

TOWN OF CAPE ELIZABETH, MAINE

Annual Financial Report

June 30, 2008

TOWN OF CAPE ELIZABETH, MAINE
Annual Financial Report
Year ended June 30, 2008

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Town Council
Town of Cape Elizabeth, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cape Elizabeth, Maine as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Cape Elizabeth, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

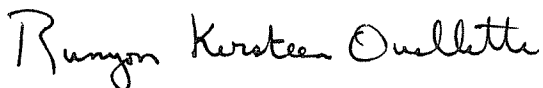
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cape Elizabeth, Maine as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2008, on our consideration of the Town of Cape Elizabeth, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cape Elizabeth, Maine's basic financial statements. The combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Runyon Kersteen Ouellette". The signature is written in a cursive, flowing style.

August 26, 2008
South Portland, Maine

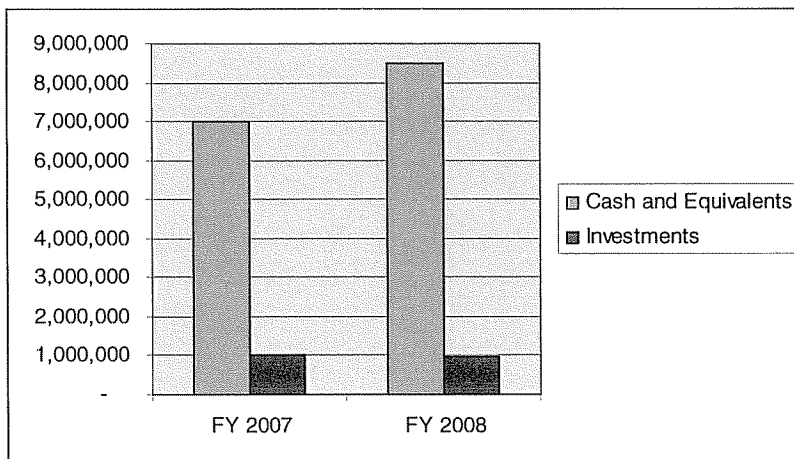
TOWN OF CAPE ELIZABETH, MAINE
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Introduction

As the Town Manager of the Town of Cape Elizabeth, Maine, I am pleased to provide a Management Discussion and Analysis as part of our annual financial statements.

The financial statements contained herein show all of the governmental and fiduciary funds of the Town of Cape Elizabeth, Maine. The total assets for all governmental activity equal \$ 51,670,551. The total net assets are \$22,442,640. Net assets include \$16,843,751 invested in capital assets, net of related debt and \$5,598,889 in unrestricted assets. For the reporting period, the Town had an increase in the fund balance for total governmental funds (from statement 4) of \$1,272,064. The major contributing factor was bond proceeds totaling \$2,550,000, for several projects. The fund balance for the general fund decreased \$378,147. \$243,442 is attributable to planned spending of designated funds-Town. The school undesignated fund balance decreased \$111,538.

Comparison of Information from Current Year and Prior Year



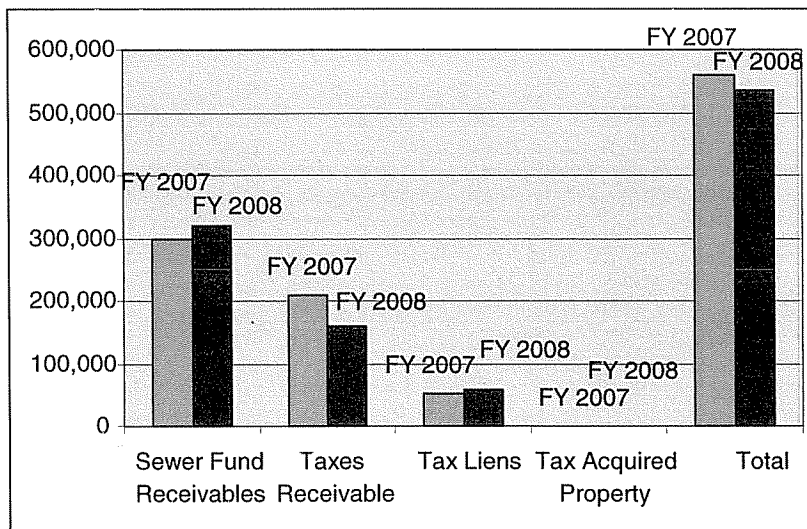
Assets

Cash, Cash Equivalents and Investments

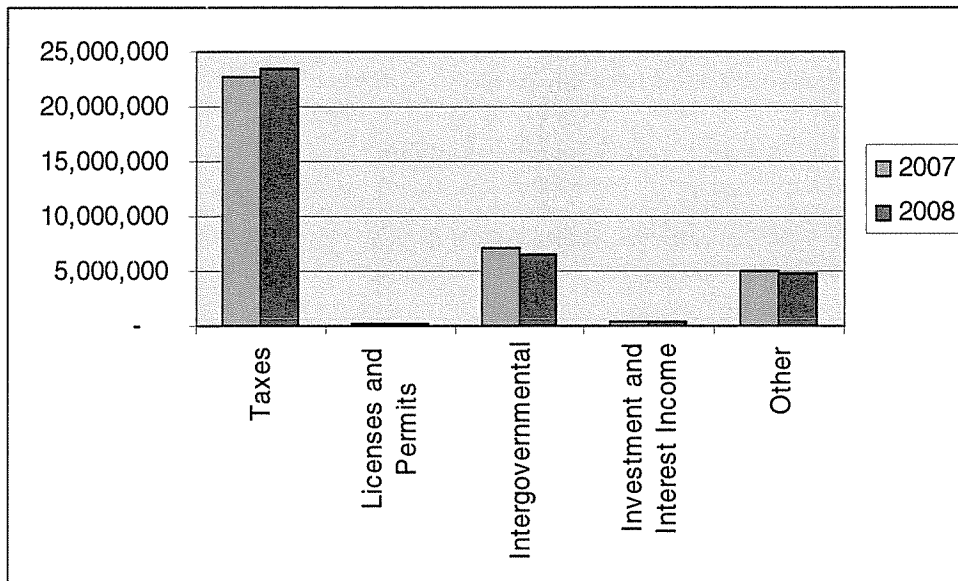
The portion of the fund balance in cash, cash equivalents and investments increased \$1,442,207, from \$8,052,888 to \$9,489,341. The cash increase is attributable to the receipt of the proceeds from the 2008 Capital Improvement bond.

Receivables

The Town continues to have an excellent record of tax receivables, maintaining the collection rate of the levy for the current year to 99.3%. The taxes receivable amount decreased from the prior year. The sewer receivable has increased but a billing had just occurred. The Town places tax liens on uncollected sewer fees so eventually the entire receivable is paid.



	FY 2007	FY 2008
Sewer Fund Receivables	\$ 297,677	320,075
Taxes Receivable	210,210	159,332
Tax Liens	53,263	57,150
Tax Acquired Property	205	205
Total	\$ 561,355	536,762
% Sewer	53%	59%
% Taxes etc.	47%	41%



Revenues by Major Source

Property and other taxes amounted to 66.4% of revenue in FY 2008. This compares to 64.2% in FY 2007. Intergovernmental revenues decreased 7% as the Town received fewer grants. Investment income decreased 36.7% as the result of lower rates of return on short term investments. Overall revenues were down about 1/2%. The total increase in revenue from taxes this past year was 2.9% compared with 2.5% the previous year.

Expenditures

Total expenditures decreased by \$2.37 million or 6.1%. The decrease was primarily due to capital outlay and sewer work funded in the previous year but not expended in FY 2008. Spending excluding capital outlay increased 4.2%, compared to 4.5% in the previous year.

Expenditures changed as follows:

	2007	2008	\$ Change	% Change
General Government	\$ 1,044,204	\$ 1,101,715	\$ 57,511	5.2%
Public Safety	1,634,144	1,763,795	129,651	7.4%
Public Works	1,708,817	1,764,844	56,027	3.2%
Human Services	37,184	25,532	(11,652)	-45.6%
Cultural and Parks	1,104,212	1,180,642	76,430	6.5%
Education and Libraries	21,474,577	22,375,258	900,681	4.0%
Intergovernmental Assessments	907,928	956,430	48,502	5.1%
Unclassified	1,840,997	1,950,652	109,655	5.6%
Sewer	1,046,395	1,072,510	26,115	2.4%
School Lunch Program	509,629	539,780	30,151	5.6%
Capital Outlay	6,041,143	2,270,883	(3,770,260)	-166.0%
Non-School Debt Service	1,656,195	1,632,935	(23,260)	-1.4%
Total Expenditures	\$ 39,005,425	\$ 36,634,976	\$ (2,370,449)	-6.1%
Excluding Capital Outlay	\$ 32,964,282	\$ 34,364,093	\$ 1,399,811	4.2%

Transfers

The Museum at Portland Head Light contributed \$166,500 to the general fund for improvements now occurring at Fort Williams Park which support the lighthouse.

The Overall Financial Position of the Town

The overall financial condition of the Town had little change in FY 2008. Despite a tough economy nationally, the tax collection rate improved and the amount of taxes receivable declined. The municipal undesignated fund balance increased by \$58,624. The ratio of bonded debt to assessed value was virtually unchanged as \$2.6 million was borrowed, \$2.2 million was retired. The infrastructure is in good condition with new police, fire, public works and community facilities. All school buildings have been recently renovated. The Town recently invested \$5.4 million in sewer and drainage rehabilitation work. Seventy percent of all debt is to be retired in the next ten years with 100% of the debt to be retired in the next 20 years. The Town's retirement obligations are fully funded and have actuarial assets in excess of projected liabilities.

The Town's median household income in 1999 was \$72,359, the highest in Maine. Property values have moderated in the last two years after significant increases in previous years. Unemployment in the county was at 3.9% in June 2008 compared to a state unemployment rate of 5.3% and a national rate of 5.5%.

Changes in Individual Fund Balances

	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 3,905,688	\$ 3,527,541	\$ (378,147)	-9.7%
Sewer Rehabilitation Fund	168,982	49,434	(119,548)	-70.7%
School Categorical Funds	242,283	182,721	(59,562)	-24.6%
School Lunch Program	1,335	1,269	(66)	-4.9%
Sewer User Fund	309,146	374,150	65,004	21.0%
Community Services Fund	12,883	(27,249)	(40,132)	-311.5%
Riverside Cemetery Capital Improvements	41,306	53,260	11,954	28.9%
Fort Williams Park Funds	63,914	72,677	8,763	13.7%
Portland Head Light Fund	483,737	394,854	(88,883)	-18.4%
Rescue Fund	243,253	237,096	(6,157)	-2.5%
Cemetery Perpetual Care	318,968	325,064	6,096	1.9%
Library Fund	114,753	124,900	10,147	8.8%
Police and Fire Fund	10,257	10,682	425	4.1%
Land Acquisition Fund	227,758	208,220	(19,538)	-8.6%
Spurwink Church Fund	28,922	32,102	3,180	11.0%
Thomas Jordan Fund	981,406	933,388	(48,018)	-4.9%
Turf Field	50,000	66,012	16,012	32.0%
Infrastructure Improvement	11,301	77,909	66,608	589.4%
High School Renovation Fund	82,151	-	(82,151)	-100.0%
2008 Capital Projects Bond	(14,218)	1,911,859	1,926,077	

Significant Changes in Individual Fund Balances

The High School Renovation Fund was closed out as the project was completed. The Sewer Rehabilitation Fund paid its retainage this past year for projects completed a year earlier and a small balance remains. The Thomas Jordan Fund had a decline due to its investments. The Portland Head Light Fund made a contribution for some capital improvements and the Land Acquisition Fund acquired a small amount of property. The Community Services Fund had a deficit due to a retirement severance. The Infrastructure Improvement account was established in FY 2007 and is receiving steady income.

Significant Budget Variances

There were no significant budget variances.

Long-term Debt Activity

In this decade the Town completed a new police station, a new public works garage, a new community center, new town center fire station, a new kindergarten wing of the elementary school and renovations to the high school. Net bonded debt as of June 30, 2008 stood at \$26,297,891. This equated to 2 % of assessed value and to \$2,900 net bonded debt per capita. The ratio of debt service to general governmental expenditures was 9.42% on June 30, 2008 compared to 9.72% on June 30, 2007.

Existing Debt Service Requirements			
Year	Principal	Interest	Total
2009	\$ 2,204,791	1,001,233	3,206,024
2010	2,110,720	927,666	3,038,386
2011	2,058,422	848,890	2,907,312
2012	2,036,172	770,209	2,806,381
2013	2,033,969	691,166	2,725,135
2014-2018	8,063,521	2,355,280	10,418,801
2019-2023	5,536,068	948,304	6,484,372
2024-2028	2,254,228	156,530	2,410,758
Totals	\$ 26,297,891	7,699,278	33,997,169

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael McGovern, Town Manager at the Town of Cape Elizabeth, 320 Ocean House Rd., Cape Elizabeth, Maine 04107, or by phone at 207-799-5251 or by e-mail at michael.mcgovern@capeelizabeth.org

BASIC FINANCIAL STATEMENTS

TOWN OF CAPE ELIZABETH, MAINE
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,495,095
Investments	994,246
Receivables:	
Accounts (net of allowance for uncollectible of \$7,700)	133,357
Taxes receivable - prior years	2,756
Taxes receivable - current year	156,576
Tax liens	57,150
Tax acquired property	205
Sewer fees receivable (net of allowance for uncollectible of \$4,000)	320,075
Trustee held funds	49,434
Prepaid expenses	12,652
Inventories	123,699
Capital assets, not being depreciated	1,116,995
Capital assets, being depreciated	40,208,311
Total assets	51,670,551
LIABILITIES	
Accounts payable and other current liabilities	149,339
Accrued payroll	1,378,422
Compensated absences payable	911,873
Deferred revenues	157,403
Taxes collected in advance	4,892
Accrued interest	183,134
Noncurrent liabilities:	
Due within one year	2,300,007
Due in more than one year	24,142,841
Total liabilities	29,227,911
NET ASSETS	
Invested in capital assets, net of related debt	16,843,751
Unrestricted	5,598,889
Total net assets	\$ 22,442,640

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Statement of Activities
For the year ended June 30, 2008

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Governmental activities
Governmental activities:						
General government	\$	209,615	-	-		(767,785)
Public safety		21,692	-	-		(1,927,302)
Public works		59,881	94,380	-		(1,895,301)
Human services		-	-	-		(25,532)
Cultural and parks		254,212	-	-		(923,869)
Education		991,765	5,231,655	202,912		(15,142,302)
School lunch		414,687	64,027	-		(61,066)
Intergovernmental assessments		-	-	-		(956,430)
Unclassified		1,066,988	-	-		(902,717)
Sewer		1,520,715	-	-		448,205
Capital maintenance expenses		-	-	-		(2,105,450)
Interest on debt		521,619	-	-		(521,619)
Total governmental activities		4,539,555	5,390,062	202,912		(24,781,168)

General revenues:

Property taxes	21,592,164
Excise taxes	1,745,840
Interest and costs on taxes	42,067
Franchise fees	81,741
Grants and contributions not restricted to specific programs:	
State Revenue Sharing	740,197
Homestead exemption	204,055
Other intergovernmental revenues	203,844
Unrestricted investment earnings	296,566
Loss on disposal of property	(148,402)
Miscellaneous revenues	168,937
Total general revenues	24,927,009

Change in net assets

145,841

Net assets - beginning

22,296,799

Net assets - ending**\$ 22,442,640**

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Balance Sheet
Governmental Funds
June 30, 2008

	General	2008 Capital Projects Bond	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,078,766	1,911,859	504,470	8,495,095
Investments	19,320	-	974,926	994,246
Receivables:				
Accounts (net of allowance for uncollectible of \$7,700)	57,061	-	76,296	133,357
Taxes receivable - prior years	2,756	-	-	2,756
Taxes receivable - current year	156,576	-	-	156,576
Tax liens	57,150	-	-	57,150
Tax acquired property	205	-	-	205
Sewer fees receivable (net of allowance for uncollectible of \$4,000)	-	-	320,075	320,075
Trustee held funds	-	-	49,434	49,434
Prepaid expenditures	-	-	12,652	12,652
Inventory	-	-	123,699	123,699
Interfund loans receivable	-	-	1,231,050	1,231,050
Total assets	\$ 6,371,834	1,911,859	3,292,602	11,576,295
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other liabilities	149,339	-	-	149,339
Accrued payroll	1,378,422	-	-	1,378,422
Interfund loans payable	1,212,340	-	18,710	1,231,050
Deferred revenues	99,300	-	157,403	256,703
Taxes collected in advance	4,892	-	-	4,892
Total liabilities	2,844,293	-	176,113	3,020,406
Fund balances:				
Reserved for:				
Inventory	-	-	123,699	123,699
Encumbrances - education	62,919	-	-	62,919
Unreserved, reported in:				
General fund:				
Designated - Town	813,851	-	-	813,851
Designated - education	250,000	-	-	250,000
Undesignated - Town	2,151,825	-	-	2,151,825
Undesignated - education	248,946	-	-	248,946
Special revenue fund	-	-	2,943,356	2,943,356
Capital project fund	-	1,911,859	49,434	1,961,293
Total fund balances	3,527,541	1,911,859	3,116,489	8,555,889
Total liabilities and fund balances	\$ 6,371,834	1,911,859	3,292,602	
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.				41,325,306
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				99,300
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:				
Compensated absences payable				(911,873)
Accrued interest				(183,134)
Capital leases				(144,957)
Bonds payable				(26,297,891)
Net assets of governmental activities				\$ 22,442,640

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	2008 Capital Projects Bond	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 23,380,071	-	-	23,380,071
Licenses and permits	209,615	-	-	209,615
Intergovernmental	6,016,652	-	521,506	6,538,158
Investment income	215,040	6,871	74,655	296,566
Other	842,871	-	3,940,659	4,783,530
Total revenues	30,664,249	6,871	4,536,820	35,207,940
Expenditures:				
Current:				
General government	1,101,715	-	-	1,101,715
Public safety	1,763,795	-	-	1,763,795
Public works	1,764,844	-	-	1,764,844
Human services	25,532	-	-	25,532
Cultural and parks	1,180,642	-	-	1,180,642
Education	20,725,540	-	1,649,718	22,375,258
Intergovernmental assessments	956,430	-	-	956,430
School lunch	-	-	539,780	539,780
Unclassified	1,129,370	-	821,282	1,950,652
Sewer	-	-	1,072,510	1,072,510
Capital improvements	1,407,879	630,794	232,210	2,270,883
Debt service	1,141,552	-	491,383	1,632,935
Total expenditures	31,197,299	630,794	4,806,883	36,634,976
Excess (deficiency) of revenues over (under) expenditures	(533,050)	(623,923)	(270,063)	(1,427,036)
Other financing sources (uses):				
Long-term debt issued	-	2,550,000	-	2,550,000
Proceeds from capital leases	149,100	-	-	149,100
Transfers from other funds	232,803	-	259,128	491,931
Transfers to other funds	(227,000)	-	(264,931)	(491,931)
Total other financing sources (uses)	154,903	2,550,000	(5,803)	2,699,100
Net change in fund balances	(378,147)	1,926,077	(275,866)	1,272,064
Fund balances (deficit), beginning of year	3,905,688	(14,218)	3,392,355	7,283,825
Fund balances, end of year	\$ 3,527,541	1,911,859	3,116,489	8,555,889

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,272,064
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Amounts reported for governmental activities in the statement of activities (Statement 2) 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 as depreciation expense. This is the amount by which depreciation expense (\$1,923,291) and loss on disposal of property (\$148,402) exceeded capital outlays (\$1,037,643) in the current period.

(1,034,050)

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 the governmental funds. This is the change in accrued compensated absences (\$116,118) and accrued interest (\$18,228).

134,348

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$2,550,000) exceed repayments (\$2,191,744).

(358,256)

This is the amount by which lease repayments (\$280,835) exceeded proceeds (\$149,100).

131,735

Change in net assets of governmental activities (see Statement 2)	\$	145,841
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See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2008

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 23,389,312	23,389,312	23,380,071	(9,241)
Licenses and permits	150,000	150,000	209,615	59,615
Intergovernmental	3,867,477	3,867,477	4,146,634	279,157
Investment income	200,000	200,000	215,040	15,040
Other	563,060	563,060	842,871	279,811
Total revenues	28,169,849	28,169,849	28,794,231	624,382
Expenditures:				
Current:				
General government	1,131,832	1,148,418	1,101,715	46,703
Public safety	1,804,173	1,832,633	1,763,795	68,838
Public works	1,763,991	1,828,991	1,764,844	64,147
Human services	28,355	28,355	25,532	2,823
Cultural and parks	1,169,489	1,184,489	1,180,642	3,847
Education	18,784,623	18,784,623	18,624,631	159,992
Intergovernmental assessments	956,560	956,560	956,430	130
Unclassified	1,267,919	1,312,419	1,129,370	183,049
Capital improvements	560,700	1,269,808	1,407,879	(138,071)
Debt service	1,069,510	1,141,552	1,141,552	-
Total expenditures	28,537,152	29,487,848	29,096,390	391,458
Excess (deficiency) of revenues over (under) expenditures	(367,303)	(1,317,999)	(302,159)	1,015,840
Other financing sources (uses):				
Transfer to Special Revenue funds	(159,000)	(159,000)	(227,000)	(68,000)
Transfer from Special Revenue funds	66,303	66,303	232,803	166,500
Carryforward balances and subsequent authorizations	-	950,696	-	(950,696)
Utilization of prior year surplus - School	250,000	250,000	-	(250,000)
Utilization of prior year surplus - Town	210,000	210,000	-	(210,000)
Total other financing sources (uses)	367,303	1,317,999	5,803	(1,312,196)
Net change in fund balance	-	-	(296,356)	(296,356)
Reconciliation to GAAP:				
Change in encumbrances			(81,791)	
Fund balance, beginning of year			3,905,688	
Fund balance, end of year	\$		3,527,541	

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

		Private- purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$	-	178,410
Investments		84,000	-
Total assets		84,000	178,410
LIABILITIES			
Due to student groups		-	178,410
Total liabilities		-	178,410
NET ASSETS			
Held in trust	\$	84,000	-

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008

	Private- purpose Trust Funds
Additions:	
Interest earned	\$ 9,381
Donations	5,525
Total additions	14,906
Deductions:	
School scholarships	7,425
Other	1,123
Total deductions	8,548
Change in net assets	6,358
Net assets, beginning of year	77,642
Net assets, end of year	\$ 84,000

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Cape Elizabeth, Maine was incorporated in 1765 and operates under a Council-Manager form of government, adopted by charter in 1967. Cape Elizabeth is located approximately five miles southeast of Portland along the southern Maine coast. The Council is comprised of seven members elected at-large for staggered three-year terms.

A. Reporting Entity

This report includes all funds of the Town. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. It is the Town's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities within the Town that should be included as part of these financial statements.

The accounting policies of the Town of Cape Elizabeth, Maine conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant of such policies:

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 for property taxes and one year for all others. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town 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 Town reports the following major governmental funds:

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

2008 Capital Improvement Project accounts for expenditures which were bonded in 2008.

Additionally, the Town reports the following fund type:

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

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 Town holds for others in an agency capacity.

Private-purpose trust funds are used to account for resources legally held in trust for the benefit of others.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are special funds overhead reimbursements and charges between the Town's sewer fund 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.

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

D. Assets, Liabilities, and Equity

Cash and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits and time deposits. Investments are stated at fair value.

Interfund Loans Receivable/Payable - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans).

Inventory - Inventory in the Portland Head Light Fund and the School Lunch Program consists of gift shop merchandise, food and supplies and is valued at the lower of cost (first-in, first-out basis) or market, and is offset with a reserved fund balance for inventories. Inventories of the School Lunch Program include the value of the U. S. Department of Agriculture commodities donated to the Programs.

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 activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year. 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 maintenance and repairs 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.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years.

Compensated Absences - Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. All vacation and sick time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, 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 recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

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.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses in the reimbursing fund as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Use of Estimates - Preparation of the Town'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.

Comparative Data/Reclassifications - Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2008:

Capital assets	\$ 63,195,077
Accumulated depreciation	(21,869,771)
Bonds and notes payable	(26,297,891)
Capital leases	(144,957)
Add back unspent bond proceeds	1,961,293
Total invested in capital assets, net of related debt	<u>\$ 16,843,751</u>

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted for the General Fund, Community Services Fund, Sewer User Fund and Portland Head Light Fund only, and are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and Maine Public Employees Retirement on-behalf payments. Maine Public Employees Retirement contributions are made by the State of Maine on behalf of the Cape Elizabeth School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$1,870,018. These amounts have been included as inter-governmental revenue and education expenditures in the General Fund on Statement 4 (GAAP basis) and on the Statement of Activities. There is no effect on the fund balance or net assets at the end of the year.

Each year, the Town Manager submits to the Town Council a budget for the ensuing fiscal year and an accompanying message. The Manager's message explains the budget both in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the Town 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, summarizes the Town's debt position, and includes such other material as the Manager deems desirable. It also describes the tax impact of the proposed budget.

Hearings are held to obtain public comments. The budget is legally enacted by a council order. The order enacts the total Town and the total School appropriation. In addition, separate orders are adopted for the Community Services Fund, Sewer Fund, Portland Head Light Fund, Spurwink Church Fund, Riverside Cemetery Fund, Rescue Fund and Thomas Jordan Fund. The level of control (level at which expenditures may not exceed budget) is the Department. Once adopted, the budget can only be amended by the Town Council, and then only to the extent that excess revenues over estimated amounts can be used to increase appropriation accounts. All unexpended appropriations lapse at year end unless specific approval is granted to carry forward such amounts.

The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments. The revised budget presented for the General Fund in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund (Statement 6) includes various adjustments as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>
2007-2008 budget as originally adopted	\$ 29,219,469	29,219,469	-
Overlay/abatements	300,919	300,919	-
Utilization of prior year balances:			
Town	(210,000)	-	210,000
School	(250,000)	-	250,000
Community services	(824,236)	(976,236)	(152,000)
Designated carry-forward balances – Town	-	839,696	839,696
Budgetary adjustments:			
Subsequent authorizations and transfers	(66,303)	104,000	170,303
Total adjusted budget	\$ 28,169,849	29,487,848	1,317,999

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the following departments:

Community pool	\$ 17,091
Education – undistributed	82,111

C. Deficit Fund Balance

For the year ended June 30, 2008, the Community Services fund had a \$27,249 deficit fund balance.

CASH DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does have a deposit policy for custodial credit risk that requires that the deposit of funds in institutions be insured by the FDIC. Any funds deposited above the \$100,000 insurance limit must be collateralized by the financial institution, or the excess funds be placed with other financial institutions. As of June 30, 2008, the Town reported deposits of \$8,673,505 with a bank balance of \$9,484,892. \$375,748 of the Town's bank balances were exposed to custodial credit risk as they were not covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 8,495,095
Reported in fiduciary funds	178,410
Total deposits	\$ 8,673,505

B. Investments

At June 30, 2008, the Town had the following investments:

	<u>Fair value</u>
Investment pool	\$ 649,329
Mutual funds	428,917
Total investments	\$ 1,078,246

Investments have been reported as follows:

Reported in governmental funds	\$ 994,246
Reported in fiduciary funds	84,000
Total deposits	\$ 1,078,246

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

CASH DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk: While the District does not have a formal policy with regard to interest rate risk its practice is to invest in liquid investments planned to coincide with the cash needs during the year.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The investment pool limits its investment in any one issuer to the top two ratings reported by nationally recognized statistical organizations. The investment pool, as well as the mutual funds, is not rated.

Custodial Credit Risk - investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Of the Town's \$1,078,246 investments, none was subject to custodial credit risk because it was collateralized by underlying securities held by the related bank, which were in the Town's name.

PROPERTY TAXES

Property taxes for the current year were committed on August 2, 2007 on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. Interest was charged at 12% on all taxes unpaid as of October 3, 2007 and April 3, 2008. Assessed values are periodically established by the Town's Assessor at 82% of assumed market value.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$300,919 for the year ended June 30, 2008.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remained unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAXES, CONTINUED

The following summarizes the 2008 and 2007 levy:

	<u>2008</u>	<u>2007</u>
Assessed valuation:		
Land	\$ 525,720,600	521,786,500
Buildings	780,786,400	769,239,100
Personal property	5,176,600	5,320,414
Total assessed valuation	\$ 1,311,683,600	1,296,346,014
Assessed valuation	1,311,683,600	1,296,346,014
<u>Tax rate (per \$1,000)</u>	<u>16.46</u>	<u>16.16</u>
Commitment	21,590,312	20,948,952
<u>Supplemental taxes assessed</u>	<u>1,852</u>	<u>2,693</u>
Total tax levy	21,592,164	20,951,645
<u>Change in deferred tax revenues</u>	<u>-</u>	<u>(44,300)</u>
Total property tax revenues	21,592,164	20,907,345
Less:		
Collections and abatements	21,435,588	20,699,999
Current year receivables at June 30,		
 2008 and 2007	\$ 156,576	207,346

	<u>2008</u>	<u>2007</u>
Due date(s)	10/3/2007	10/3/06
	4/3/2008	4/3/07
Interest rate on delinquent taxes	12.00%	11.00%
Collection rate	99.27%	99.01%

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 814,611	302,384	-	1,116,995
Construction in progress	740,821	165,433	906,254	-
<u>Total capital assets, not being depreciated</u>	<u>1,555,432</u>	<u>467,817</u>	<u>906,254</u>	<u>1,116,995</u>
Capital assets, being depreciated:				
Land improvements	-	669,581	-	669,581
Buildings and building improvements	38,904,370	-	-	38,904,370
Furniture and equipment	3,414,882	195,235	79,505	3,530,612
Vehicles	4,511,901	374,591	981,914	3,904,578
Infrastructure	14,832,268	236,673	-	15,068,941
<u>Total capital assets being depreciated:</u>	<u>61,663,421</u>	<u>1,476,080</u>	<u>1,061,419</u>	<u>62,078,082</u>
Less accumulated depreciation for:				
Land improvements	-	37,199	-	37,198
Buildings and building improvements	9,626,076	1,126,547	-	10,752,623
Furniture and equipment	2,670,877	160,949	79,505	2,752,321
Vehicles	2,792,265	299,584	833,512	2,258,337
Infrastructure	5,770,279	299,012	-	6,069,291
<u>Total accumulated depreciation</u>	<u>20,859,497</u>	<u>1,923,291</u>	<u>913,017</u>	<u>21,869,771</u>
<u>Total capital assets being depreciated, net</u>	<u>40,803,924</u>	<u>(447,211)</u>	<u>148,402</u>	<u>40,208,311</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 42,359,356</u>	<u>20,606</u>	<u>1,054,656</u>	<u>41,325,306</u>

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

Governmental activities:	
General government	\$ 213,628
Public safety	264,690
Public works, including depreciation of general infrastructure assets	565,492
Education and libraries	860,428
Unclassified	19,053
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,923,291</u>

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND BALANCES

Individual interfund receivables and payables at June 30, 2008, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,212,340
Nonmajor special revenue funds:		
Sewer User Fund	54,075	-
School Categorical Programs	133,484	-
School Lunch Program	-	18,710
Community Services Fund	109,083	-
Fort Williams Park Fund	72,677	-
Rescue Fund	216,303	-
Portland Head Light	293,287	-
Land Acquisition Fund	208,220	-
Turf Field	66,012	-
Infrastructure Improvement	77,909	-
Total nonmajor special revenue funds	1,231,050	18,710
Totals	\$ 1,231,050	1,231,050

With the exception of certain trust funds and permanent funds, all cash of the Town is co-mingled in centralized cash accounts maintained within the General Fund, the practice of which results in the interfund balances listed above.

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2008 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 232,803	227,000
Nonmajor special revenue funds:		
School Categorical Programs	-	66,303
School Lunch Program	61,000	-
Portland Head Light	-	166,500
Community Services Fund	168,000	-
Thomas Jordan Fund	-	16,000
Sewer User Fund	16,128	-
Turf Field	14,000	-
Total nonmajor special revenue funds	259,128	248,803
Nonmajor capital project funds:		
Sewer Rehabilitation	-	16,128
Totals	\$ 491,931	491,931

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND TRANSFERS, CONTINUED

These transfers were budgeted transfers to fund certain activities. The School Lunch Program transfer was a year-end transfer to cover the School Lunch Program deficit.

STATUTORY DEBT LIMIT

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. At June 30, 2008, the Town was in compliance with these limitations.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 25,939,635	2,550,000	2,191,744	26,297,891	2,204,791
Capital leases	276,692	149,100	280,835	144,957	95,216
Accrued compensated absences	1,027,990	-	116,117	911,873	-
Governmental activity long-term liabilities	\$ 27,244,317	2,699,100	2,588,696	27,354,721	2,300,007

LONG-TERM DEBT

Long-term debt payable at June 30, 2008 is comprised of the following:

	<u>Amount of Original issue</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
<u>General obligation notes</u>				
1978 Sewer note	\$ 417,000	5.00%	2009	26,727
<u>General obligation bonds</u>				
1998 Refunding/capital improvements	7,475,000	4.00-4.45%	2015	4,260,000
1999 Capital improvements	5,700,000	4.00-5.70%	2019	3,420,000
2000 Capital improvements	4,100,000	4.00-4.90%	2021	2,560,000
2002 Capital improvements	1,500,000	3.25-5.00%	2022	1,100,000
2004 School Revolving Renovation Fund (1)	800,000	0%	2014	480,000
2004 School Renovation	3,725,000	3.00-4.36%	2024	2,890,000
2006 School Renovation	4,725,000	3.75-4.20%	2025	4,005,000
2006 Clean Water Revolving Fund	3,510,000	1.73%	2026	3,210,664
2006 Sewer bond	1,890,000	1.90%-5.50%	2027	1,795,500
2008 Capital improvements	2,550,000	3.25%-4.13%	2028	2,550,000
Total general obligation bonds				26,271,164
Total				\$ 26,297,891

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

- (1) The original amount of this note was for \$1,000,000, of which \$200,000 has been forgiven by the State. The Town's outstanding portion at June 30, 2008 was \$480,000.

The Town is in compliance with all significant limitations and restrictions contained in the various bond indentures.

The annual requirements to amortize all debt outstanding at June 30, 2008 are as follows. Such amounts exclude overlapping debt requirements, but include School debt requirements to be reimbursed by the State of Maine.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,204,791	1,001,233	3,206,024
2010	2,110,720	927,666	3,038,386
2011	2,058,422	848,890	2,907,312
2012	2,036,172	770,209	2,806,381
2013	2,033,969	691,166	2,725,135
2014-2018	8,063,521	2,355,280	10,418,801
2019-2023	5,536,068	948,304	6,484,372
2024-2027	2,254,228	156,530	2,410,758
<u>Totals</u>	<u>\$ 26,297,891</u>	<u>7,699,278</u>	<u>33,997,169</u>

The State of Maine currently reimburses the Town for a portion of financing costs of school building and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriations by the State Legislature.

CAPITAL LEASES

The Town has entered into five lease agreements as lessee for financing of computers, buses and a electric cart. The lease agreements contain fiscal funding clauses that permit the Town to terminate the agreements on an annual basis if funds are not appropriated. However, these lease agreements qualify as capital leases, and therefore, have been recorded in the Town's Statement of Net Assets at the present value of the future minimum lease payments as of the date of their inception. The following is a summary of equipment leased under capital lease agreements by the Town as of June 30, 2008:

Computer equipment	\$152,405
Buses	136,027
Electric cart	4,000

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2008:

Fiscal year ending June 30,	
2009	\$ 102,586
<u>2010</u>	<u>52,221</u>
Total minimum lease payments	154,807
<u>Less amounts representing interest</u>	<u>9,850</u>
Present value of future minimum	
<u>lease payments</u>	<u>\$ 144,957</u>

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

OPERATING LEASES

The Town has five operating lease agreements for rental of Town-owned buildings and land. Rental income from these operating leases in 2008 was \$49,892.

The following is a schedule of the future minimum rentals on operating leases as of June 30, 2008:

Fiscal year ending	
June 30,	
2009	\$ 49,512
2010	34,503
2011	34,620
2012	29,485
2013	13,975
2014-2018	12,500
2019-2023	12,500
2024-2025	2,500
Total of future rental income	\$ 189,595

OVERLAPPING DEBT AND OTHER CONTINGENCIES

Overlapping Debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's state valuation to the County's state valuation. At June 30, 2008, the Town's share is \$294,166 (4.67%) of Cumberland County's outstanding debt of \$6,295,000.

Portland Water District

The Town is served by the Wastewater Division of the Portland Water District ("PWD"), a wholly separate quasi-municipal entity whose operations are not part of the Town, for treatment of its wastewater. The Town owns and maintains the collector sewer lines and is responsible for the cost of their maintenance, improvements and expansion. The PWD owns and operates a sewer interceptor system, all pumping stations within the Town and a treatment plant in the Town for sewage delivered to the plant by the Town, for which the Town pays a monthly fee.

The Town is responsible for the entire debt service required to finance the PWD's treatment plant at the Thomas Jordan Trust site (the "Wastewater Fund Debt"). All Town users of the wastewater system pay monthly fees, based upon water volume, to support expenditures from the Sewer Fund which are paid for these services. At June 30, 2008, the Town was responsible for \$222,000 of its portion of PWD's Wastewater Fund Debt (or 1.05% of PWD's \$21,167,190 total Wastewater Fund Debt).

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED

Other Contingencies

Portland Water District - The Water Division of the PWD also provides water to the inhabitants of ten cities and towns within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the Town. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (the "Act"), and pursuant to an agreement with nine of the ten PWD Municipals, the exception being the Town of Standish (the "Section 6103 Members"), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the "Water Fund Debt"). In the event of a default by PWD in the payment of the principal of, in interest on, its Water Fund Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each section 6103 Member municipality within the PWD, including the Town. Such assessment is allocated pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at June 30, 2008, the Town was contingently responsible for approximately 7.14%, or \$1,917,125, of the PWD's \$26,840,715 Water Fund Debt.

Ecomaine (formally Regional Waste Systems) - Ecomaine, a Maine corporation with twenty one participating municipalities including the Town of Cape Elizabeth, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of Ecomaine, payable from and secured by a pledge of Ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. Ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to Ecomaine for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2008, outstanding "Incinerator Debt" of Ecomaine totaled \$28,224,000 of which the Town of Cape Elizabeth's share, based on estimated tonnage to be delivered, amounted to \$1,364,298.

The Town has also entered into an agreement with Ecomaine, as one of twenty one Ecomaine Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at Ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2008 the Town's share is \$148,143 of Ecomaine's outstanding MRF debt of \$3,676,000.

Additionally, Ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure costs approximate \$23,195,375 at June 30, 2007 (the most recent data available). The Town's proportionate share of these estimated landfill closure and postclosure costs is 4.80% or \$1,112,740.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

RISK MANAGEMENT, CONTINUED

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2008.

POSTCLOSURE CARE COSTS

Under existing state law, Maine communities have to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town closed its existing landfill during 1998 and the transfer station was modified to handle and transport future materials. The Town has estimated that there will be no significant postclosure care costs.

DESIGNATED/RESERVED FUND BALANCES

Designated Fund Balances

At June 30, 2008 and 2007, portions of the General Fund fund balance were designated to future periods as follows:

	<u>2008</u>	<u>2007</u>
<u>General Fund:</u>		
Town:		
Roadway improvements/sidewalks/drainage	\$ 260,454	286,186
Royles Library	50	50
Planning Board projects	5,924	-
GIS update	6,261	11,821
Public information printing	2,000	-
Fort Williams stonewall repair	7,414	-
Revaluation	19,033	-
B. Chase	46,816	49,656
M.J. Chase	25,177	29,353
Police donation	10,282	17,460
Shore road overlay - local share	-	120,000
Comprehensive planning commission	4,264	4,500
Cruiser replacement	70,000	42,382
Street openings	1,437	-
Library copier	418	-
Debt stabilization	72,043	-
Thomas Memorial Library improvements	-	15,700
Lebensfeld	209	134
Ronald Fritz memorial bench	446	446
Records preservation	4,189	2,765
Spurwink Ave improvements	67,434	208,740
Family fun day	-	5,000
Tree planting	-	15,000
Arts commission	-	2,000
Emergency generator	-	35,000
Voting booths	-	1,100
<u>Total Town</u>	<u>603,851</u>	<u>847,293</u>

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

DESIGNATED/RESERVED FUND BALANCES, CONTINUED

Re-appropriated fund balance:

Education	\$ 250,000	250,000
Town	210,000	210,000
Total reappropriated fund balance	\$ 460,000	460,000

Reserved Fund Balances

Additionally, at June 30, 2008, portions of the General Fund and Special Revenue Funds fund balances have been reserved as follows:

	General Fund	Special Revenue Funds	
		School Lunch Fund	Portland Head Light
Reserved for noncurrent assets:			
Inventory	\$ -	22,132	101,567
Reserved for encumbrances	62,919	-	-
Total reserved fund balance	\$ 62,919	22,132	101,567

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

Maine PERS - District Group

The Town participates in the Maine Public Employees Retirement System. Maine Public Employees Retirement System is a single-employer public employee retirement system established by the Maine State legislature. All Town employees who were previously in the Town's District Group (prior to the Town opting out of the Maine Public Employees Retirement System) are eligible to participate in the system. The Town has elected not to participate in the Maine Public Employees Retirement System Consolidated Plan.

New employees not eligible to participate in the Maine Public Employees Retirement System participate in the Town's ICMA Plan. As of June 30, 2008, the Town had 6 active covered employees, 0 vested inactive employee and 65 vested/retired employees. Covered payroll for the year ended June 30, 2008 was \$ 316,253 of the total combined Town and School payroll of \$16,596,740. Employees are eligible for normal retirement upon attaining age 60 with 10 or more years of service or after completing 25 or more years of creditable service prior to age 60. Vested participants are entitled to a retirement benefit equal to a fraction (2%) of the average final compensation multiplied by the years of membership service (discounted for early retirement). The Town makes employer contributions in accordance with funding requirements determined by Maine PERS' actuary. For the year ended June 30, 2008, the Town contributed a minimum required monthly contribution of \$23, which amounted to \$276 for the year. Covered employees are required to contribute 6.5% of their salary to the Maine Public Employees Retirement System and amounted to \$20,557 for the year ended June 30, 2008.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS), CONTINUED

The amount shown below as "Actuarial Accrued Liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits.

The actuarial accrued liability was computed as part of an actuarial update based on the single actuarial valuation as of June 30, 2007 (the most recent date available). Significant actuarial assumptions used to compute the pension benefit obligations are:

Annual rate of investment return	7.75%
Annual rate of salary increase	4.75%
Annual cost of living increase	3.75%
Average retirement age	60

At June 30, 2007, the date of the latest actuarial report, the total assets in excess of actuarial accrued liability were \$1,236,132 determined as follows:

Actuarial accrued liability:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 4,871,663
Current employees:	
Accumulated employee contributions including investment income	669,679
Employer financed, vested	1,243,550
<u>Employer financed, nonvested</u>	<u>111,181</u>
Total actuarial accrued liability	6,896,073
<u>Market value of net assets available for benefits</u>	<u>8,132,205</u>
 <u>Assets in excess of pension benefit obligation</u>	 <u>\$ 1,236,132</u>

Historical trend information for the Town of Cape Elizabeth public employee retirement system is presented in Table 13.

Teacher Group - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System 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 Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS), CONTINUED

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$1,870,018 (18.71%) for the fiscal year 2008. There is no contribution required by the School except for federally funded teachers, for which the School contributed 18.71% of their compensation. This cost is charged to the applicable grant.

Defined Contribution Plan

The Town offers its regular employees and certain school employees not participating in the Maine Public Employees Retirement System a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate and are vested from the date of employment. The Town matches the employees' contribution to the plan up to 7% of compensation for the plan year. For the year ended June 30, 2008, the Town's and School's contribution to the plan totaled \$265,817.

Deferred Compensation Plan

The Town of Cape Elizabeth offers all its employees not participating in Maine Public Employees Retirement System a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating 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.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

Other

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security (including Medicare) was approximately \$591,696 for the year ended June 30, 2008.

GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Most governmental services are provided by the General Fund including general government, public works, public safety, education, recreation, health and welfare, and assessments from other governmental agencies.

TOWN OF CAPE ELIZABETH, MAINE
General Fund
Comparative Balance Sheets
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 6,078,766	6,441,011
Investments	19,320	34,114
Taxes receivable - current year	156,576	207,346
Taxes receivable - prior years	2,756	2,864
Tax liens	57,150	53,263
Tax acquired property	205	205
Accounts receivable	57,061	131,913
Total assets	\$ 6,371,834	6,870,716
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and refundable deposits	149,339	95,397
Accrued payroll	1,378,422	1,342,229
Taxes collected in advance	4,892	5,860
Deferred tax revenue	99,300	99,300
Interfund loans payable	1,212,340	1,422,242
Total liabilities	2,844,293	2,965,028
Fund balance:		
Reserved:		
Encumbrances - education	62,919	144,710
Unreserved:		
Designated - Town	813,851	1,057,293
Designated - education	250,000	250,000
Undesignated - education	248,946	360,484
Undesignated - Town	2,151,825	2,093,201
Total fund balance	3,527,541	3,905,688
Total liabilities and fund balance	\$ 6,371,834	6,870,716

TOWN OF CAPE ELIZABETH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the year ended June 30, 2008
(with comparative actual amounts for the year ended June 30, 2007)

	2008		Variance	2007
	Revised budget	Actual	positive (negative)	Actual
Revenues:				
Taxes:				
Property taxes	\$ 21,590,312	21,590,312	-	20,948,952
Supplemental taxes	-	1,852	1,852	2,693
Change in deferred taxes	-	-	-	(44,300)
Excise taxes	1,778,500	1,745,840	(32,660)	1,783,788
Interest and costs on taxes	20,500	42,067	21,567	26,875
Total taxes	23,389,312	23,380,071	(9,241)	22,718,008
Licenses and permits:				
Auto registration fees	27,000	25,319	(1,681)	26,143
Building, electrical and plumbing fees	110,000	171,419	61,419	137,325
Town Clerk fees	13,000	12,877	(123)	14,135
Total licenses and permits	150,000	209,615	59,615	177,603
Intergovernmental revenues:				
State Revenue Sharing	680,000	740,197	60,197	702,395
Education - State subsidies	2,836,183	2,836,183	-	2,655,082
State agency clients	30,000	67,975	37,975	37,880
D.O.T. block grant	96,500	94,380	(2,120)	92,948
Homestead revenue	203,794	204,055	261	206,532
Other miscellaneous - State and Federal	21,000	203,844	182,844	180,813
Total intergovernmental revenues	3,867,477	4,146,634	279,157	3,875,650
Investment income:				
Investment earnings	200,000	215,040	15,040	281,058
Total investment income	200,000	215,040	15,040	281,058
Other revenues:				
Rental income	43,000	12,199	(30,801)	17,952
Cable television franchise	64,000	81,741	17,741	72,622
Refuse disposal	50,000	59,881	9,881	48,238
School Department	52,000	53,496	1,496	70,130
Police specials and fees	17,000	21,692	4,692	13,170
Library fines and fees	8,500	7,602	(898)	8,572
Turf Field donations	-	202,912	202,912	635,000
Miscellaneous donations	-	73,209	73,209	9,662
Community pool	254,560	246,610	(7,950)	250,925
Miscellaneous	74,000	83,529	9,529	82,197
Total other revenues	563,060	842,871	279,811	1,208,468
Total revenues	28,169,849	28,794,231	624,382	28,260,787

TOWN OF CAPE ELIZABETH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	2008			2007 Actual
	Revised budget	Actual	Variance positive (negative)	
Expenditures:				
Current:				
General government:				
Administration	\$ 499,695	483,287	16,408	459,256
Assessing	349,249	335,377	13,872	315,726
Town Council	4,100	4,100	-	3,949
Legal and audit	65,000	57,262	7,738	70,869
Elections	12,382	10,666	1,716	9,331
Boards and commissions	21,055	14,446	6,609	10,726
Facilities and property management	171,307	171,000	307	152,832
Town Hall maintenance	25,630	25,577	53	21,515
Total general government	1,148,418	1,101,715	46,703	1,044,204
Public works:				
General public works	995,948	991,211	4,737	892,526
Refuse disposal	833,043	773,633	59,410	816,291
Total public works	1,828,991	1,764,844	64,147	1,708,817
Public safety:				
Fire Department	265,750	256,093	9,657	247,376
Police Department	1,034,280	1,002,293	31,987	914,807
Animal control	11,390	9,690	1,700	9,115
Dispatchers	271,576	260,370	11,206	246,139
WETeam	23,463	15,839	7,624	15,289
Miscellaneous public protection	162,388	157,272	5,116	149,349
Emergency preparedness	2,168	1,676	492	1,735
Town Center Fire Station	16,146	15,326	820	12,356
Cape Cottage Fire Station	6,422	6,204	218	4,670
Police Station	39,050	39,032	18	33,308
Total public safety	1,832,633	1,763,795	68,838	1,634,144
Cultural and parks:				
Library	409,869	408,894	975	391,937
Parks and grounds	341,184	321,246	19,938	291,394
Community pool	399,164	416,255	(17,091)	402,934
Trees	34,272	34,247	25	17,947
Total cultural and parks	1,184,489	1,180,642	3,847	1,104,212
Human services	28,355	25,532	2,823	37,184
Education:				
Elementary School	3,558,724	3,468,404	90,320	3,420,487
Middle School	3,999,966	3,967,653	32,313	3,664,814
High School	4,619,308	4,499,838	119,470	4,491,860
Undistributed	6,606,625	6,688,736	(82,111)	6,441,993
Total education	18,784,623	18,624,631	159,992	18,019,154

TOWN OF CAPE ELIZABETH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	2008		Variance positive (negative)	2007 Actual
	Revised budget	Actual		
Expenditures, continued				
Current, continued:				
Intergovernmental assessments	\$ 956,560	956,430	130	907,928
Unclassified:				
Abatements/overlay	300,919	19,592	281,327	13,103
Insurance	84,500	78,564	5,936	78,507
Employee benefits	864,200	862,781	1,419	782,004
Contributions	15,450	15,377	73	11,709
Cable television	42,850	29,969	12,881	25,849
Grants	-	6,225	(6,225)	119,649
Other	4,500	116,862	(112,362)	151,132
Total unclassified	1,312,419	1,129,370	183,049	1,181,953
Debt service (excluding School Department):	1,141,552	1,141,552	-	1,069,754
Capital improvements:				
Road and sidewalk projects	849,926	970,883	(120,957)	183,901
Cruiser replacement	106,382	32,885	73,497	1,965
Fire vehicle reserve	-	907	(907)	-
Utility tractor replacement	22,000	21,066	934	-
Library improvements	52,900	48,486	4,414	35,967
Computer hardware and software	15,000	12,854	2,146	25,702
Lift	10,000	10,000	-	-
Revaluation	20,000	967	19,033	-
Emergency generator	35,000	35,464	(464)	-
EPA Stormwater	-	-	-	138
Recycling promotion	5,000	2,565	2,435	-
Rental unit repairs	10,000	13,272	(3,272)	91,498
Police radio repairs	4,000	3,654	346	137
Parks mower replacement	79,000	67,125	11,875	15,498
Town Hall building systems	11,500	10,163	1,337	30,582
Fire station roof repair	3,000	3,062	(62)	-
Pick up truck replacement	35,000	34,518	482	33,476
Pool energy management system	-	-	-	121
Tennis court repairs	-	-	-	9,526
Dugouts	-	61,331	(61,331)	4,698
Lightening damage	-	455	(455)	7,967
Bulldozer undercarriage	-	-	-	9,059
Street sweeper replacement	-	-	-	136,939
Pool building maintenance	10,000	8,678	1,322	21,378
Town Hall energy management system	-	-	-	216
Energy management program	-	-	-	35,205
Greenbelt trail work	-	-	-	610
Voting equipment / booths	1,100	1,003	97	-
Lions field	-	883	(883)	-
Alternative energy	-	5,645	(5,645)	-
Hannaford turf field	-	62,013	(62,013)	631,836
Total capital improvements	1,269,808	1,407,879	(138,071)	1,276,419
Total expenditures	29,487,848	29,096,390	391,458	27,983,769
Excess (deficiency) of revenues over (under) expenditures	(1,317,999)	(302,159)	1,015,840	277,018

TOWN OF CAPE ELIZABETH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	2008		Variance positive (negative)	2007 Actual
	Revised budget	Actual		
Other financing sources (uses):				
Transfer to Special Revenue funds	\$ (159,000)	(227,000)	(68,000)	(218,300)
Transfer from Special Revenue funds	66,303	232,803	166,500	65,480
Carryforward balances and subsequent authorizations	950,696	-	(950,696)	-
Utilization of prior year surplus - School	250,000	-	(250,000)	-
Utilization of prior year surplus - Town	210,000	-	(210,000)	-
Total other financing sources (uses)	1,317,999	5,803	(1,312,196)	(152,820)
Net change in fund balance	-	(296,356)	(296,356)	124,198
Reconciliation to GAAP:				
Change in encumbrances		(81,791)		81,577
Fund balance, beginning of year		3,905,688		3,699,913
Fund balance, ending of year	\$	3,527,541		3,905,688

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF CAPE ELIZABETH, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 504,470	-	504,470
Investments	974,926	-	974,926
Accounts receivable			
Accounts (net of allowance for uncollectible of \$7,700)	76,296	-	76,296
Sewer fees receivable (net of allowance for uncollectible of \$4,000)	320,075	-	320,075
Trustee held funds	-	49,434	49,434
Inventory	123,699	-	123,699
Prepaid expenditures	12,652	-	12,652
Interfund loans receivables	1,231,050	-	1,231,050
Total assets	\$ 3,243,168	49,434	3,292,602
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	157,403	-	157,403
Interfund loans payables	18,710	-	18,710
Total liabilities	176,113	-	176,113
Fund balances:			
Reserved for:			
Inventory	123,699	-	123,699
Unreserved, reported in:			
Special revenue fund	2,943,356	-	2,943,356
Capital projects fund	-	49,434	49,434
Total fund balances	3,067,055	49,434	3,116,489
Total liabilities and fund balances	\$ 3,243,168	49,434	3,292,602

TOWN OF CAPE ELIZABETH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues:			
Intergovernmental:			
Federal & State subsidies	\$ 501,945	-	501,945
Federal commodities	19,561	-	19,561
Investment income	72,837	1,818	74,655
Other:			
Building and park rentals and fees	90,500	-	90,500
Sale of cemetery lots	20,500	-	20,500
School lunch	414,687	-	414,687
Community service	847,769	-	847,769
Sewer assessments	1,520,715	-	1,520,715
Lighthouse admissions	38,342	-	38,342
Lighthouse gift shop sales	508,334	-	508,334
Rescue charges	167,778	-	167,778
Miscellaneous	332,034	-	332,034
Total revenues	4,535,002	1,818	4,536,820
Expenditures:			
Current:			
Educational/recreation program	1,649,718	-	1,649,718
School lunch	539,780	-	539,780
Unclassified:			
Fort Williams Park	24,327	-	24,327
Portland Head Light - operations and staff	215,540	-	215,540
Portland Head Light - gift shop costs	270,131	-	270,131
Rescue expenditures	173,935	-	173,935
Maintenance	38,345	-	38,345
Church	8,016	-	8,016
Miscellaneous	90,988	-	90,988
Sewer	1,072,510	-	1,072,510
Capital improvements	44,821	187,389	232,210
Debt service	491,383	-	491,383
Total expenditures	4,619,494	187,389	4,806,883
Excess (deficiency) of revenues over (under) expenditures	(84,492)	(185,571)	(270,063)
Other financing sources (uses):			
Long-term debt issued	-	-	-
Transfer from other funds	259,128	-	259,128
Transfer to other funds	(248,803)	(16,128)	(264,931)
Total other financing sources	10,325	(16,128)	(5,803)
Net change in fund balances	(74,167)	(201,699)	(275,866)
Fund balances, beginning of year	3,141,222	251,133	3,392,355
Fund balances, end of year	\$ 3,067,055	49,434	3,116,489

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are established to account for resources obtained and expended for specific purposes that are restricted by law or administrative actions.

Special revenue funds are established for the following purposes:

School Categorical Programs

This fund accounts for various federal and state programs administered by the School Department.

School Lunch Program

This fund accounts for revenues and expenditures for school lunch purposes.

Sewer User Fund

This fund accounts for monies received from sewer user fees, sewer connection fees and contributions from the General Fund to this fund pursuant to the Town sewer ordinance. The fund also accounts for all sewer related expenditures.

Community Services Fund

This fund accounts for revenues and expenditures of the Community Services Program.

Riverside Capital Improvement - Cemetery Trust Fund

The Riverside Capital Improvement Fund was established in 1993 to account for monies received for the purpose of cemetery expansion and improvement. Fifty percent of funds received for lot sales are recognized as revenues of this fund

Fort Williams Park Fund

Accounts for revenues from Fort Williams Park which are used for the maintenance of the park.

Portland Head Light

The Portland Head Light Fund accounts for the museum at Portland Head Light (a nonprofit 501(c)(3) organization), and the collection of donations and other funds for the Portland Head Light.

Rescue Fund

This fund accounts for revenues from ambulance billings and expenditures related to the Rescue.

Riverside Perpetual Care - Cemetery Trust Fund

The Riverside Memorial Park Trust Fund was established in 1945. The Treasurer of the Town receives and accounts for all funds collected. Disbursements are made in accordance with a budget approved by the Town Council each year.

Library Fund

The Library Fund accounts for various bequests and donations to the Thomas Memorial Library.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, CONTINUED

Police and Fire Fund

The Police and Fire Fund was established to assist police and fire personnel with special needs.

Land Acquisition Fund

The Land Acquisition Fund receives donations, appropriations and the proceeds from the sale of Town property. In 1988, the Town Council voted to establish a policy that the account should recognize interest income on the fund principal, allocated to the account on an annual basis. Funds may be expended only with the authorization of the Town Council.

The Thomas Jordan Trust

The Thomas Jordan Trust accounts for funds received from the Thomas Jordan property and the related investment income, available for benefit of the poor of the Town of Cape Elizabeth.

The Turf Field Fund

This fund is for the eventual replacement of the monofilament surface of Hannaford Field. It was established in 2007 with a \$50,000 capitalization by the Town. The Town Council and School Board announced intentions in 2007 to each budget \$7,000 annually as a contribution to this interest bearing fund.

Infrastructure Improvement Fund

This fund was established in 2007. The revenue from 30% of the building permits in excess of \$2,500 in estimated building value is placed in this account. Expenditures from the fund will be made for improvements to the municipal infrastructure.

Spurwink Church Fund

The Spurwink Church Trust was established on February 14, 1983 by action of the Cape Elizabeth Town Council. The purposes of the Trust are to provide funds for the upkeep, maintenance and general repair of the Spurwink Church, and the premises upon which it is located, to provide funds for approved programs which may be held at the church, and for such other purposes which are not inconsistent with the above purposes and applicable law. Disbursements may be made only upon authorization of the Cape Elizabeth Town Council after receiving recommendation from the Cape Elizabeth Board of Historic Preservation Advisors.

TOWN OF CAPE ELIZABETH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2008

		School Categorical Programs	School Lunch Program	Sewer User Fund	Community Services Fund	Riverside Cemetery Capital Improvements	Ft. Williams Park Fund
ASSETS							
Cash and cash equivalents	\$	-	-	-	-	-	-
Investments		-	-	-	-	53,260	-
Sewer fees receivable (net of allowance for uncollectible of \$4,000)		-	-	320,075	-	-	-
Accounts receivable		49,237	6,266	-	-	-	-
Rescue receivable (net of allowance for uncollectible of \$7,700)		-	-	-	-	-	-
Inventory		-	22,132	-	-	-	-
Prepaid expenditures		-	-	-	12,652	-	-
Interfund loans receivable		133,484	-	54,075	109,083	-	72,677
Total assets	\$	182,721	28,398	374,150	121,735	53,260	72,677
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deferred revenue		-	8,419	-	148,984	-	-
Interfund loans payable		-	18,710	-	-	-	-
Total liabilities		-	27,129	-	148,984	-	-
Fund balances (deficit):							
Reserved:							
Inventory		-	22,132	-	-	-	-
Unreserved:							
Undesignated		182,721	(20,863)	374,150	(27,249)	53,260	72,677
Total fund balances (deficit)		182,721	1,269	374,150	(27,249)	53,260	72,677
Total liabilities and fund balances	\$	182,721	28,398	374,150	121,735	53,260	72,677

TOWN OF CAPE ELIZABETH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet, continued

Portland Head Light	Rescue Fund	Riverside Perpetual Care	Library Fund	Police and Fire	Land Acquisition Fund	Thomas Jordan Fund	Turf Field	Infrastructure Improvement	Spurwink Church Fund	Totals
-	-	-	-	-	-	504,470	-	-	-	504,470
-	-	325,064	124,900	10,682	-	428,918	-	-	32,102	974,926
-	-	-	-	-	-	-	-	-	-	320,075
-	-	-	-	-	-	-	-	-	-	55,503
-	20,793	-	-	-	-	-	-	-	-	20,793
101,567	-	-	-	-	-	-	-	-	-	123,699
-	-	-	-	-	-	-	-	-	-	12,652
293,287	216,303	-	-	-	208,220	-	66,012	77,909	-	1,231,050
394,854	237,096	325,064	124,900	10,682	208,220	933,388	66,012	77,909	32,102	3,243,168
-	-	-	-	-	-	-	-	-	-	157,403
-	-	-	-	-	-	-	-	-	-	18,710
-	-	-	-	-	-	-	-	-	-	176,113
101,567	-	-	-	-	-	-	-	-	-	123,699
293,287	237,096	325,064	124,900	10,682	208,220	933,388	66,012	77,909	32,102	2,943,356
394,854	237,096	325,064	124,900	10,682	208,220	933,388	66,012	77,909	32,102	3,067,055
394,854	237,096	325,064	124,900	10,682	208,220	933,388	66,012	77,909	32,102	3,243,168

TOWN OF CAPE ELIZABETH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	School Categorical Programs	School Lunch Program	Sewer User Fund	Community Services Fund	Riverside Cemetery Capital Improvements	Ft. Williams Park Fund
Revenues:						
Intergovernmental:						
Federal and state subsidies	\$ 457,479	44,466	-	-	-	-
Federal commodities	-	19,561	-	-	-	-
Interest income	-	-	376	-	1,704	-
Other revenue:						
Building and park rentals and fees	-	-	-	-	-	20,425
Sewer assessments	-	-	1,520,715	-	-	-
Sale of cemetery lots	-	-	-	-	10,250	-
School lunch	-	414,687	-	-	-	-
Community services	-	-	-	847,769	-	-
Lighthouse admissions	-	-	-	-	-	-
Lighthouse gift shop sales	-	-	-	-	-	-
Rescue charges	-	-	-	-	-	-
Miscellaneous	275,279	-	4,299	-	-	12,665
Total revenues	732,758	478,714	1,525,390	847,769	11,954	33,090
Expenditures:						
Current:						
Educational/recreation program expenditures	726,017	-	-	923,701	-	-
Church expenditures	-	-	-	-	-	-
School lunch - expenditures	-	539,780	-	-	-	-
Unclassified:						
Fort Williams Park	-	-	-	-	-	24,327
Portland Head Light - operations and staff	-	-	-	-	-	-
Portland Head Light - gift shop costs	-	-	-	-	-	-
Rescue expenditures	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Sewer - Operations and maintenance	-	-	40,756	-	-	-
Sewer- Portland Water District assessments	-	-	1,031,754	-	-	-
Capital improvements:						
Sewer	-	-	44,821	-	-	-
Debt service	-	-	359,183	132,200	-	-
Total expenditures	726,017	539,780	1,476,514	1,055,901	-	24,327
Other financing sources (uses):						
Transfer to other funds	(66,303)	-	-	-	-	-
Transfer from other funds	-	61,000	16,128	168,000	-	-
Total other sources (uses)	(66,303)	61,000	16,128	168,000	-	-
Net change in fund balances	(59,562)	(66)	65,004	(40,132)	11,954	8,763
Fund balances, beginning of year	242,283	1,335	309,146	12,883	41,306	63,914
Fund balances (deficit), end of year	\$ 182,721	1,269	374,150	(27,249)	53,260	72,677

TOWN OF CAPE ELIZABETH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

Portland Head Light	Rescue Fund	Riverside Perpetual Care	Library Fund	Police and Fire	Land Acquisition Fund	Thomas Jordan Fund	Turf Field	Infrastructure Improvement	Spurwink Church Fund	Totals
-	-	-	-	-	-	-	-	-	-	501,945
-	-	-	-	-	-	-	-	-	-	19,561
14,578	-	13,230	4,751	425	7,529	25,503	2,012	1,538	1,191	72,837
-	-	-	-	-	-	-	-	65,070	5,005	90,500
-	-	-	-	-	-	-	-	-	-	1,520,715
-	-	10,250	-	-	-	-	-	-	-	20,500
-	-	-	-	-	-	-	-	-	-	414,687
-	-	-	-	-	-	-	-	-	-	847,769
38,342	-	-	-	-	-	-	-	-	-	38,342
508,334	-	-	-	-	-	-	-	-	-	508,334
-	167,778	-	-	-	-	-	-	-	-	167,778
2,034	-	20,961	5,396	-	6,400	-	-	-	5,000	332,034
563,288	167,778	44,441	10,147	425	13,929	25,503	2,012	66,608	11,196	4,535,002
-	-	-	-	-	-	-	-	-	-	1,649,718
-	-	-	-	-	-	-	-	-	8,016	8,016
-	-	-	-	-	-	-	-	-	-	539,780
-	-	-	-	-	-	-	-	-	-	24,327
215,540	-	-	-	-	-	-	-	-	-	215,540
270,131	-	-	-	-	-	-	-	-	-	270,131
-	173,935	-	-	-	-	-	-	-	-	173,935
-	-	38,345	-	-	-	-	-	-	-	38,345
-	-	-	-	-	33,467	57,521	-	-	-	90,988
-	-	-	-	-	-	-	-	-	-	40,756
-	-	-	-	-	-	-	-	-	-	1,031,754
-	-	-	-	-	-	-	-	-	-	44,821
-	-	-	-	-	-	-	-	-	-	491,383
485,671	173,935	38,345	-	-	33,467	57,521	-	-	8,016	4,619,494
(166,500)	-	-	-	-	-	(16,000)	-	-	-	(248,803)
-	-	-	-	-	-	-	14,000	-	-	259,128
(166,500)	-	-	-	-	-	(16,000)	14,000	-	-	10,325
(88,883)	(6,157)	6,096	10,147	425	(19,538)	(48,018)	16,012	66,608	3,180	(74,167)
483,737	243,253	318,968	114,753	10,257	227,758	981,406	50,000	11,301	28,922	3,141,222
394,854	237,096	325,064	124,900	10,682	208,220	933,388	66,012	77,909	32,102	3,067,055

NONMAJOR GOVERNMENTAL FUND

CAPITAL PROJECT FUNDS

Capital project funds are established to account for resources obtained and expended for the acquisition of major capital facilities other than those employed in the delivery of services accounted for in enterprise funds.

The Town's capital project fund was established for the following purposes:

High School Renovation

The High School Renovation Fund accounts for monies appropriated and expended for a renovation to the High School.

Sewer Rehabilitation

This fund accounts for sewer improvements which were bonded in 2006

TOWN OF CAPE ELIZABETH, MAINE
Nonmajor Capital Project Funds
Combining Balance Sheet
June 30, 2008

	High School Renovation	Sewer Rehabilitation	Total
ASSETS			
Cash and cash equivalents	-	-	-
Trustee held funds	-	49,434	49,434
Total assets	\$ -	49,434	49,434
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	-	49,434	49,434
Total fund balances	-	49,434	49,434
Total liabilities and fund balances	\$ -	49,434	49,434

TOWN OF CAPE ELIZABETH, MAINE
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2008

	High School Renovation	Sewer Rehabilitation	Total
Revenues:			
Interest income	\$ 1,818	-	1,818
Total revenues	1,818	-	1,818
Expenditures:			
Capital outlay	83,969	103,420	187,389
Total expenditures	83,969	103,420	187,389
Other financing sources (uses):			
Long-term debt issued	-	-	-
Transfers to other funds	-	(16,128)	(16,128)
Total other financing sources (uses)	-	(16,128)	(16,128)
Net change in fund balances	(82,151)	(119,548)	(201,699)
Fund balances, beginning of year	82,151	168,982	251,133
Fund balances, end of year	\$ -	49,434	49,434

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

AGENCY FUNDS

TOWN OF CAPE ELIZABETH, MAINE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Private-Purpose
June 30, 2008

	Seaside Cemetery	School Scholarship Trust	Zimpritch Library Trust	Total
ASSETS				
Investments	\$ 465	70,356	13,179	84,000
Total assets	\$ 465	70,356	13,179	84,000
NET ASSETS				
Held in trust	465	70,356	13,179	84,000
Total net assets	\$ 465	70,356	13,179	84,000

TOWN OF CAPE ELIZABETH, MAINE
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private-Purpose
For the year ended June 30, 2008

		Seaside Cemetery	School Scholarship Trust	Zimpritch Library Trust	Total
Additions:					
Interest earned	\$	18	8,895	468	9,381
Donations		-	3,025	2,500	5,525
Total additions		18	11,920	2,968	14,906
Deductions:					
School scholarships		-	7,425	-	7,425
Other		-		1,123	1,123
Total deductions		-	7,425	1,123	8,548
Change in fiduciary net assets		18	4,495	1,845	6,358
Net assets, beginning of year		447	65,861	11,334	77,642
Net assets, end of year	\$	465	70,356	13,179	84,000

TOWN OF CAPE ELIZABETH, MAINE
 Agency Funds
 Statement of Changes in Balances
 For the year ended June 30, 2008

		Balances beginning of year	Net additions/ deductions	Balances end of year
Activity funds:				
High School Student Activities	\$	112,514	(5,682)	106,832
Middle School Student Activities		53,122	1,468	54,590
Pond Cove Student Activities		13,602	3,386	16,988
Total	\$	179,238	(828)	178,410

TOWN OF CAPE ELIZABETH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2008

For the year ended June 30, 2008										
	Interest rate	Final maturity date	Annual principal payments	Amounts authorized	Amount issued	Retired previous years	Balance beginning of year	Current Year		Balance end of year
								Issued	Retired	
General obligation notes:										
1978 Sewer note	5.00%	2008	Var.	\$ 1,692,000	1,692,000	1,585,677	106,323	-	106,323	-
1978 Sewer note	5.00%	2009	Var.	417,000	417,000	365,303	51,697	-	24,970	26,727
Total general obligation notes				2,109,000	2,109,000	1,950,980	158,020	-	131,293	26,727
General obligation bonds:										
1998 Refunding/capital improvement bonds	4.00-4.45%	2015	Var.	7,475,000	7,475,000	2,510,000	4,965,000	-	705,000	4,260,000
1999 Capital Improvement bonds	4.00-5.70%	2019	Var.	5,700,000	5,700,000	1,995,000	3,705,000	-	285,000	3,420,000
2000 Capital Improvement bonds	4.00-4.90%	2021	Var.	4,100,000	4,100,000	1,320,000	2,780,000	-	220,000	2,560,000
2002 Capital Improvement bonds	3.25-5.00%	2022	Var.	1,500,000	1,500,000	320,000	1,180,000	-	80,000	1,100,000
2004 School Revolving Renovation Fund bond	0%	2014	Var.	800,000	(1)	240,000	560,000	-	80,000	480,000
2004 School Renovation bond	3.00-4.36%	2024	Var.	3,725,000	3,725,000	630,000	3,095,000	-	205,000	2,890,000
2006 Clean Water Revolving Loan Fund	1.73%	2026	Var.	3,510,000	3,510,000	148,385	3,361,615	-	150,951	3,210,664
2006 Sewer bond	1.90%-5.50%	2027	Var.	1,890,000	1,890,000	-	1,890,000	-	94,500	1,795,500
2006 School Renovation Bond	3.75-4.20%	2025	Var.	4,725,000	4,725,000	480,000	4,245,000	-	240,000	4,005,000
2008 Capital Improvement bonds	3.25%-4.3%	2028	Var.	2,550,000	2,550,000	-	-	2,550,000	-	2,550,000
Total general obligation bonds				35,975,000	35,975,000	7,643,385	25,781,615	2,550,000	2,060,451	26,271,164
				\$ 38,084,000	38,084,000	9,594,365	25,939,635	2,550,000	2,191,744	26,297,891

(1) The original amount of this note was for \$1,000,000, of which \$200,000 has been forgiven by the State. The Town's outstanding portion at June 30, 2008 was \$480,000.

SCHEDULES

TOWN OF CAPE ELIZABETH, MAINE
School Department - General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the year ended June 30, 2008
(with comparative actual amount for the year ended June 30, 2007)

		2008			
		Budget	Actual	Variance positive (negative)	2007 Actual
Revenues:					
State education subsidy--school	\$	2,836,183	2,836,183	-	2,655,082
Miscellaneous		82,000	121,470	39,470	108,011
Total revenues		2,918,183	2,957,653	39,470	2,763,093
Expenditures:					
Elementary school:					
Instruction		2,545,495	2,461,179	84,316	2,492,838
Guidance		93,844	93,684	160	89,136
Library and media		121,885	122,260	(375)	114,904
Improvement of instruction		32,162	27,776	4,386	26,926
Computer lab		30,127	30,020	107	21,296
Office of principal		244,987	213,090	31,897	213,331
Special education		490,224	520,395	(30,171)	445,256
Co-curricular		-	-	-	16,800
Total elementary school		3,558,724	3,468,404	90,320	3,420,487
Middle school:					
Instruction		2,654,756	2,635,469	19,287	2,460,972
Guidance		171,207	165,111	6,096	194,185
Library and media		101,918	95,416	6,502	94,378
Computer lab		69,287	63,274	6,013	44,830
Improvement of instruction		26,912	26,897	15	25,459
Office of the principal		334,249	319,758	14,491	292,991
Special education		614,590	643,199	(28,609)	503,131
Co-curricular		27,047	18,529	8,518	48,868
Total middle school		3,999,966	3,967,653	32,313	3,664,814
High school:					
Instruction		3,324,932	3,239,062	85,870	3,202,652
Guidance		266,709	262,195	4,514	254,628
Library and media		167,457	166,703	754	162,558
Computer lab		33,453	18,476	14,977	25,083
Improvement of instruction		26,732	23,694	3,038	29,259
Office of principal		339,704	327,993	11,711	318,116
Special education		371,927	369,031	2,896	387,364
Co-curricular		88,394	92,684	(4,290)	112,200
Total high school		4,619,308	4,499,838	119,470	4,491,860

TOWN OF CAPE ELIZABETH, MAINE
School Department - General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis, Continued

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures, continued:				
Undistributed:				
Office of the Superintendent	\$ 584,099	607,496	(23,397)	555,172
System-wide athletics	465,164	473,150	(7,986)	441,792
Facilities management	1,655,405	1,726,053	(70,648)	1,677,040
System support account	292,803	226,318	66,485	217,887
Volunteer services	23,559	23,543	16	22,664
Health services	216,237	214,614	1,623	200,800
Student transportation	584,768	636,417	(51,649)	572,046
District-wide special education	695,983	714,562	(18,579)	634,505
District-wide computers	457,119	446,350	10,769	449,854
Uncommitted balance	11,255	-	11,255	-
Debt service	1,620,233	1,620,233	-	1,670,233
Total undistributed	6,606,625	6,688,736	(82,111)	6,441,993
Total expenditures	18,784,623	18,624,631	159,992	18,019,154
Other financing sources (uses):				
Town appropriation	15,557,137	15,557,137	-	15,176,732
Transfer from Medicaid	66,303	66,303	-	65,480
Transfer to School Lunch Program	-	(61,000)	(61,000)	(16,300)
Transfer to Turf Field fund	(7,000)	(7,000)	-	-
Budgeted use of surplus	250,000	-	(250,000)	-
Total other financing sources (uses)	15,866,440	15,555,440	(311,000)	15,225,912
Net change in fund balance	-	(111,538)	(111,538)	(30,149)
Fund balance, beginning of year (budgetary)		610,484		640,633
Fund balance, end of year (budgetary)		498,946		610,484
Reconciliation to GAAP:				
Add back encumbrances		62,919		144,710
Fund balance, end of year (GAAP)		561,865		755,194
Reserve for encumbrances		(62,919)		(144,710)
Reappropriated to subsequent year budget		(250,000)		(250,000)
Undesignated school fund balance, end of year	\$	248,946		360,484

TOWN OF CAPE ELIZABETH, MAINE
Community Services - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the year ended June 30, 2008
(with comparative actual amount for the year ended June 30, 2007)

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues:				
State receipts--adult education	\$ 35,408	29,684	(5,724)	35,409
Adult and community education	88,000	87,077	(923)	91,804
Summer program	235,880	223,795	(12,085)	218,387
Adult gym	4,000	4,385	385	2,883
Prepaid Summer program	104,730	166,809	62,079	149,955
Senior citizens and adult trips	5,500	45,692	40,192	39,581
After school adventure	68,000	50,173	(17,827)	66,051
Extended school care	211,710	194,632	(17,078)	208,495
Rental of facilities	44,420	45,522	1,102	68,879
Total revenues	797,648	847,769	50,121	881,444
Other financing sources:				
Transfer from Thomas Jordan Fund	16,000	16,000	-	28,000
Use of designated fund balance	10,588	-	(10,588)	-
Town appropriation	152,000	152,000	-	152,000
Total revenues and other financing sources	976,236	1,015,769	39,533	1,061,444
Expenditures:				
Administration	164,258	169,240	(4,982)	141,500
Adult education	213,067	202,485	10,582	218,595
Summer program	203,365	192,237	11,128	218,437
Other programs	137,312	179,863	(42,551)	187,130
Facilities maintenance	13,000	32,132	(19,132)	36,934
Extended school care	105,584	106,172	(588)	85,733
Debt service	132,200	132,200	-	134,800
Senior citizens	7,450	41,572	(34,122)	38,852
Total expenditures	976,236	1,055,901	(79,665)	1,061,981
Net change in fund balance	-	(40,132)	(40,132)	(537)
Fund balance, beginning of year		12,883		13,420
Fund balance, end of year	\$	(27,249)		12,883

TOWN OF CAPE ELIZABETH, MAINE
School Department Special Revenue Funds
School Categorical Programs
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	Fund balances beginning of year	Program revenues	Program expenditures	Fund balances end of year
Title IA (Chapter I)	\$ -	47,268	46,868	400
Title II D	-	691	691	-
Title II A	-	49,237	49,237	-
Title V	-	2,926	-	2,926
Title IV (Drug Free Schools)	-	5,270	5,074	196
Local Entitlement	21,223	350,007	370,563	667
Pre-School Grant	-	2,080	2,077	3
Administrative Recertification	550	8,200	7,984	766
State Medicaid	143,507	58,960	66,303	136,164
Cape Coalition	1,110	25	-	1,135
Learning Results	23,539	-	23,539	-
Escapade Program	771	6,208	5,632	1,347
PCPA Grant	199	-	199	-
Kevin Brady Memorial Fund	6,138	716	-	6,854
Laptop Maintenance	1,798	13,595	13,155	2,238
Arts Commission Grant	516	-	-	516
Lions Club	964	-	964	-
Rotary Grant	2,500	-	755	1,745
Homeland Security Grant	-	750	750	-
School gate receipts	-	21,796	21,556	240
School Lunch Grant	-	2,923	2,873	50
C.E. Education Foundation	39,468	162,106	174,099	27,475
Total	\$ 242,283	732,758	792,319	182,722

STATISTICAL INFORMATION

The following statistical tables are provided to give a historical perspective and to assist in assessing the current financial status of the Town. The tables do not provide full financial information for prior years and are provided for supplementary analysis purposes only.

Table 1

TOWN OF CAPE ELIZABETH, MAINE
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal year	General government	Public safety	Public works	Human services	Cultural and parks	Education	School Lunch	Inter-governmental assessments	Unclassified	Sewer	Capital maintenance expenses	Interest on Long-term debt	Total
2008	\$ 977,400	1,948,994	2,049,562	25,532	1,178,081	21,568,634	539,780	956,430	1,969,705	1,072,510	2,105,450	521,619	34,913,697
2007	1,285,025	1,836,578	1,577,438	37,184	1,104,212	20,586,488	509,629	907,928	1,859,966	1,046,395	708,414	574,772	32,034,029
2006	1,215,395	1,413,509	1,198,183	25,833	1,005,198	19,921,496	540,263	908,923	1,609,494	1,044,147	526,803	712,276	30,121,520
2005	1,199,990	1,456,877	1,722,222	24,251	955,527	18,524,705	556,757	876,464	1,973,055	1,046,826	1,111,066	580,196	30,027,936
2004	1,213,750	1,625,315	1,308,371	33,470	937,103	17,479,621	560,492	833,973	1,658,965	1,049,399	1,125,483	564,860	28,390,802
2003	934,437	1,498,615	1,394,954	29,491	939,856	16,883,415	553,385	782,596	1,470,019	1,028,988	1,265,835	560,363	27,341,954

Only six years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

TOWN OF CAPE ELIZABETH, MAINE
Government-wide Revenues
Last Ten Fiscal Years

Fiscal year	Program Revenues			General Revenues				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Grants and Contributions not Restricted to Specific Programs				
				Taxes	Unrestricted Investment Earnings	Miscellaneous	Total	
2008	\$ 4,539,555	5,390,062	202,912	23,380,071	1,148,096	296,566	102,276	35,059,538
2007	4,329,199	5,251,083	1,320,882	22,762,308	1,089,740	468,693	182,433	35,404,338
2006	4,320,831	4,682,643	41,684	22,168,265	1,170,205	219,501	322,800	32,925,929
2005	4,385,977	4,278,248	245,107	21,352,762	1,069,133	80,731	651,615	32,063,573
2004	3,957,043	4,108,658	-	19,746,018	912,694	124,776	292,654	29,141,843
2003	3,994,860	4,305,020	-	18,288,645	1,119,838	85,448	191,444	27,985,255

Only six years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

TOWN OF CAPE ELIZABETH, MAINE
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal year	General government	Public safety	Public works	Cultural and Parks	Human services	Education	Intergovernmental	Debt service (2)	Capital improvements	Other expenditures and transfers	Total
2008	\$ 1,101,715	1,763,795	1,764,844	1,180,642	25,532	18,624,631	956,430	1,141,552	1,407,879	1,356,370	29,323,390
2007	1,044,204	1,634,144	1,708,817	1,104,212	37,184	18,019,154	907,928	1,069,754	1,276,419	1,400,253	28,202,069
2006	1,001,864	1,555,527	1,617,744	1,007,748	25,833	17,384,139	908,923	1,041,047	565,427	1,051,217	26,159,469
2005	978,190	1,510,851	1,632,315	955,867	24,251	16,265,351	876,464	1,117,157	952,293	1,145,370	25,458,109
2004	921,003	1,479,148	1,368,989	943,217	33,470	15,095,013	833,973	1,117,653	1,017,485	1,084,398	23,894,349
2003	905,843	1,431,047	1,277,245	939,856	29,491	14,568,738	782,596	1,136,554	1,124,596	872,641	23,068,607
2002	872,797	1,378,508	1,221,467	925,205	24,535	13,839,381	648,229	1,313,744	1,148,189	834,146	22,206,201
2001	936,330	1,455,918	1,390,871	885,747	30,070	13,388,819	578,944	907,929	1,795,393	272,157	21,642,178
2000	873,766	1,442,981	1,179,784	754,854	26,515	12,762,496	541,240	490,267	1,492,538	612,903	20,177,344
1999	786,958	1,360,838	1,200,775	516,800	26,830	12,647,236	574,949	280,908	1,465,535	482,906	19,343,735

(1) General Fund expenditures only.

(2) Debt service does not include debt service expenditures for Education related issues, which are included in education

Table 4

TOWN OF CAPE ELIZABETH, MAINE
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal year		Property Taxes	Other taxes	Licenses and permits	Intergovernmental	Investment income	Other Revenues	Transfers and other financing sources	Total
2008	\$	21,592,164	1,787,907	209,615	4,146,634	215,040	842,871	232,803	29,027,034
2007		20,907,345	1,810,663	177,603	3,875,650	281,058	1,208,468	65,480	28,326,267
2006		20,325,648	1,842,617	200,246	3,506,598	178,700	605,493	66,224	26,725,526
2005		19,569,130	1,776,632	207,022	3,055,218	61,273	988,926	240,244	25,898,445
2004		18,011,051	1,750,967	219,503	2,863,105	32,602	624,379	283,286	23,784,893
2003		16,642,609	1,679,036	146,359	3,290,676	66,489	473,944	291,509	22,590,622
2002		15,467,166	1,648,851	145,049	3,786,882	118,240	598,707	206,191	21,971,086
2001		14,325,903	1,552,834	134,233	3,972,752	294,094	440,900	860,000	21,580,716
2000		13,680,235	1,564,848	127,692	4,274,623	232,719	406,886	161,026	20,448,029
1999		13,225,468	1,434,733	112,520	3,845,754	251,431	194,448	885,000	19,949,354

Table 5

TOWN OF CAPE ELIZABETH, MAINE
Property Tax Rates - All Direct and Overlapping
Last Ten Fiscal Years

Fiscal year end	Direct			Overlapping County	Total tax rate
	Town	School	Community service		
2008	\$ 3.84	11.79	0.12	0.71	16.46
2007	3.78	11.58	0.12	0.68	16.16
2006	3.59	11.53	0.12	0.68	15.92
2005	3.32	11.25	0.10	0.67	15.34
2004	3.15	10.32	0.08	0.65	14.20
2003	4.86	16.65	0.10	1.03	22.64
2002	4.75	15.98	0.10	0.87	21.70
2001	4.47	14.96	0.09	0.78	20.30
2000	4.50	14.52	0.09	0.75	19.86
1999	4.20	14.60	0.11	0.81	19.72

Table 6

TOWN OF CAPE ELIZABETH, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year		Current year's tax levy	Current year's end collections	Percent of current levy collected	Current year collections of prior year taxes	Total collections	Tax collections as percent of each year's levy
2008		21,592,439	21,435,863	99.27%	197,367	21,633,230	100.19%
2007	\$	20,907,615	20,700,615	99.01%	102,547	20,803,162	99.50%
2006		20,325,647	20,203,369	99.40%	93,925	20,297,294	99.86%
2005		19,576,130	19,494,446	99.58%	90,516	19,584,962	100.05%
2004		18,011,051	17,934,733	99.58%	112,990	18,047,723	100.20%
2003		16,609,609	16,518,039	99.45%	118,316	16,636,355	100.16%
2002		15,508,154	15,389,990	99.24%	128,227	15,518,217	100.06%
2001		14,271,903	14,169,103	99.28%	123,591	14,292,694	100.15%
2000		13,626,235	13,517,982	99.21%	153,938	13,671,920	100.34%
1999		13,219,168	13,083,417	98.97%	167,812	13,251,229	100.24%

Table 7

TOWN OF CAPE ELIZABETH, MAINE
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal year	Real estate assessed value	Personal property assessed value	Total		Ratio of total assessed value to total estimated actual value
			Assessed value	Estimated actual value (1)	
2008	\$ 1,306,507,000	5,176,600	1,311,683,600	1,942,000,000	67.54%
2007	1,291,025,600	5,320,414	1,296,346,014	1,756,550,000	73.80%
2006	1,270,558,500	6,097,800	1,276,656,300	1,580,600,000	80.77%
2005	1,270,176,100	5,859,700	1,276,035,800	1,424,950,000	89.55%
2004 (2)	1,260,569,600	5,735,700	1,266,305,300	1,217,450,000	104.01%
2003	728,597,450	4,382,500	732,979,950	1,053,800,000	69.56%
2002	710,072,550	4,265,900	714,338,450	918,150,000	77.80%
2001	696,220,800	3,335,700	699,556,500	814,150,000	85.92%
2000	682,986,600	2,489,300	685,475,900	749,750,000	91.43%
1999	684,905,590	2,455,300	687,360,890	716,600,000	95.92%

(1) Estimated actual valuation amounts are the state equalized values published by the Maine Bureau of Property Taxation

(2) Revaluation

TOWN OF CAPE ELIZABETH, MAINE
Principal Taxpayers
Year ended June 30, 2008

Name	Type of business	Assessed valuation	% of total tax commitment
Sprague Corporation	Land and Residential	\$ 13,558,700	1.03%
Haffenreffer IV, R.F	Land and Residential	6,324,500	0.48%
Health Care Property Investors, Inc	Nursing Care Facility	5,807,400	0.44%
Cape Elizabeth Senior Living LLC	Nursing Care Facility	5,393,800	0.41%
HMH Limited Partnership (Inn By the Sea)	Hotel	5,076,200	0.39%
Rams Head Partners LLC	Land and Residential	4,579,900	0.35%
Cutler, Eliot, Stewart Cutler, Melanie	Private Residence	4,057,200	0.31%
Tucker, Carolyn	Land and Residential	4,007,000	0.31%
Purpoodock Club	Golf Course	3,276,600	0.25%
McGinn, Suzanne, Zeb Cove Realty Trust	Land and Residential	3,137,600	0.24%

Table 9

TOWN OF CAPE ELIZABETH, MAINE
Computation of Legal Debt Margin
Year ended June 30, 2008

Total estimated actual valuation by State				\$	<u>1,942,000,000</u>
Legal debt margin:					
Debt limitation - 15% of estimated actual valuation					291,300,000
Debt applicable to debt limitation:					
	Municipal	7.5%	145,650,000	9,288,800	
	School	10.0%	194,200,000	11,976,200	
	Storm and sanitary sewers	7.5%	145,650,000	5,032,891	
	Airport, water and special districts	3.0%	58,260,000	-	
	Total	28.0%	543,760,000	26,297,891	
Total bonded debt applicable to debt limit					26,297,891
Legal debt margin				\$	<u>265,002,109</u>

NOTE: Statutory debt limit is in accordance with 30 MRSA, Section 5061, as amended.

TOWN OF CAPE ELIZABETH, 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	Population (1)	Assessed value (2)	Net bonded debt (3)	Ratio of net bonded debt to assessed value	Net bonded debt per capita
2008	9,068	\$ 1,311,683,600	26,297,891	2.00%	2,900
2007	9,068	1,296,346,014	25,939,635	2.00%	2,861
2006	9,068	1,276,656,300	28,139,873	2.20%	3,103
2005	9,068	1,276,035,800	20,095,675	1.57%	2,216
2004	9,068	1,266,305,300	17,499,962	1.38%	1,930
2003	9,068	732,979,950	19,128,328	2.61%	2,109
2002	9,068	714,338,450	20,827,289	2.92%	2,297
2001	9,068	699,556,500	21,074,742	3.01%	2,324
2000	8,854	685,475,900	18,534,269	2.70%	2,093
1999	8,854	687,360,890	14,160,303	2.06%	1,599

(1) U. S. Bureau of the Census, Greater Portland Council of Governments.

(2) Amount from Table 7.

(3) Excludes capital leases

Table 11

TOWN OF CAPE ELIZABETH, MAINE
Ratio of Annual Debt Service Expenditures
for General Obligation Bonded Debt
to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal year		Municipal debt service(1)	School debt service	Total service - bonded debt	Total general governmental expenditures	Ratio of debt service to general governmental expenditures
2008	\$	1,141,552	1,620,233	2,761,785	29,323,390	9.42%
2007		1,069,754	1,670,233	2,739,987	28,202,069	9.72%
2006		1,041,047	1,659,191	2,700,238	26,159,469	10.32%
2005		1,117,157	1,287,460	2,404,617	25,458,109	9.45%
2004		1,117,653	934,184	2,051,837	23,656,290	8.67%
2003		1,136,554	1,049,901	2,186,455	23,068,607	9.48%
2002		1,319,282	1,062,703	2,381,985	22,206,201	10.73%
2001		907,929	1,137,064	2,044,993	21,642,178	9.45%
2000		490,267	1,234,897	1,725,164	20,177,344	8.55%
1999		280,908	1,195,883	1,476,791	19,209,662	7.69%

(1) Excludes sewer user debt paid in special revenue funds

TOWN OF CAPE ELIZABETH, MAINE
Computation of Direct, Overlapping and Contingent Debt
Year ended June 30, 2008

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to government	Amount applicable to government
Direct:			
Town of Cape Elizabeth bonds and notes	\$ 26,297,891	100.00%	26,297,891
Overlapping debt:			
Cumberland County	6,295,000	4.67%	294,166
Portland Water District -- sewer debt	21,167,190	1.05%	222,000
Contingent debt:			
Portland Water District -- water debt	26,840,715	7.14%	1,917,125
Regional Waste Systems, Inc.:			
Resource recovery system	28,224,000	4.83%	1,364,298
Materials recovery facility	3,676,000	4.03%	148,143
Landfill closure	23,195,375	4.80%	1,112,740

TOWN OF CAPE ELIZABETH, MAINE
Maine Public Employees Retirement System - Local District
Analysis of Funding Progress
Last Ten Fiscal Years

Fiscal year		(1)	(2)	(3)		(4)	Unfunded	(5)
		Net Assets available benefits (a) (000's)	Pension benefit obligation (000's)	Percentage funded (1)/(2)	Unfunded pension benefit obligation (2)-(1) (000's)	Annual covered payroll (000's)	pension benefit obligation as a percentage of payroll (3)/(4)	Town's contribution percentage
2007	\$	8,132	6,896	117.92%	-	318	0.00%	0.00%
2006		7,454	6,698	111.29%	-	318	0.00%	0.00%
2005		7,391	6,679	110.66%	-	324	0.00%	0.00%
2004		7,012	6,569	106.74%	-	354	0.00%	0.00%
2003		6,425	6,467	99.35%	-	325	0.00%	0.00%
2002		6,553	6,553	100.00%	-	362	0.00%	0.00%
2001		7,525	6,977	107.85%	-	395	0.00%	0.00%
2000		8,590	6,665	128.88%	-	438	0.00%	0.00%
1999		8,170	6,135	133.17%	-	470	0.00%	0.00%
1998		7,692	6,044	127.27%	-	460	0.00%	3.10%

Analysis of the dollar amounts of net assets available for benefits, pension obligation and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage funded, the stronger the retirement system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the unfunded pension benefit obligation as a percentage of payroll, the stronger the retirement system.

** Data presented is based upon the actuarial valuation performed.

(a) At market.