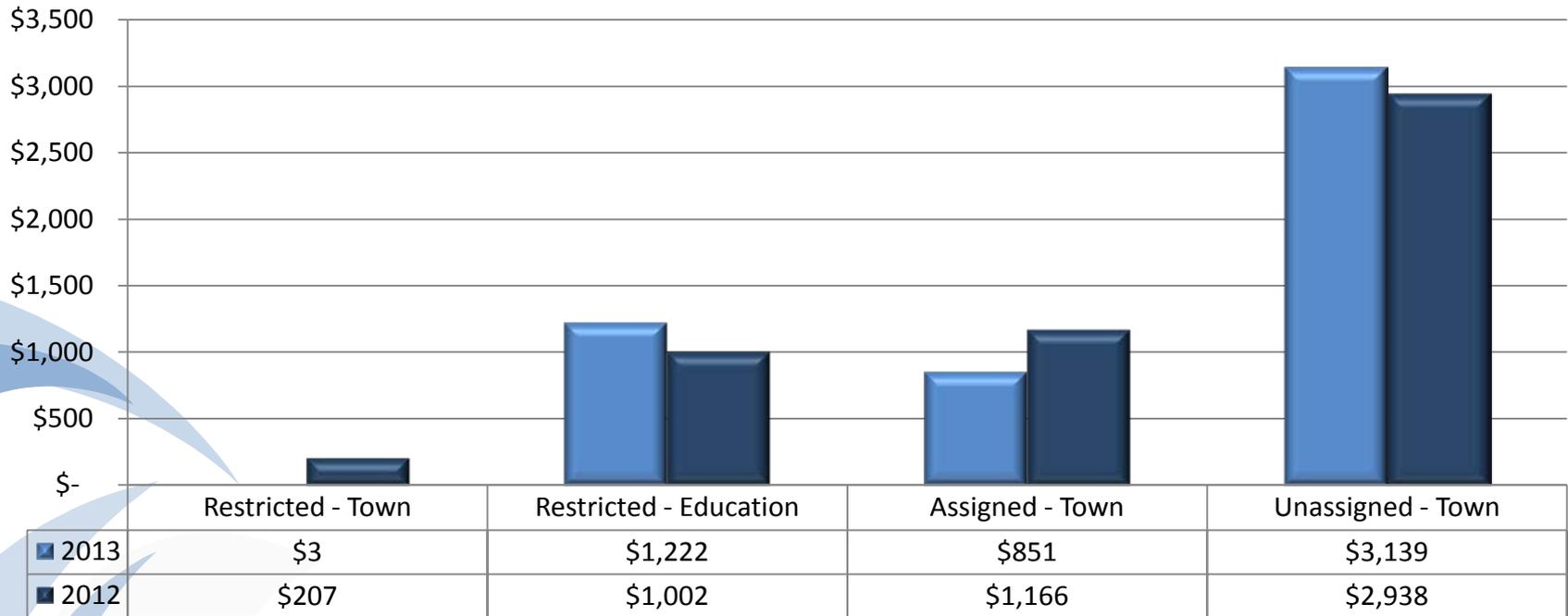
SUMMARY OF SIGNIFICANT CHANGES

- Changes in **accounts payable** and **accrued payroll** are the result of the timing of payments at year end. Accrued payroll represent wages earned prior to June 30, but paid in July and August, the largest portion of which is composed of summer salaries for teachers (\$1,464,923).
- **Unavailable revenue – property taxes** represents taxes still unpaid 60 days after the end of the year. These amounts are not recognized as revenues in the current year per Generally Accepted Accounting Principles.



TOWN OF CAPE ELIZABETH

GENERAL FUND – EQUITY (IN THOUSANDS)



SUMMARY OF SIGNIFICANT CHANGES

- **Restricted fund balance for the Town** includes unspent grant and donation balances.
- **Restricted fund balance for Education** increased by \$220K from 2012 to 2013 due to favorable budget variances in expenditures that exceeded the negative budget variances in revenues and the budgeted use of surplus.
- **Assigned fund balance** changes annually based on the status of projects and appropriations. Full detail is available on page 37 of the financial statements.
- **Town unassigned fund balance** increased by \$201K as a result of favorable budget variances in revenues and expenditures, and also a decrease in assigned fund balance, offset by a budgeted use of surplus.

TOWN OF CAPE ELIZABETH

GENERAL FUND - REVENUES

	Budget	Actual	Variance
Taxes	\$ 27,866,028	\$27,951,929	\$85,901
Licenses and permits	116,000	154,583	38,583
Intergovernmental	2,986,976	3,648,824	661,848
Investment income	25,000	24,632	(368)
Other revenues	446,500	488,805	42,305
Total revenues	31,440,504	32,268,773	828,269
Carry forward balances and subsequent authorizations	1,801,629	-	(1,801,629)
Transfer from special revenue funds	480,000	480,000	-
Utilization of prior year surplus (Town and School)	600,000	-	(600,000)
Total revenues and other sources	\$ 34,322,133	\$ 32,748,773	\$ (1,573,360)

SUMMARY OF SIGNIFICANT VARIANCES

- **Taxes** exceeded budget due to higher-than-anticipated excise tax transactions.
- **Intergovernmental revenues** exceeded budget primarily due to the receipt of unbudgeted federal and state grants, which were offset by lower-than-anticipated state education subsidy.
- **Other revenues** exceeded budget mostly due to better-than-expected refuse disposal fees and unbudgeted donations.



TOWN OF CAPE ELIZABETH

GENERAL FUND - EXPENDITURES

	Budget	Actual	Variance
General government	\$1,085,212	\$1,055,123	\$30,089
Public works	1,802,566	1,723,157	79,409
Facilities	349,961	334,992	14,969
Public safety	1,871,395	1,782,052	89,343
Cultural and parks	1,116,773	943,137	173,636
Human services	59,400	58,466	934
Education	21,758,817	21,247,797	511,020
Intergovernmental assessments	1,019,484	1,019,311	173
Unclassified	1,575,255	1,252,538	322,717
Debt service (Town)	934,344	930,007	4,337
Capital improvements	2,297,920	2,196,596	101,324
Total expenditures	33,871,127	32,543,176	1,327,951
Transfers to other funds	451,006	451,006	-
Total expenditures and other sources	\$ 34,322,133	\$ 32,994,182	\$ 1,327,951

SUMMARY OF SIGNIFICANT VARIANCES

- **Public works expenditures** were under budget due to lower-than-expected costs for salt and ecomaine fees.
- **Public safety expenditures** were under budget due to lower-than-anticipated part-time payroll costs in the fire department and training and gasoline costs in the police department.
- **Cultural and parks expenditures** were under budget due to a library project and stonewall repairs at Fort Williams that have not yet taken place.
- **Education expenditures** - see slide 8.
- **Unclassified expenditures** were under budget due to lower-than-expected property tax abatements, insurance costs and employee benefit costs. These were offset to a certain degree by unbudgeted grant expenditures.
- **Capital improvement expenditures** were under budget due to the timing of projects, which will carry over to the next fiscal year.



TOWN OF CAPE ELIZABETH

GENERAL FUND – REVENUES – SCHOOL DEPARTMENT ONLY

	Budget	Actual	Variance
State education subsidy	\$ 2,025,679	\$ 1,828,806	(196,873)
Miscellaneous	87,000	96,448	9,448
Total revenues	2,112,679	1,925,254	(187,425)
Town appropriation	18,923,138	18,923,138	-
Transfer from special revenue funds	480,000	480,000	-
Utilization of prior year surplus	250,000	-	(250,000)
Total revenues and other sources	\$ 21,765,817	\$ 21,328,392	\$ (437,425)

SUMMARY OF SIGNIFICANT VARIANCES

- **State education subsidy revenues** were lower -than -anticipated due to budget cuts at the State level.

TOWN OF CAPE ELIZABETH

GENERAL FUND - EXPENDITURES – SCHOOL DEPARTMENT ONLY

	Budget	Actual	Variance
Regular instruction	9,677,009	9,423,026	253,983
Special education instruction	3,003,009	2,848,739	154,270
Career and technical education	56,003	56,003	-
Other instruction	700,059	696,238	3,821
Student and staff support	2,427,558	2,398,122	29,436
System administration	661,789	652,565	9,224
School administration	1,014,515	962,660	51,855
Transportation	657,105	653,607	3,498
Facilities maintenance	2,238,366	2,333,434	4,932
Debt service	1,323,404	1,323,403	1
Total expenditures	21,758,817	21,247,797	511,020
Transfers to other funds	7,000	7,000	-
Total expenditures and other sources	21,765,817	21,254,797	511,020

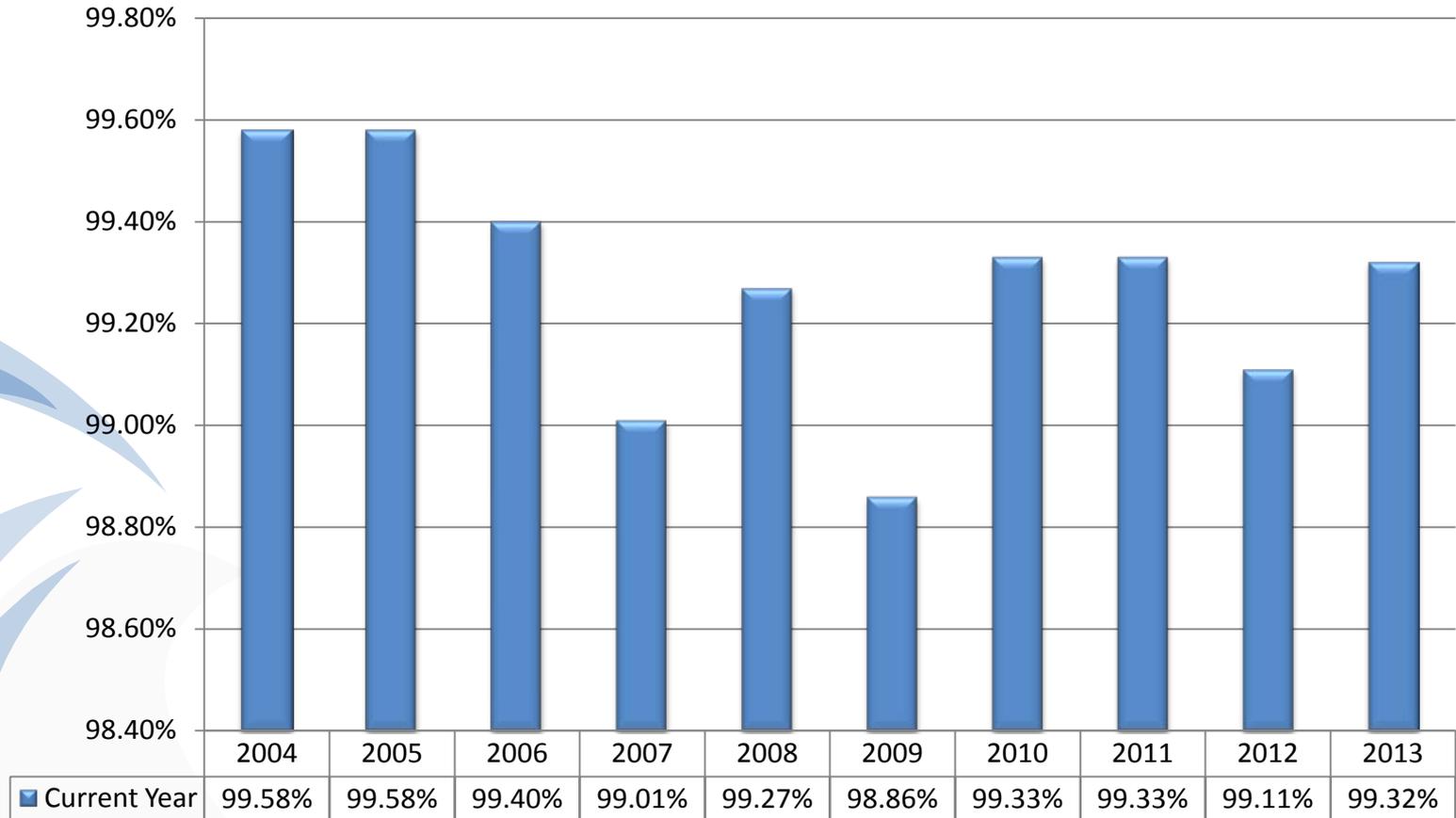
SUMMARY OF SIGNIFICANT VARIANCES

- **Regular instruction** expenditures were under budget due to the hiring of new staff at lower rates, lower-than-anticipated health insurance costs, plus budgeted but unused contingency.
- **Special education** expenditures were under budget due to out-of-district tuition that was budgeted but not needed, as well as lower-than-anticipated health insurance and legal costs.
- **School administration** expenditures were under budget due to a principal who stepped down and was not replaced for half of the year.



TOWN OF CAPE ELIZABETH

PROPERTY TAX COLLECTION RATES



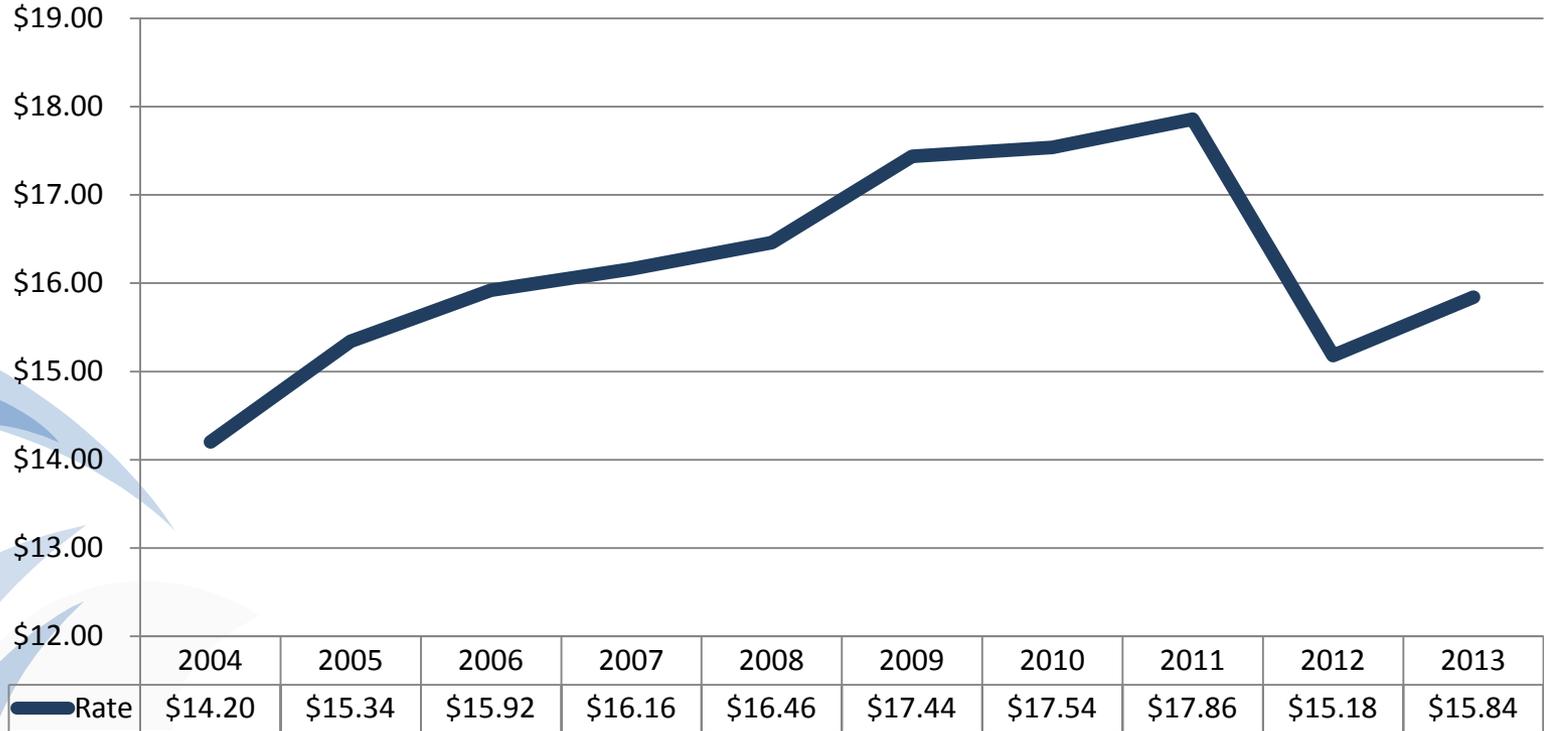
SUMMARY OF SIGNIFICANT CHANGES

- The collection rate increased to 99.32%, which is consistent with 2010 and 2011 collection rates.



TOWN OF CAPE ELIZABETH

PROPERTY TAX RATES



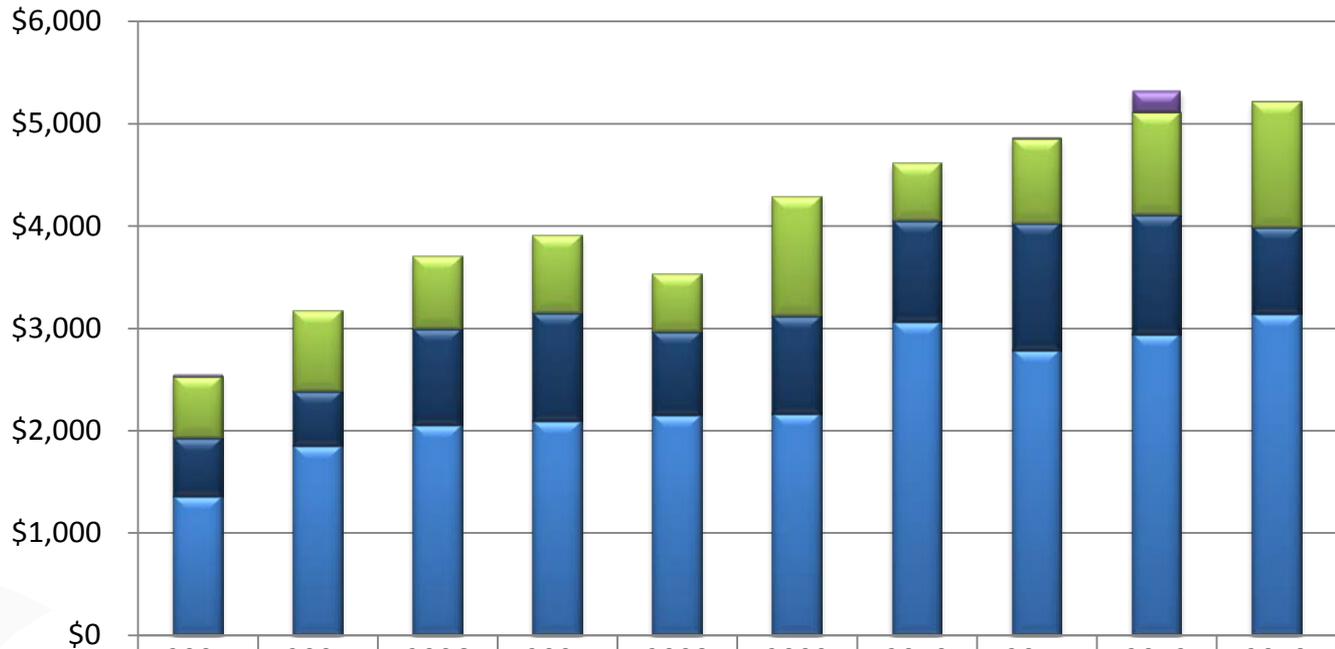
SUMMARY OF SIGNIFICANT CHANGES

- The Town performed revaluations in fiscal years 2004 and 2012, which resulted in a decrease of the property tax rate.



TOWN OF CAPE ELIZABETH

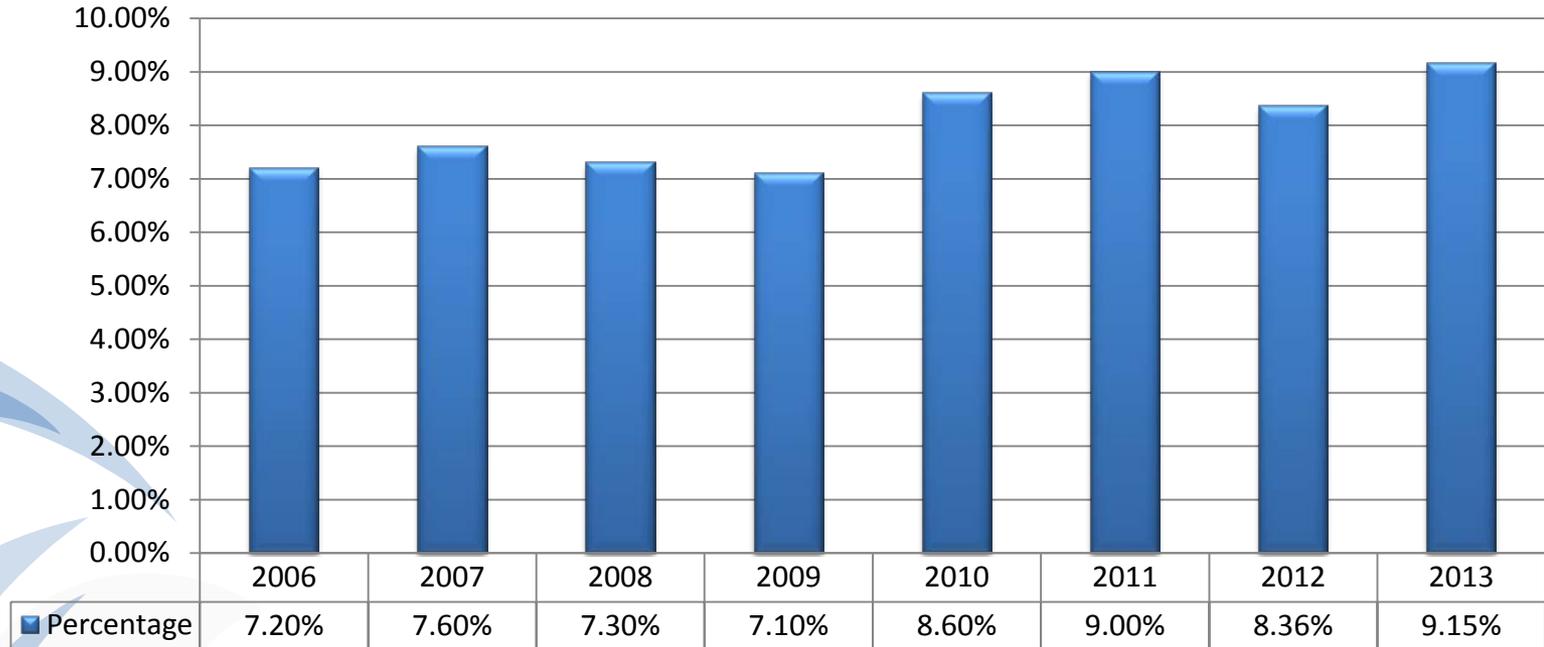
FUND BALANCE ANALYSIS, FY 2004 – 2013 (IN THOUSANDS)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
■ Retriected - Town	\$17	\$0	\$0	\$0	\$0	\$0	\$0	\$11	\$207	\$3
■ Restricted - Education	\$600	\$788	\$704	\$755	\$562	\$1,170	\$555	\$825	\$1,002	\$1,222
■ Assigned - Town	\$569	\$538	\$945	\$1,057	\$814	\$953	\$987	\$1,241	\$1,166	\$851
■ Unassigned - Town	\$1,358	\$1,845	\$2,050	\$2,093	\$2,152	\$2,165	\$3,065	\$2,787	\$2,938	\$3,139

TOWN OF CAPE ELIZABETH

UNASSIGNED FUND BALANCE AS A PERCENTAGE OF BUDGET



OBSERVATIONS

- Fund balance provides working capital for the Town and enhances its credit worthiness. The Town's policy is to target unassigned fund balance of 8.33% of annual operating revenues. The current percentage calculated in accordance with the Town's policy equals 9.73%.
- Credit agencies typically look for a minimum ratio of unassigned fund balance to budget of 20%. RKO generally recommends one to two months of expenditures which equals 8.33% to 16.66%.