



**MOORS & CABOT**  
INVESTMENTS

*Banking & Advisory Group*

NEW ISSUE

Moody's: Aa1  
S&P: AA+

In the opinion of Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds will be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that the interest paid on the Bonds is exempt from income tax imposed upon individuals by the State of Maine (the "State") under existing statutes, regulations and court decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

**TOWN OF CAPE ELIZABETH, MAINE**  
**\$2,110,000**  
**2011 GENERAL OBLIGATION BONDS**

**Dated: July 15, 2011**

**Due: April 15, as shown below**

<u>April 15,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>April 15,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2012	\$225,000	2.00%	0.40	2017	\$200,000	2.00%	1.60
2013	225,000	2.00	0.55	2018	200,000	2.00	1.90
2014	220,000	2.00	0.75	2019	200,000	2.20	100
2015	220,000	2.00	1.00	2020	200,000	2.40	100
2016	220,000	2.00	1.35	2021	200,000	2.70	100

The Bonds will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on October 15, 2011, and semi-annually on each April 15 and October 15 thereafter until maturity.

The legal opinion of Pierce Atwood LLP of Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the Town of Cape Elizabeth, Maine and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. See "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein. The Treasurer has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The Town has not established any tax increment financing districts. Within the limits established by statute, the Town has the right to designate development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DISTRICTS" herein. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

The Bonds are not subject to optional redemption prior to their stated dates of maturity.

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about July 28, 2011.

**UMB Bank, N.A.**

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Issuer since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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**CERTIFICATE  
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the Town of Cape Elizabeth, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by Moors & Cabot, Inc. or by Pierce Atwood LLP, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Treasurer, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Treasurer and furnished at the closing.

This Official Statement is in a form "deemed final" by the issuer for purposes of Securities and Exchange Commission's Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Michael K. McGovern  
Treasurer  
Town of Cape Elizabeth, Maine

**OFFICIAL STATEMENT  
TOWN OF CAPE ELIZABETH, MAINE  
\$2,110,000  
2011 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Cape Elizabeth, Maine (the "Town" or "Cape Elizabeth") in connection with the sale of its 2011 General Obligation Bonds (the "Bonds" or the "2011 Bonds").

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York ("DTC"). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated July 15, 2011 and will bear interest, payable on October 15, 2011, and semi-annually thereafter on April 15 and October 15 of each year until maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>April 15,</u>	<u>CUSIP</u>
\$225,000	2012	139375KA6
225,000	2013	139375KB4
220,000	2014	139375KC2
220,000	2015	139375KD0
220,000	2016	139375KE8
200,000	2017	139375KF5
200,000	2018	139375KG3
200,000	2019	139375KH1
200,000	2020	139375KJ7
200,000	2021	139375KK4

The Bonds are not subject to optional redemption prior to their stated dates of maturity. It is expected that the Bonds will be available for delivery at DTC on or about July 28, 2011.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as paying agent (the "Paying Agent"). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

**RECORD DATE; PAYMENT**

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the last day of the month preceding each interest payment date for the Bonds occurs, and if such day is not a

regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest which is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

**AUTHORIZATION AND PURPOSE**

**Authorization**

The authority to issue the Bonds is granted under Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and Article II, Sections 3(7) & 3(8) of the Town's Charter (the "Charter"). On June 13, 2011, the Town Council authorized the issuance of \$1,910,000 of General Obligation Refunding Bonds to refund certain 2001 General Obligation Bonds of the Town which were issued for various capital projects and \$200,000 of General Obligation Bonds for the acquisition of land in the Town for open space. The original amount of the 2001 bonds and the amount being refunded for each of such capital projects is as follows:

<u>Project</u>	<u>Item #</u>	<u>Date of Reading</u>		<u>Amount</u>	
		<u>Initial</u>	<u>Confirming</u>	<u>Original Auth &amp; Issued<sup>(1)</sup></u>	<u>Financed by the 2011 Bonds</u>
Public Safety Buildings	100-2011	Nov 27, 2000	June 13, 2011	\$3,240,000	\$1,600,000
Community Center	100-2011	Nov 27, 2000	June 13, 2011	560,000	260,000
Land Acquisition	100-2011	Nov 27, 2000	June 13, 2011	150,000	50,000
Land Acquisition <sup>(2)</sup>	101-2011	June 13, 2011	-	-	<u>200,000</u>
					\$2,110,000

NOTE: <sup>(1)</sup> These projects comprise portions of the 2001 Bonds, as defined herein.

<sup>(2)</sup> The "2011 Land Acquisition".

In the event that any proceeds of the Bonds remain unspent upon completion of the 2011 Land Acquisition; or the Town abandons the acquisition, the Town reserves the right to reallocate unspent proceeds to the costs of other qualified projects approved, or to be approved, by the Town Council, or to apply unspent proceeds to the payment of interest on the Bonds.

**THE 2001 BONDS**

The Town issued \$4,100,000 2001 Bonds, dated February 1, 2001 (the "2001 Bonds"). The 2001 Bonds maturing after April 15, 2011 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after April 15, 2011 at any time at the redemption price of 101% (declining to 100% on and after April 15, 2012). The Town intends to use a portion of the proceeds of the 2011 Bonds, plus bid premium if any, to refund the \$1,910,000 remaining principal balance of the 2001 Bonds (the "2001 Refunded Bonds") on a current basis approximately 30 days following the settlement date of the 2011 Bonds. To the extent available, bid premium will be used to pay for costs of issuance, including call premium; and any residual bid premium not used for costs of issuance will be used to reduce principal or pay interest on the 2001 Bonds accrued and unpaid to the redemption date.

The following identifies certain information regarding the remaining 2001 Bonds:

**The 2001 Refunded Bonds**

<u>Amount</u>	<u>Maturity</u>	<u>Coupon</u>	<u>CUSIP</u>
\$200,000	2012	4.50%	139375EX3
200,000	2013	4.50	139375EY1
195,000	2014	4.75	139375EZ8
195,000	2015	4.75	139375FA2
195,000	2016	4.75	139375FB0
185,000	2017	4.75	139375FC8
185,000	2018	4.75	139375FD6
185,000	2019	4.75	139375FE4
185,000	2020	4.90	139375FF1
185,000	2021	4.90	139375FG9
<u>\$1,910,000</u>			

The Town achieved an Absolute Savings of \$231,107.44; a Present Value savings of \$209,716.77; or a 10.9799% PV savings. The savings is net of (a) use of bid premium, in the amount of \$19,201; and (b) applying a portion of the fiscal year 2011/2012 savings, in the amount of \$26,584 for (i) payment of the \$19,100 call premium and (ii) \$26,685 costs of issuance.

**AMORTIZATION OF THE BONDS**

<b>April 15,</b>	<b>The 2001 Refunded Bonds</b>				<b>2011</b>	<b>2011</b>
	<b>Public Safety</b>	<b>Community Center</b>	<b>Land Acquisition</b>	<b>2001 Bonds</b>	<b>Land Acquisition</b>	<b>Bonds</b>
<b>2012</b>	\$165,000	\$30,000	\$10,000	\$205,000	\$20,000	<b>\$225,000</b>
<b>2013</b>	165,000	30,000	10,000	205,000	20,000	<b>225,000</b>
<b>2014</b>	165,000	25,000	10,000	200,000	20,000	<b>220,000</b>
<b>2015</b>	165,000	25,000	10,000	200,000	20,000	<b>220,000</b>
<b>2016</b>	165,000	25,000	10,000	200,000	20,000	<b>220,000</b>
<b>2017</b>	155,000	25,000		180,000	20,000	<b>200,000</b>
<b>2018</b>	155,000	25,000		180,000	20,000	<b>200,000</b>
<b>2019</b>	155,000	25,000		180,000	20,000	<b>200,000</b>
<b>2020</b>	155,000	25,000		180,000	20,000	<b>200,000</b>
<b>2021</b>	155,000	25,000		180,000	20,000	<b>200,000</b>
	<b>\$1,600,000</b>	<b>\$260,000</b>	<b>\$50,000</b>	<b>\$1,910,000</b>	<b>\$200,000</b>	<b>\$2,110,000</b>

**SOURCE OF PAYMENT AND REMEDIES**

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State” or “Maine”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from limited ad valorem taxes unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case the Town has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES – Limitation on Municipal Property Tax Levy” herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 of the Maine Revised Statutes, as amended, the captured tax

increment of which may not be available for payment of debt service on the Bonds. The Treasurer has certified that no tax base sharing agreement now exists. The Town has not established any tax increment financing districts. Within the limits established by statute, the Town has the right to designate development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. (See "TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" section herein). There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

In the opinion of Bond Counsel, the Town is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon.

Funds to meet Town expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal of or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State of Maine (the "State").

#### **Limitation on Municipal Property Tax Levy**

Effective July 1, 2005, the Legislature codified Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, (also referred to as "LD1") which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as "Property Tax Levy Limit". With certain exceptions, a municipality may not adopt a property tax levy that exceeds its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy, the Town may carry-forward that difference in establishing its future years' property tax levy. See "TOWN FINANCES - Property Tax Levy Limit" herein.

The growth limitation factor is: (a) the 10-year average real personal income growth (but no more than 2.75%) plus a property growth factor (when, as currently is the case, the state and local tax burden ranks in the highest 1/3 of all states); or (b) the 10-year average real personal income growth plus forecasted inflation plus a property growth factor (when the state and local tax burden ranks in the middle 1/3 of all states).

In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The Town may increase the Property Tax Levy Limit by a majority vote of the entire Town Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Section 5721-A this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within

30 days of the council's vote. However, the opportunity for the voters to petition for a referendum vote on the council's decision is not provided if the municipal charter "prohibits a petition and referendum process". Article VIII of the Town's Charter provides that the Town's Annual Budget is not subject to referendum overrule provided, however, if a single capital expenditure or single capital improvement exceeds 0.05% of the last state valuation then that part of the budget is subject to the referendum requirement.

In lieu of increasing the Property Tax Levy Limit, the Town Council may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens' initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

Section 5721-A does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of the School Projects portion of the Bonds is includable in the school budget and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the Bonds.

The Town does not expect that the Property Tax Levy Limit will have a material adverse effect on the Town's financial condition or on the ability of the Town to pay the principal of and premiums, if any, and interest on the Bonds when due.

## **TAX MATTERS**

### **The Bonds**

In the opinion of Pierce Atwood LLP, Bond Counsel, based on existing statutes, regulations and court decisions, interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax upon corporations and will be taken into account in the computation of the foreign branch profits tax.

Bond Counsel's opinion will state that the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance

with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Treasurer and the Issuer's Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") all delivered by the Town concurrently with the Bonds, which will contain provisions and procedures regarding compliance with the requirements of the Code. The Town, in executing the Tax Certificates, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in the gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the Town set forth in the Tax Certificates and assume that the Town will comply with the provisions and procedures set forth in the Tax Certificates.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

Tax legislation, administrative actions taken by tax authorities or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or State law and could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

In the opinion of Bond Counsel, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals based on existing statutes, regulations and court decisions.

*The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.*

### **Original Issue Discount/Premium**

For federal income tax purposes, original issue discount with respect to a bond is equal to the excess, if any, of the stated redemption price at maturity of such bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all substantially identical bonds were sold. Original issue discount accrues over the term of a bond in accordance with Section 1272 of the Code. Purchasers of the Bonds should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." For federal income tax purposes, bond premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser's adjusted tax basis. Bond purchasers should consult their own tax advisers with respect to the tax consequences of bond premium. Bond Counsel will not express an opinion regarding the treatment of original issue discount or bond premium for federal income tax purposes.

## **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC’s records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## **RATINGS**

The Town has applied to Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P") for ratings on the Bonds. The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and their explanation of such rating.

## **CONTINUING DISCLOSURE**

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule") the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the Treasurer, and incorporated by reference in the Bonds. The Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

## **CUSIP IDENTIFICATION NUMBERS**

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## **FINANCIAL ADVISOR**

Moors & Cabot, Inc. has acted as Financial Advisor to the Town with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid or participate in an underwriting syndicate for the public bidding of the Bonds.

## **STATUTORY REFERENCES**

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

## **CONDITIONS PRECEDENT TO DELIVERY**

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

### **No Litigation**

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by the Town Clerk, dated the date of delivery of the Bonds, to the effect that there is no litigation pending or, to the knowledge of such officers, threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the Town, nor the title of any of said officers to their respective offices, is being contested.

### **Approval of Legality**

The legality of the Bonds will be approved by Pierce Atwood LLP of Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and

make no representations that they have independently verified the same. See also “PROPOSED FORM OF LEGAL OPINION” in APPENDIX B herein.

**Certification of the Bonds**

The Bonds will be certified as to their genuineness by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, which certificate will appear on the Bonds.

**Certificate With Respect to Official Statement**

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer, to the effect that he has examined this Official Statement and the financial and other data contained therein and that, to the best of his knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe that such information is materially inaccurate or misleading.

**Certificate With Respect to Debt Limits**

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer of the Town which certifies that the Town has not exceeded its debt limitations and that issuance of the Bonds will not cause the Town to exceed the debt limit.

**Certificate With Respect to Treasurer**

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer of the Town which certifies that no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, now exist.

## TOWN OF CAPE ELIZABETH

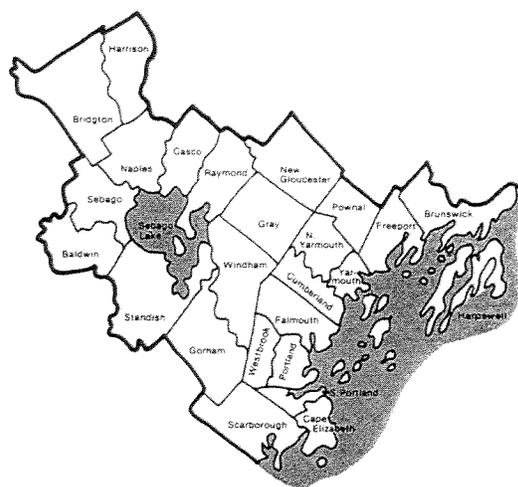
### GENERAL

The Town of Cape Elizabeth is located on the southern coast of the State of Maine in the southeastern section of the County of Cumberland, the State's most populous county, and is approximately five miles southeast of the City of Portland, the State's largest city. Cape Elizabeth is bordered by the City of South Portland on the northwest, and the Town of Scarborough on its southwest with the Spurwink River separating the Town from Scarborough for a major portion of the southwestern border. The Atlantic Ocean forms the Town's eastern border as the Gulf of Maine. Access to Cape Elizabeth is provided by State Route 77 which intersects the Town throughout its interior. The Portland International Jetport, located in Portland, provides convenient air travel for the region. Bus transit, by major carriers operating from two terminals in Portland, provides regularly scheduled inter-state and intra-state transportation.

The Pan Am Railways, AMTRAK and the St. Lawrence & Atlantic Railroad Company provide the greater Portland area with rail links to all of Maine, the continental United States and Canada.

Richmond Island, off the southern shores of Cape Elizabeth, was first visited by the French explorer Champlain in 1605, naming it "L'Isle de Baccus" in honor of its lavish supply of wild grapes. In 1615 Captain John Smith of England urged Prince Charles (later King Charles I of England) to change the names of various places on the New England coast. Thus, the area embracing the Cape was named in honor of Charles' sister, Princess Elizabeth, daughter of King James I and ancestress of the present Queen Elizabeth II. A grant for the area that includes the Town was bestowed in England by the Plymouth Council in 1622 with the "Province of Maine" then being divided between Sir Ferdinando Gorges and Captain John Mason in 1629. Gorges' share included Cape Elizabeth and retained the name, Province of Maine. A trading station was established on Richmond Island in 1627 with the first settlement being established there three years later. A patent on the mainland near the Spurwink River was conveyed in 1631 with development of the Spurwink settlements beginning in 1632. The French and Indian War forced abandonment of the area for several lengthy periods from 1675 to 1715. The Massachusetts General Court established a boundary formed of the area now encompassing the cities of Portland, South Portland and Westbrook and the towns of Cape Elizabeth and Falmouth, which incorporated as the Town of Falmouth in July of 1718. Due to the inconvenience of crossing the Fore River, Cape Elizabeth became established as the Second Parish of Falmouth in 1733. The parish separated from Falmouth on November 1, 1765 incorporating as Cape Elizabeth, the Town, initially only with "District" privileges in that it was not allowed its own Representative to the General Court, having to join Falmouth in the choice of representatives until August 25, 1775. On March 15, 1895 the Town divided and set off its northern portion which became South Portland, a town and then, in 1898, a city.

Cape Elizabeth is an affluent suburban coastal community beautifully situated on the Maine Coast. Two State parks, Crescent Beach and Two Lights, are located in Cape Elizabeth as well as two lighthouses, both of which are designated as National Landmarks. The Cape Elizabeth Light, adjacent to Two Lights State Park, marks the entrance to Casco Bay. The Portland Head Light, located in the town-owned Fort



**CUMBERLAND  
COUNTY**

Williams Park, was commissioned in 1791 by President George Washington and enjoys the distinction of being Maine's first lighthouse. The Town has primarily single family, owner occupied dwellings. The land area of the Town is comprised of residential, local business, industrial, commercial and resource protection zones, as well as recreation, oceanfront, open space, farmland and woodland areas. The Town enjoys many coves and inlets and embraces two islands: Ram Island and Richmond Island. The area of the Town totals approximately 14.59 square miles.

## **GOVERNMENT**

There are two basic forms of local government in Maine: the "Direct" form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the "Representational" form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* Form of Government, the most common in Maine currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (36 cities or towns) and *Council/Mayor/Administrator* (five cities in Maine).

The Town operates under a charter initially adopted November 7, 1967 and amended most recently on November 2, 2004 providing for a *Council/Manager* form of government with a seven-member Town Council, each of whom is elected by voters of the entire Town for three-year staggered terms. The Charter grants to the Town Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and giving effect to any vote of the Town and to authorize the issuance of debt. The entire Council, working as the Finance Committee, adopts an annual budget and provides for an annual audit. The Town Manager is the administrative head of the Town.

## **MUNICIPAL SERVICES**

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, maintenance of highways, streets and sidewalks, parks, recreation and coastal areas, and a library. Public education is provided for grades Kindergarten ("K") through 12.

The Town owns and maintains its own sewer collector system and is responsible for the costs of maintenance, improvements and expansion of the system to provide transmission of sewage to the Portland Water District's ("PWD") sewer interceptors. PWD provides a sewer interceptor system, pump stations and a treatment plant, the use for which is contracted for by the Town (see "INDEBTEDNESS - OVERLAPPING DEBT - Portland Water District" herein). PWD also provides water service to the Town's inhabitants (see "INDEBTEDNESS - CONTINGENT DEBT - Portland Water District" herein).

### **Public Safety**

The Police Department is staffed by 14 employees who are comprised of the Chief of Police, one Captain, three Sergeants, one Detective, six Patrol Officers, a Community Liaison Officer, two Reserve Police Officers and a Departmental Clerk. Effective July 1, 2009, the Town contracted with the City of Portland, as has South Portland, to regionalizing dispatching in Portland. All members of the department have Emergency Medical Training. The department maintains six vehicles, which are in good repair.

The Fire Department is staffed by employees who include one full-time Fire Chief, two Deputy Chiefs, three Captains, 16 Lieutenants and approximately 70 volunteers. The Fire Department operates from two fire stations and maintains approximately 10 vehicles or pieces of equipment, all of which are in good repair. Emergency Medical Service is provided by The Cape Elizabeth Rescue Unit, Company 3, of the Fire Department. Service is provided by approximately 30 volunteer Emergency Medical Technicians.

The Water Extrication Team (“WETeam”) exists as a specially-trained group of volunteers, organized in 1988, to provide land and sea-based rescue of an emergency nature along the Maine coast. The WETeam is part of the Fire Department, under the administrative direction of the Fire Chief who oversees 20 regular volunteer members and two boats.

## **Public Works**

The Public Works Department is comprised of four divisions that provide for highway maintenance, operation and maintenance of collector sewer lines, park and recreation area maintenance, and for the disposal of the Town’s solid waste. The Department is staffed with one Public Works Director, 15 full-time and various part-time employees and maintains approximately 20 vehicles and equipment, which are in good repair. The Department maintains a public works garage, a Transfer Station and numerous storage buildings.

Household rubbish is deposited at the Town’s Transfer Station/Refuse Disposal Area. The Town transfers its solid waste to ecomaine’s (formerly the Regional Waste System) waste-to-energy plant in Portland. See “INDEBTEDNESS - CONTINGENT DEBT -ecomaine” herein. The Town has continued to operate a refuse transfer site, to date. However, the State of Maine Department of Environmental Protection (the “DEP”) has informed all Maine communities with construction or demolition debris sites to either cease operation, or move to higher standards under new licenses. The Town ceased operations of its demolition disposal site in 1994 and has closed the site in conformance with DEP procedures.

Through the Public Works Department, the Town owns, operates and maintains a sewer collector system which provides transmission of sewage to interceptors which transverse the Town. The interceptors are owned and operated by the Portland Water District. The PWD also owns, operates and maintains all wastewater pumping stations in the Town and a treatment plant at the Thomas Jordan Trust land site, the use for which the Town pays a monthly fee (see “INDEBTEDNESS - OVERLAPPING DEBT - Portland Water District” herein). The treatment plant accepts and treats wastewater for a portion of the Town’s inhabitants. Wastewater from the northern portion of the Town is transmitted through PWD’s interceptor lines to the City of South Portland’s wastewater treatment facility, which facility is owned and operated by the City of South Portland (the “City”), and for which the Town contracts with the City to treat its waste. The original contract was entered into as of September 25, 1974, as amended effective May 24, 1984 and further amended as the current contract, executed on August 11, 1993, and extended to 30 years (in the year of 2023) whereby the City accepts and treats up to 715,000 gallons/day of wastewater from the Town.

The Town transports its solid waste to ecomaine’s facility. ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 21 member municipalities (“Member Municipalities”), including the Town, maintains a waste-to-energy resource recovery system (“RRS”) for which the Member Municipalities are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing. In 1991, six participating municipalities (“Participating Municipalities”) entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility (“MRF”) at ecomaine’s demolition debris and recycling facility in Gorham. See “INDEBTEDNESS – CONTINGENT DEBT – ecomaine” herein.

## **Fort Williams Park and Portland Head Light**

The Fort Williams Park is a 92-acre facility owned and maintained for its residents and the public by the Town of Cape Elizabeth through its Parks Division of the Public Works Department. The residents of the Town, and the public, are able to enjoy cross-country skiing, a beach, skating, soccer, picnicking, basketball, softball, four tennis courts and a multi-purpose field. The Park is visited by nearly a million people a year.

The Fort Williams Advisory Commission is the Town body that is charged with the oversight and responsibility of Fort Williams Park. The Commission is comprised of seven members appointed by the Town Council, who serve three-year staggered terms. The Commissioners recommend maintenance needs, review requests for park use to recommend to the Town Council and prepare an annual budget for the Council.

The original military installation began in 1873 as The Battery at Portland Head, a sub post of Fort Preble, until it was renamed by President McKinley, on April 13, 1894, and became a separate independent fort. It was designated Fort Williams in honor of Brevet Major General Seth Williams, a native of Maine and Assistant Adjutant General U.S. Army. The coastal defense installation guarded the entrance to Casco Bay as a U.S. Army coast garrison and was the headquarters for the harbor defenses of Portland. It remained an active military base until it was deactivated and closed and purchased by the Town in 1964.

In 1787, the General Court of Massachusetts (then having jurisdiction over the Province of Maine) provided funds to begin construction of a lighthouse at Portland Head, located at Fort Williams Park. In 1790, the United States Congress took responsibility for all lighthouses and appropriated additional monies for completion of the lighthouse. The Portland Head Light was commissioned on January 10, 1791, as Maine's first lighthouse. The United States Coast Guard automated the facility in 1989 and leased the lighthouse and Keeper's Quarters (discussed below) to the Town in 1990. Three years later the United States Coast Guard deeded the buildings to the Town. The United States Coast Guard maintains the actual light and the fog signal, but the remainder of the properties are managed by the Town.

A Keepers' Quarters building was constructed alongside the Portland Head Light in 1891 as a two-story duplex. Until 1989, it was home to the head and assistant lighthouse keepers and their families. Upon its acquisition, the Town established the design and construction of a 1,600 square foot museum with a permanent exhibit and a second floor apartment at the Keeper's Quarters at Portland Head Light in Fort Williams Park. The Museum at Portland Head Light follows four themes: art and literature; famous storms and shipwrecks; lighthouse history and technology; and Fort Williams history. The Town operates this facility with the intent that the Portland Head Light and the Museum is established as an Enterprise Activity as part of the Town's Special Revenue Funds, with the intent of the Town is for the facility to provide services and operations, including debt service requirements, on a continuing basis financed entirely through user charges.

## **Thomas Memorial Library**

Originally built as a school house in 1849, the building was converted into a library in 1919 through the efforts of former ambassador to Sweden, William Widgery Thomas, Jr., in memory of his teaching there from 1856 through 1858, thus the library's name. The library was moved to its present location in 1944 and sustained various additions and improvements, most recently in 1986 whereby the library was rededicated following a two-year expansion and remodeling. The library's collection contains over 70,000 volumes and features a Maine Collection Room. The Cape Elizabeth Historical Preservation Society is located in the library along with the Cape Elizabeth Arts Commission. The Thomas Memorial

Library also provides cultural, educational and recreational programs for children, young adults and adults; workshops, artist residencies, lecture-discussions, art exhibits and performances. Total circulation for the fiscal year ended June 30, 2010 was 156,948. The library is managed by a Head Librarian and Children's Librarian together with a staff of full-time and part-time personnel.

## **PUBLIC EDUCATION**

### **Reorganization of School Administrative Units**

The School Construction Act was enacted by the State with the goal of reorganizing and consolidating existing SAUs into Regional School Units ("RSUs"). The law sets forth State policy to ensure that schools are reorganized into regional, State approved units of school administration in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All SAUs are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the SAU would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs.

Subject to certain exceptions, existing SAUs are directed to form regional school units of at least 2,500 resident students; or 1,200 resident students in certain situations where geography, demographics, population density, transportation challenges and other obstacles make 2,500 impractical. Offshore islands and tribal schools are not subject to a minimum size requirement. Certain SAUs designated as "efficient, high performing districts" also are exempt from the regionalization requirement. The SAUs that are exempt from the regionalization requirement nonetheless are required to submit a plan to achieve efficiencies.

The Town's enrollment was 1,795 on October 1, 2006 and 1,748 on October 1, 2008. The Town's Department of Education filed an initial Alternative Plan on November 27, 2007, a revised plan on January 25, 2008 and an updated revised plan, dated February 22, 2008 as an "efficient, high performing districts" and was, therefore, exempt from the regionalization requirement. The Commissioner approved the Town's Alternative Plan on February 27, 2008. The school budget is approved by Town Council at a Budget Meeting and is then subject to approval by the voters of the Town through a Budget Validation process.

### **Individual Supervision**

The Town continues to operate its educational program for grades K through 12 under its own supervision. Article IV of the Town's Charter, as amended, provides that the Department of Education for the Town be administered by a Board of Education (the "School Board") comprised of seven members, who are elected by the voters of the Town at-large for three-year staggered terms. No member of the School Board is eligible for re-election for more than two consecutive terms. The School Board performs all duties and functions in regard to the care and management of the public schools of the Town. The School Board prepares and submits its budget to the Town Manager, who includes it in the budget process. See also "TOWN FINANCES - BUDGETARY PROCESS" section herein. The School's staff consists of a Superintendent, a Business Manager, a Director of Special Education, a Technology Coordinator, three full-time principals, two assistant principals, 160 full-time equivalent teachers and various other professional and approximately 120 support staff. The Town's schools are listed below:

School	Grades	Estimated Capacity	Enrollment
Pond Cove Elementary	K – 4	750	609
Cape Elizabeth Middle School	5 - 8	700	551
Cape Elizabeth High School	9 - 12	750	548

### School Enrollment Trend

April 1,	Grades				Total Enrollment
	K - 4	5 - 8	9 - 12	Other	
2011	608	549	547	1	1,705
2010	601	561	556	1	1,719
2009	607	567	564	0	1,738
2008	635	556	590	0	1,781
2007	644	564	587	0	1,795
2006	669	579	599	0	1,847
2005	659	585	574	2	1,820
2004	644	617	543	1	1,805
2003	641	603	542	0	1,786
2002	655	614	499	1	1,769

SOURCE: 2002 – 2005 from State of Maine, Department of Education, “April 1 Census of Students Educated at Public Expense”. 2006 – 2011 from Town of Cape Elizabeth, Department of Education.

### Portland Arts and Technology High School

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for “career and technical education” or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via a center (a “Center”), a satellite program (a “Satellite Program”) or a region (a “Region”). A Center is an administrative entity established to provide career and technical education to secondary students. Unless otherwise specifically provided for, a Center is governed, operated and administered by a single SAU. A Center shall make its programs available to serve secondary students from SAUs with which it is affiliated. A Center may include within its administrative structure Satellite Programs operated by SAUs with which it is affiliated. A Satellite Program means a program providing career and technical education to secondary students that is operated by an SAU affiliated with a Center. A Region is a quasi-municipal corporation established by the Legislature to provide career and technical education to secondary students that is comprised of all the SAUs within the geographical boundaries set forth for each career and technical education region. A Region is governed by a cooperative board formed and operating in accordance with this chapter. A participating SAU is responsible for its proportionate share of a Region’s operating expenses, including debt repayment, which is included in the respective SAU’s annual assessment to the Region. A Center is governed by a single SAU and its obligations are those of that SAU.

As a Center, the Portland Arts and Technology High School is owned, operated and maintained by the City of Portland, acting by and through its Department of Education. Area students may attend the school on a tuition basis set by the State and negotiated by the City. For the school year 2010/2011 the negotiated tuition with the Town was set at \$5,276 per student per school year. The Town has entered into a cooperative agreement (the “Cooperative Agreement”) between the City and 11 area school units (collectively the “Member Units”) to allow its students to attend the Portland Arts and Technology High School. While the Center is owned, operated and maintained by the of the City of Portland, the

Cooperative Agreement provides for an Advisory Board, made up of representatives from the Member Units, to plan, develop, coordinate and recommend educational services for vocational students enrolled by the Member Units. The school first opened to secondary students for grades 11 to 12 in September 1976 with an initial enrollment of 600 students. Of the 590 students enrolled at the Center on April 1, 2011, 10 were residents of the Town.

**LABOR RELATIONS**

The Town employs approximately 378 full-time and various part-time employees, 278 of whom are employed by the School Department. Town employees working for units not included in the below table are not represented by unions. The following lists the various bargaining units that are represented by a union, and the status of its current contract as follows:

Union <sup>(1)</sup>	Bargaining Unit	Contract Effective	Contract Expiration
Teamsters	Public Works	July 1, 2010	June 30, 2012
CEPBA	Police	July 1, 2011	June 30, 2013
CEAA/MEA	School Administrators	July 1, 2009	June 30, 2012
CEEA/MEA	Teachers	Sept. 1, 2011	Aug. 31, 2014
CEEA/MEA	Food Service	Sept. 1, 2010	Aug. 31, 2012
CEEA/MEA	Bus Drivers, Custodians & Maint.	July 1, 2010	June 30, 2012
CEEA/MEA	Admin Support & Ed. Tech I	July 1, 2010	June 30, 2012
CEEA/MEA	Ed. Tech II & III	July 1, 2010	June 30, 2012

NOTE: <sup>(1)</sup> “CEPBA” indicates the Cape Elizabeth Police Benevolent Association. “MEA” indicates the Maine Education Association of which the various components of the Cape Elizabeth Administrators Association (“CEAA”) and the Cape Elizabeth Education Association (“CEEA”) are affiliated, as separate bargaining units. “Teamsters” indicates the International Brotherhood of Teamsters.

**BUILDING PERMITS**

FY Ended June 30,	New Starts				All Other Properties		All Permits Total	
	Single Family		Condo or Apt		Permits	Value (000)	Permits	Value
	Permits	Value (000)	Permits	Value				
2010	7	\$1,915.0	8	\$1,328.0	153	\$5,242.4	168	\$8,485.4
2009	12	4,243.3	0	0.0	160	7,312.4	171	11,555.7
2008	11	7,036.9	0	0.0	196	20,531.3	208	22,331.3
2007	12	4,792.0	0	0.0	180	6,845.6	192	14,416.6
2006	25	7,571.0	0	0.0	244	11,465.3	269	19,036.3
2005	23	10,171.2	0	0.0	213	14,378.9	236	24,550.1
2004	30	14,956.0	0	0.0	88	7,721.0	261	24,725.0
2003	27	6,272.5	0	0.0	93	3,781.0	290	12,329.0
2002	38	8,708.5	0	0.0	92	8,296.0	264	19,270.6
2001	34	10,029.0	1	90.0	187	8,341.3	222	18,460.3
2000	21	5,752.6	0	0.0	188	9,517.6	209	15,270.2
1999	23	5,851.2	0	0.0	233	14,968.6	256	20,819.8
1998	24	6,733.9	0	0.0	190	7,011.7	214	13,745.6
1997	24	5,047.7	0	0.0	189	2,838.8	213	7,886.5
1996	28	8,177.8	1	0.0	193	6,095.4	222	14,273.2

## EMPLOYMENT

### Portland Metropolitan Statistical Area

The U.S. Department of Commerce, Bureau of the Census formerly defined a metropolitan statistical area (“MSA”) as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England). Additional cities and towns were included in the MSA if they meet specified requirements of commuting to the central area and other selected requirements of metropolitan character (such as population density and percent urban). A MSA was also considered a labor market area. The map displays the three cities and 19 towns that comprised the former Portland MSA:



SOURCE: Maine Department of Labor, Labor Market Information Services

### Commuter Trends

The following table displays the residential component of the Town’s workforce, the respective component of its workers as a percentage of their local (i.e., home) workforce; and the geographic place of employment for the Town’s residents:

People who commute to Cape Elizabeth, but live in:	Number of Workers	% Cape Elizabeth Workforce	People who live in Cape Elizabeth, but commute to:	Number of Workers	% Cape Elizabeth Workers
Cape Elizabeth	974	41.80%	Portland	1,755	40.11%
Portland	266	11.42	Cape Elizabeth	974	22.26
South Portland	253	10.86	South Portland	724	16.55
Scarborough	106	4.55	Scarborough	224	5.12
Falmouth	50	2.15	Westbrook	133	3.04
Saco	45	1.93	Falmouth	122	2.79
Windham	38	1.63	Freeport	62	1.42
Gorham	37	1.59	Yarmouth	59	1.35
Westbrook	35	1.50	Gorham	42	0.96
Yarmouth	31	1.33	Brunswick	24	0.55
All Other	495	21.24	All Other	256	5.85
<b>Total Workers</b>	<b>2,330</b>	<b>100.00%</b>	<b>Total Workers</b>	<b>4,375</b>	<b>100.00%</b>

SOURCE: *MCD/County-To-MCD/County Worker Flow Files* compiled from Census 2000 responses to the long-form (sample) questions on where people worked. The files present data minor civil division (MCD) level for residents of 12 states, including Maine, as the MCDs in these states serve as general-purpose local governments and perform many governmental functions. *2000 Census, US Department of Commerce, Bureau of the Census – released August 1, 2003*

**Representative Employers**

<b>Name</b>	<b>Business</b>	<b># of Employees</b>
Village Crossings	Assisted Living	54
Inn by the Sea	Resort Hotel	50
Purpoodock Club	Country Club & Golf Course	50
IGA Store	Grocery Store	30

**RETAIL SALES**

**Retail Sales in Cape Elizabeth  
(\$/000)**

<b>Year</b>	<b>Bus/ Oper</b>	<b>Bldg Supply</b>	<b>Food</b>	<b>Genl Mdse</b>	<b>Other Retail</b>	<b>Auto</b>	<b>Rest/ Lodging</b>	<b>Group Total</b>	<b>Consumer Sales</b>
<b>2010</b>	681	1,756	2,196	269	3,528	815	11,632	20,877	20,196
<b>2009</b>	733	1,387	1,967	214	3,878	933	9,440	18,550	17,818
<b>2008</b>	965	2,999	1,920	293	3,986	1,070	8,109	19,342	18,377
<b>2007</b>	783	4,929	2,089	248	3,721	956	7,331	20,057	19,274
<b>2006</b>	521	3,614	2,186	320	3,742	1,190	7,378	18,951	18,431
<b>2005</b>	474	4,091	2,152	291	3,568	1,062	7,306	18,944	18,470
<b>2004</b>	763	5,065	2,045	281	3,581	1,002	7,295	20,031	19,268
<b>2003</b>	581	5,704	1,836	290	3,603	992	6,919	19,925	19,344
<b>2002</b>	327	3,842	1,908	163	3,502	995	6,678	17,415	17,088
<b>2001</b>	556	5,657	-	-	3,458	-	6,012	15,683	15,127

SOURCE: State of Maine, Department of Taxation, Sales Tax Section. The State Department of Taxation cautions that the 2003 statistics are correcting for an overstatement in 2002 on a statewide basis.

NOTE: Food, General Merchandise and Auto/Transportation categories prior to 2002 were not reported.

## ECONOMIC CHARACTERISTICS

Population	-----% Change-----			
	<u>Town of Cape Elizabeth</u>	<u>Town</u>	<u>State</u>	<u>USA</u>
1970	7,873	43.0%	2.4%	13.4%
1980	7,838	(0.4)	13.4	11.4
1990	8,854	13.0	9.2	9.8
2000	9,068	2.4	3.8	13.2
2010	9,015	(0.6)	4.2	8.9

SOURCE: Respective census, U.S. Department of Commerce, Bureau of the Census.

Population Characteristics	<u>Town of Cape Elizabeth</u>	<u>Cumberland County</u>	<u>State of Maine</u>	<u>USA</u>
Median age (years)	43.1	37.6	38.6	35.3
% School age	21.3%	17.5%	18.1%	18.9%
% Working age	57.6%	63.4%	62.0%	61.9%
% 65 and over	15.9%	13.3%	14.4%	12.4%
Persons/household	2.57	2.38	2.39	2.59

Income	<u>Town of Cape Elizabeth</u>	<u>Cumberland County</u>	<u>State of Maine</u>	<u>USA</u>
Median family income	\$86,126	\$54,485	\$45,179	\$50,046
% Below poverty level (individuals)	3.1%	7.9%	10.9%	12.4%
Per capita income	\$37,983	\$23,949	\$19,533	\$21,587

Housing	<u>Town of Cape Elizabeth</u>	<u>Cumberland County</u>	<u>State of Maine</u>	<u>USA</u>
% Owner occupied	87.8%	66.8%	71.5%	66.2%
% Built 1939 or earlier	19.7%	29.0%	29.1%	15.0%
% Built since 1990	8.4%	13.7%	14.6%	17.0%
Owner occupied med. value	\$184,600	\$131,200	\$98,700	\$119,600
Median gross rent	\$867	\$615	\$497	\$602
Occupied housing units	3,488	107,989	518,200	-

SOURCE: 2000 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	<u>Town of Cape Elizabeth</u>	<u>Cumberland County</u>	<u>State of Maine</u>	<u>USA</u>
2010	5.5%	6.3%	7.9%	9.6%
2009	5.7	6.4	8.0	9.3
2008	3.2	4.0	5.4	5.8
2007	2.8	3.5	4.6	4.7
2006	2.6	3.4	4.6	4.6
2005	2.9	3.6	4.8	5.1
2004	2.8	3.3	4.6	5.5
2003	2.1	3.0	5.1	6.0
2002	1.9	2.8	4.4	5.8
2001	1.4	2.3	4.0	4.8

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

## TOWN FINANCES

### BUDGETARY PROCESS

Article V of the Town’s Charter provides for a budget process. The fiscal year (or “budget year”) of the Town begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter provides that the Town Manager submit a budget to the Council at least 75 days prior to the beginning of each budget year. The budget is compiled from detailed information furnished by the administrative officers and boards designated by the Town Manager. The proposed budget is reviewed by the Council, with the prerogative of amendment, who then orders a public hearing, at its pleasure. The Charter further directs the Council to adopt their budget no later than 30 days prior to the first day of the next budget year. If the Appropriation Resolve establishes a property tax levy that exceeds the Property Tax Levy Limit, then the excess of the appropriation must be approved in a separate article by a majority of the entire Town Council (i.e., a “super majority”). The Property Tax Levy Limit of one year may not exceed the Property Tax Levy Limit from the prior year by more than a specified Growth Limitation Factor (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax” herein). The school budget is voted on by the School Board, then presented to the Town Council at a Budget Meeting and is then subject to referendum by the voters of the Town through a Budget Validation process. Upon adoption of the budget, a property tax levy is then established and filed with the Town Assessor.

#### Budget for Fiscal Year Ending June 30,

	2008	2009	2010	2011	2012
<b>REVENUES</b>					
Taxes	\$23,511,687	\$24,804,998	\$24,973,408	\$25,574,715	\$26,508,720
Licenses and permits	150,000	132,000	170,000	94,000	75,000
Intergovernmental	3,737,385	3,677,874	3,864,048	2,597,565	3,016,065
Investment income	200,000	100,000	60,000	81,000	50,000
Other	1,620,397	1,663,531	1,736,567	2,188,971	1,746,924
<b>TOTAL REVENUES</b>	<b>29,219,469</b>	<b>30,378,403</b>	<b>30,804,023</b>	<b>30,536,251</b>	<b>31,396,709</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,069,510	1,207,658	1,164,116	992,489	995,855
Public works	1,763,991	1,839,510	1,857,948	1,801,963	1,822,532
Public safety	1,743,555	1,924,263	1,760,825	1,757,922	1,808,489
Cultural and parks	1,229,280	1,219,372	2,231,071	877,284	997,052
Health and welfare	28,355	43,985	32,484	45,484	49,600
Education	18,791,623	19,359,007	20,005,086	20,676,971	21,124,690
Intergovernmental	956,870	1,030,669	987,960	988,728	1,013,165
Unclassified	2,013,775	1,453,578	1,200,417	1,916,448	2,043,611
Debt service	1,069,510	1,270,940	1,164,116	1,012,784	975,715
Capital outlay	553,000	1,029,421	400,000	466,178	566,000
<b>TOTAL EXPENDITURES</b>	<b>\$29,219,469</b>	<b>\$30,378,403</b>	<b>\$30,804,023</b>	<b>\$30,536,251</b>	<b>\$31,396,709</b>

## PROPERTY TAX LEVY LIMIT

As previously discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the Town is limited to an increase in the Town's property tax levy from one year to the next to an amount not more than its Municipal Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Municipal Property Tax Limit for subsequent fiscal years is the Municipal Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor. Therefore, in cases where the amount of the prior year's Municipal Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy ("Property Tax Levy"), the Town may carry-forward that difference in establishing its future years' property tax levy. The following table displays the Town's limitation on Municipal Property Tax Levy:

Fiscal year:	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
State Personal Income Factor:	2.47%	2.24%	2.28%	1.78%	1.66%
Town Property Growth Factor:	<u>0.98%</u>	<u>1.17%</u>	<u>1.01%</u>	<u>0.89%</u>	<u>0.39%</u>
Growth Limitation Factor:	3.45%	3.41%	3.29%	2.67%	2.05%
Property Tax Levy Limit:	\$5,009,839	\$4,990,362	\$5,932,330	\$6,161,723	\$6,289,909
Property Tax Levy:	<u>4,999,830</u>	<u>5,532,527</u>	<u>5,727,154</u>	<u>5,387,187</u>	<u>5,539,079</u>
Over/(below) Property Tax Levy Limit:	(\$10,009)	\$542,165	(\$205,176)	(\$774,536)	(\$750,830)

## CAPITAL IMPROVEMENT PLAN

The Town has a Capital Improvement Program ("CIP"), a plan which includes the Capital Budget for the current year, and the projected expenditures for capital projects that are funded from current operating revenues, and not the issuance of debt, for the next five fiscal years. The CIP is based upon an inventory of the Town's plant, property and equipment. The present value of these items are evaluated, a useful life expectancy is estimated and replacement, if necessary is projected. The following is the current CIP schedule:

<u>Projects</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2021</u>	<u>Totals</u>
Equipment Replacement	\$465,000	\$203,800	\$293,000	\$400,000	\$416,000	\$2,653,000	\$4,430,800
Road Overlay	140,578	0	0	0	0	0	140,578
Road Projects	100,000	260,000	270,000	280,000	290,000	1,950,000	3,150,000
Sidewalk Projects	0	20,000	20,000	20,000	20,000	145,000	225,000
Bldg Repairs	128,100	220,300	235,000	160,000	110,000	1,460,000	2,313,400
Other	52,500	120,900	50,000	70,000	120,000	960,000	1,373,400
Library	0	0	0	4,000,000	0	0	4,000,000
Road Projects	0	0	0	1,500,000	0	0	1,500,000
<b>Total Projects</b>	<b>886,178</b>	<b>825,000</b>	<b>868,000</b>	<b>6,430,000</b>	<b>956,000</b>	<b>7,168,000</b>	<b>17,133,178</b>
<b><u>Proposed Funding Sources</u></b>							
General Fund	466,178	565,000	700,000	800,000	900,000	7,500,000	10,931,178
Sewer Fund	75,000	0	0	0	0	0	75,000
Infrastructure Fund	88,000	60,000	0	0	0	0	148,000
Rescue Fund	160,000	0	0	0	0	0	160,000
2008 Bond	97,000	0	0	0	0	0	97,000
2014 Bond	0	0	0	5,700,000	0	0	5,700,000
Fort Williams Park Fund	0	0	0	0	0	0	0
Other (excess)	0	200,000	168,000	(70,000)	56,000	(332,000)	22,000
<b>Total Funding Sources</b>	<b>\$886,178</b>	<b>\$825,000</b>	<b>\$868,000</b>	<b>\$6,430,000</b>	<b>\$956,000</b>	<b>\$7,168,000</b>	<b>\$17,133,178</b>

**INVESTMENT POLICY**

The Town adopted and has followed a formal Investment Policy since April 13, 1987. Pursuant to the Investment Policy, and applicable Maine law [Title 30-A, Section 5706 *et seq.* of the Maine Revised Statutes, as amended (the “Act”)], all investments of the Town must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town’s investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

**FUND BALANCE POLICY**

The Town Council instituted a formal Fund Balance Policy in 2004. The policy seeks to maintain a General Fund Undesignated Fund Balance of 8.33% of annual general fund operating revenues, which percentage is equivalent to revenues anticipated in an average one month period. If the targeted Undesignated Fund Balance is exceeded, 50% of any excess funds will be used to reduce the tax commitment in the next budget to be considered by the Council. The remaining 50% shall be placed in a Capital Reserve Fund to replace equipment and/or to undertake needed infrastructure improvements. During any year when the Undesignated Fund Balance is less than its target level, the Council will attempt to increase, as a percentage of operating revenues, the undesignated fund balance. As long as the undesignated fund balance is below the target level, the Undesignated Fund Balance shall not be used to support the annual budget or other capital needs if doing so will result in the Undesignated Fund Balance being a lower percentage of operating revenues than in the previous fiscal year.

	<b>Fiscal Year Ended June 30,</b>				
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Unreserved General Fund Balance	\$3,070,723	\$3,760,978	\$3,464,622	\$4,109,566	\$4,521,470
Total Revenues (Current Year)	27,257,800	30,117,830	30,664,249	31,422,977	30,269,890
Fund Bal as % Prior Years’ Revenues	11.27%	12.49%	11.30%	13.08%	14.94%
Undesignated General Fund Balance	\$2,282,702	\$2,453,685	\$2,400,771	\$2,906,678	\$3,284,960
Total Revenues	27,257,800	30,117,830	30,664,249	31,422,977	30,269,890
Fund Balance as % of Revenues	8.37%	8.15%	7.83%	9.25%	10.85%

**FINANCIAL STATEMENTS**

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article II, Section 3(6) of the Town’s Charter provide for independent annual audits of the Town’s accounts and establishes procedures for such audits. The Town of Cape Elizabeth, in conformance with this statute and its Charter, currently engages the services of Runyon Kersteen Ouellette, Certified Public Accountants.

The Town’s fiscal year 2010 Annual Report, audited by Runyon Kersteen Ouellette, is presented as APPENDIX A to this Official Statement. The consent of Runyon Kersteen Ouellette for the incorporation of the Financial Statements included in APPENDIX A has not been requested by the Town, nor has it been received.

## FUNDS

The *government-wide financial statements* (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

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.

**Sewer Rehabilitation** accounts for sewer improvements which were bonded in 2006.

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  
COMPARATIVE BALANCE SHEET  
GENERAL FUND  
(As of June 30,)**

	2010	2009	2008	2007	2006
<b>ASSETS</b>					
Cash and cash equivalents	\$8,422,639	\$7,201,100	\$6,078,766	\$6,441,011	\$5,937,277
Investments	0	0	19,320	34,114	37,323
Receivables:					
Accounts	8,422	8,676	57,061	131,913	102,170
Taxes - prior	1,360	1,351	2,756	2,864	4,333
Taxes - current	156,142	263,415	156,576	207,346	122,278
Liens	50,572	61,474	57,150	53,263	32,062
Tax acquired property	206	206	205	205	205
<b>TOTAL ASSETS</b>	<b>8,639,341</b>	<b>7,536,222</b>	<b>6,371,834</b>	<b>6,870,716</b>	<b>6,235,648</b>
<b>LIABILITIES</b>					
Accounts payable	13,947	64,232	149,339	95,397	21,865
Accrued payroll	1,450,390	1,449,290	1,378,422	1,342,229	1,295,224
Interfund loans payable	2,438,096	1,605,050	1,212,340	1,422,242	1,149,889
Deferred revenue	126,000	126,000	99,300	99,300	55,000
Taxes collected in advance	7,580	3,682	4,892	5,860	13,757
<b>TOTAL LIABILITIES</b>	<b>4,036,013</b>	<b>3,248,254</b>	<b>2,844,293</b>	<b>2,965,028</b>	<b>2,535,735</b>
<b>EQUITY</b>					
Reserved fund balance	81,858	178,402	62,919	144,710	63,133
Unreserved fund balance:					
Designated - Town	986,510	952,888	813,851	1,057,293	945,302
Designated - Education	250,000	250,000	250,000	250,000	250,000
Undesignated - Town	3,061,548	2,164,739	2,151,825	2,093,201	2,050,845
Undesignated - Education	223,412	741,939	248,946	360,484	390,633
<b>TOTAL FUND EQUITY</b>	<b>4,603,328</b>	<b>4,287,968</b>	<b>3,527,541</b>	<b>3,905,688</b>	<b>3,699,913</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$8,639,341</b>	<b>\$7,536,222</b>	<b>\$6,371,834</b>	<b>\$6,870,716</b>	<b>\$6,235,648</b>

Prepared from Audited Financial Statements

**TOWN OF CAPE ELIZABETH**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**(For the Years Ended June 30,)**

	2010	2009	2008	2007	2006
<b>REVENUES</b>					
Taxes	\$25,119,671	\$24,762,210	\$23,380,071	\$22,718,008	\$22,168,265
Licenses and permits	148,480	140,388	209,615	177,603	200,246
Intergovernmental	4,210,701	5,730,448	6,016,652	5,732,693	5,299,458
Investment income	88,070	157,421	215,040	281,058	178,700
Other revenues	702,968	632,510	842,871	1,208,468	605,493
<b>TOTAL REVENUES</b>	<b>30,269,890</b>	<b>31,422,977</b>	<b>30,664,249</b>	<b>30,117,830</b>	<b>28,452,162</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,018,929	1,116,039	1,101,715	1,044,204	1,001,864
Public safety	1,702,665	1,742,865	1,763,795	1,634,144	1,555,527
Public works	1,680,662	1,761,263	1,764,844	1,708,817	1,617,744
Human services	47,837	38,715	25,532	37,184	25,833
Cultural and parks	1,105,290	1,192,979	1,180,642	1,104,212	1,007,748
Education	20,875,702	21,025,515	20,725,540	19,937,952	19,336,620
Intergovernmental	987,445	1,030,500	956,430	907,928	908,923
Unclassified	1,061,250	1,093,679	1,129,370	1,181,953	901,372
Capital outlay	524,960	674,850	1,407,879	1,276,419	565,427
Debt service	1,158,985	1,234,894	1,141,552	1,069,754	1,041,047
<b>TOTAL EXPENDITURES</b>	<b>30,163,725</b>	<b>30,911,299</b>	<b>31,197,299</b>	<b>29,902,567</b>	<b>27,962,105</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>106,165</b>	<b>511,678</b>	<b>(533,050)</b>	<b>215,263</b>	<b>490,057</b>
<b>OTHER FINANCING SOURCES</b>					
Proceeds from bonds	5,850,000	0	0	0	0
Proceeds from lease	25,325	382,069	149,100	143,332	122,684
Escrowed bond proceeds	(5,765,000)	0			
Transfers from other funds	329,270	77,202	232,803	65,480	66,224
Transfers to other funds	(230,400)	(210,522)	(227,000)	(218,300)	(149,845)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>209,195</b>	<b>248,749</b>	<b>154,903</b>	<b>(9,488)</b>	<b>39,063</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>315,360</b>	<b>760,427</b>	<b>(378,147)</b>	<b>205,775</b>	<b>529,120</b>
<b>FUND BALANCE, BEGINNING</b>	<b>4,287,968</b>	<b>3,527,541</b>	<b>3,905,688</b>	<b>3,699,913</b>	<b>3,170,793</b>
<b>FUND BALANCE, END</b>	<b>\$4,603,328</b>	<b>\$4,287,968</b>	<b>\$3,527,541</b>	<b>\$3,905,688</b>	<b>\$3,699,913</b>

Prepared from Audited Financial Statements

## **PROPERTY TAXATION**

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2011/2012 the tax due dates are October 4, 2011 and April 3, 2012. All taxes paid after the due date will be subject to interest, at the rate of 7.0% per annum.

### **Real Estate Taxes**

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town.

### **Business Personal Property Tax**

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, most types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to:

- (1) Office furniture;
- (2) Lamps and lighting fixtures used to provide general purpose office or worker lighting;
- (3) Property owned or used by public utilities and persons providing certain television/telecommunications services;
- (4) Telecommunications personal property subject to the tax imposed by section 457 of Title 36;
- (5) Gambling machines or devices and associated equipment;
- (6) Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

The exemption also does not apply to certain energy facilities and pollution control facilities.

The exemption does not apply to personal property currently subject to property tax but applies to all qualifying property that is first installed in Maine after April 1, 2007 and would therefore, if not for the law, have become subject to taxation on or after April 1, 2008.

In order for any personal property to be exempted from taxation under LD 2056, the property owner must file a complete list of that property with the municipal assessor by May 1 every year. If the owner fails to file for the exemption in a timely manner or fails to follow other statutory procedures in the law, the property in question is not exempt from taxation for that year.

The State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district.

The value of all property made exempt by this law in the Town will also be considered part of that municipality's equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for exempt property in a tax increment financing district effective prior to April 1, 2008.

The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

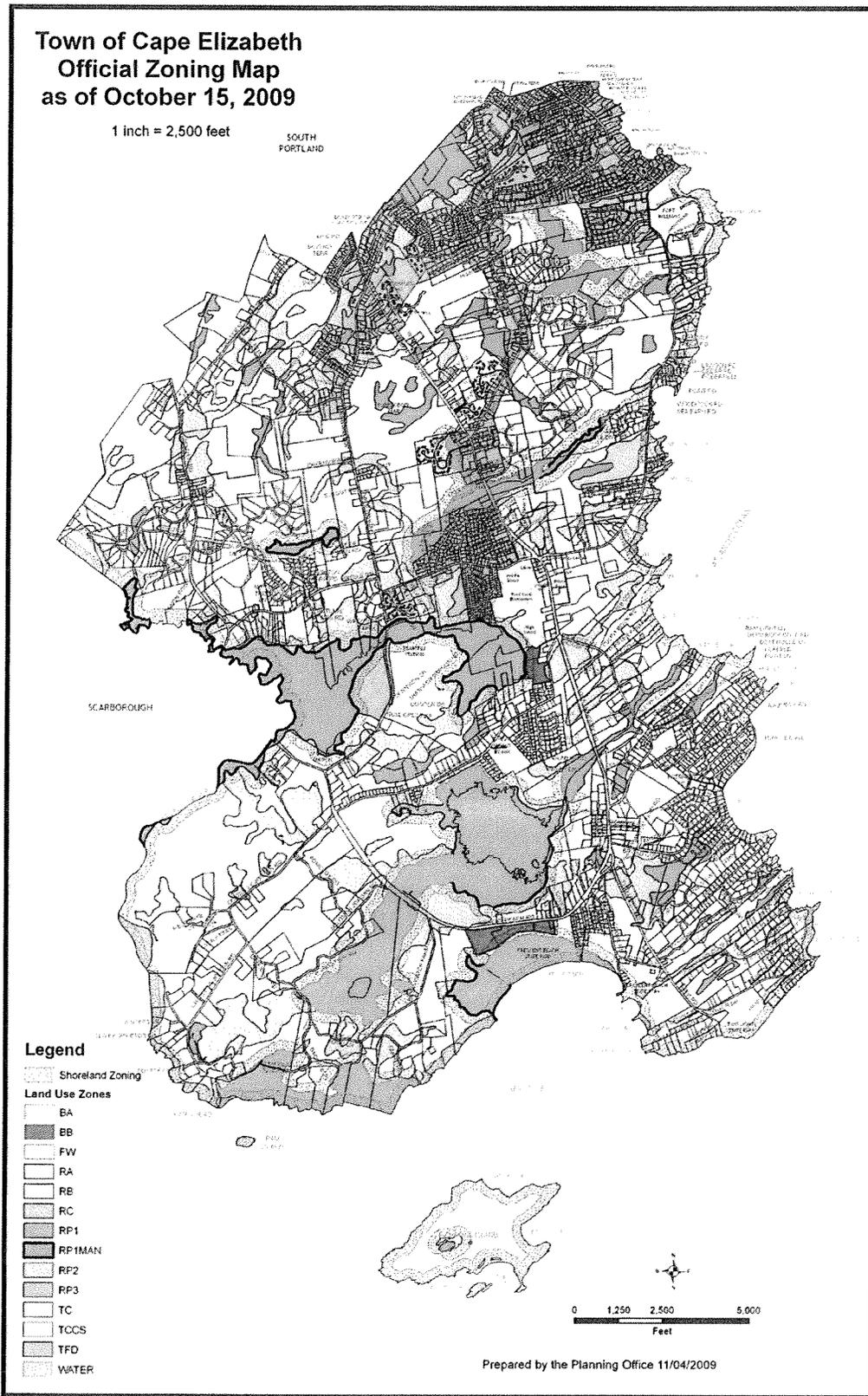
### Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 8/31/11
2011 <sup>(1)</sup>	\$1,789,750	\$1,345,000	\$17.86	\$24,037	-----In Process-----		
2010	1,784,100	1,334,803	17.54	23,415	\$23,247	99.33%	99.98%
2009	1,828,400	1,323,194	17.44	23,078	22,788	98.86	99.99
2008	1,942,000	1,311,684	16.46	21,590	21,436	99.27	99.99
2007	1,756,550	1,296,346	16.16	20,907	20,701	99.01	100.00
2006	1,580,600	1,276,656	15.92	20,326	20,203	99.40	100.00
2005	1,424,950	1,276,036	15.34	19,576	19,494	99.58	100.00
2004 <sup>(2)</sup>	1,217,450	1,266,305	14.20	18,011	17,935	99.58	100.00
2003	1,053,800	732,979	22.64	16,609	16,518	99.45	100.00
2002	918,150	714,338	21.70	15,508	15,390	99.24	100.00
2001	814,150	699,557	20.30	14,272	14,169	99.28	100.00

NOTE: <sup>(1)</sup> Assessed Valuation and Tax Levy on Budgetary basis.

<sup>(2)</sup> Year of revaluation.

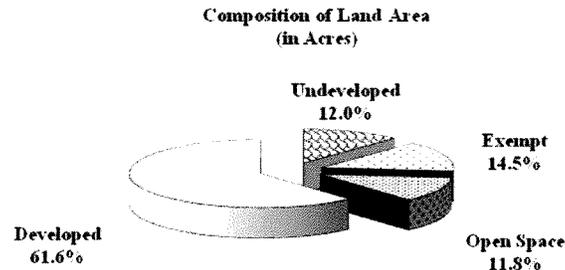
# ZONING



## CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 9,047 acres. The below table and chart displays the composition of land area available for tax base, and the potential for future tax base by the conversion of land from undeveloped to developed.

<u>By Land Area (acres)</u>	<u>2010</u>
Undeveloped <sup>(1)</sup>	1,090
Exempt	1,311
Open Space <sup>(2)</sup>	1,070
Developed	<u>5,576</u>
Total	9,047



NOTE: <sup>(1)</sup> May include an undetermined amount of land that cannot be developed.

<sup>(2)</sup> Includes Resource Protection; Parks & Open Space; and Stream Protection, which land is not currently viewed as developable by the Town.

The following table displays the changes in the Town's tax base over the last decade, by valuation of class of property:

	<b>2000</b>		<b>2005</b>		<b>2010</b>	
	<b>Value (\$)</b>	<b>% Total</b>	<b>Value (\$)</b>	<b>% Total</b>	<b>Value (\$)</b>	<b>% Total</b>
Commercial	18,459,100	2.64%	23,980,000	1.89%	\$28,835,500	2.14%
Residential	633,366,500	90.54%	1,167,204,200	91.89%	1,289,674,800	95.57%
Undeveloped	28,437,400	4.07%	60,971,700	4.80%	30,431,800	2.26%
Other	19,293,500	2.76%	18,020,200	1.42%	560,200	0.04%
Assessed Value	<u>699,556,500</u>	<u>100.00%</u>	<u>1,270,176,100</u>	<u>100.00%</u>	<u>\$1,349,502,300</u>	<u>100.00%</u>

NOTE: "Other" includes tax-exempt properties, greenspace, wetlands or non-developable property.

## LARGEST TAXPAYERS

<b>Taxpayer</b>	<b>Business</b>	<b>As of April 1, 2010 (000)</b>				
		<b>Real Estate</b>	<b>Personal Property</b>	<b>Assessed Total</b>	<b>Property Tax</b>	<b>% of Levy</b>
Sprague Corporation	Land and residential	\$13,734,400	\$90,900	\$13,825,300	\$246,920	1.07%
Inn by the Sea	Hotel/Resort	9,687,600	1,500,000	11,187,600	199,811	0.87%
Haffenreffer, R F IV	Land and residential	5,863,700	0	5,863,700	104,726	0.45%
Health Care Prop Invrs Inc.	Nursing care facility	5,603,400	182,900	5,786,300	103,343	0.45%
Purpoodock Club	Golf club	3,992,100	620,500	4,612,600	82,381	0.36%
Rams Head Partners LLC	Land and residential	4,579,900	0	4,579,900	81,797	0.35%
McGinn, Suzanne	Land and residential	4,138,400	0	4,138,400	73,912	0.32%
Cutler, E R & S	Private residence	4,057,200	0	4,057,200	72,462	0.31%
Central Maine Power	Electric distribution	3,553,900	0	3,553,900	63,473	0.28%
Hansen, Lisa O	Private residence	3,419,600	0	3,419,600	61,074	<u>0.26%</u>
<b>% of \$23,078,179 total levy</b>						<b>4.72%</b>

## **TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS**

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enable a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of property of all TIF districts and the aggregate original assessed value of property of all housing districts within the municipality as of the April 1<sup>st</sup> preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, section 3403, subsection 3 of the Maine Revised Statutes, as amended.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended.

The Town has not designated tax increment financing districts housing districts but may consider proposals for districts in the future. All districts would be evaluated based upon the Town’s comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will the Town’s districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

## **STATE AID**

The State provides aid to the Town in a number of areas including education, general assistance, road maintenance and revenue sharing. The amount of aid in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State aid are governed by laws that may be changed by the State Legislature and are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process.

Since the State’s establishment of school subsidy programs, in 1969, the State has never failed to pay its subsidy and since 2004 it has been the statutory objective of the State to increase the subsidy and provide 55% of the annual cost of EPS. However, over the last several fiscal cycles the State has delayed its transitional goals to reach its 55% State share target. Under current law, the State share target for fiscal year 2010-2011 is 46% and the 55% target has been set for fiscal year 2011-2012 and succeeding years. No assurances can be given that future legislation will not have an adverse impact on school funding in Maine, including another extension of the date for implementation of the 55% target. The following table displays state aid received by the Town for the last five audited fiscal periods:

<b>Fiscal Yr. End June 30,</b>	<b>Revenue Sharing</b>	<b>School Subsidy</b>	<b>Homestead Revenue</b>	<b>Other Aid or Reimbursement</b>	<b>Total From State</b>
2010	\$599,840	\$1,250,711	\$215,154	\$224,443	\$2,290,148
2009	667,238	2,654,038	166,294	342,255	3,829,825
2008	740,197	2,836,183	204,055	366,199	4,416,634
2007	702,395	2,655,082	206,532	311,641	3,875,650
2006	644,774	2,168,585	245,634	447,605	3,506,598

**INDEBTEDNESS**

**LIMITATIONS AND EXCLUSIONS**

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.”

On January 1, 2011 the Town's equalized state valuation ("equalized State Valuation") was \$1,789,750,000. The 15% debt limit is \$268,452,500. As of June 30, 2010 the Town's long term debt outstanding was \$22,067,420 or 1.23% of the equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed the debt limit.

### DEBT SUMMARY

General obligation debt payable at fiscal year-end June 30, 2008 (audited), June 30, 2009 (unaudited) and projected for fiscal year-end June 30, 2010 are comprised of the following individual issues:

Year Issued	Purpose	Amount Issued	Final Maturity	a/o June 30, 2010 (Audited)	(Less Payments)	(Less Refunded)	a/o June 30, 2011 <sup>(1)</sup> (Projected)
2001	Pub Safety Bldg/Land/CIP	\$4,100,000	4/15/2021	\$2,125,000	(\$215,000)	(\$1,910,000)	\$0
2002	Community Ctr.	1,500,000	4/1/2022	940,000	(80,000)		860,000
2004	School (SRRF) <sup>(3)</sup>	1,000,000	4/1/2014	320,000	(80,000)		240,000
2004	School	3,725,000	4/1/2024	2,510,000	(180,000)		2,330,000
2006	School	4,725,000	4/1/2025	3,525,000	(235,000)		3,290,000
2006	Sewer (SRF) <sup>(2)</sup>	3,510,000	4/1/2026	2,900,880	(158,922)		2,741,958
2006	Sewer (MMBB) <sup>(4)</sup>	1,890,000	11/1/2026	1,606,500	(94,500)		1,512,000
2008	School/Town CIP	2,550,000	4/15/2028	2,290,000	(130,000)		2,160,000
2009	Refunding Bonds	5,850,000	10/15/2019	5,850,000	(895,000)		4,955,000
	<b>Sub-total</b>			<b>22,067,380</b>	<b>(2,068,422)</b>	<b>(1,910,000)</b>	<b>18,088,958</b>
2011	The Bonds	\$2,910,000	4/15/2021	0	0	0	2,110,000
	<b>Total</b>			<b>\$22,067,380</b>	<b>(\$2,068,422)</b>	<b>(\$1,910,000)</b>	<b>\$20,198,958</b>

NOTE: The shaded area in the above table indicates the proposed series expected to be refunded by a portion of the Bonds of this financing.

<sup>(1)</sup> The 2011 Bonds are expected to close after the June 30, 2011 fiscal year end date, but are included in the above table.

<sup>(2)</sup> "SRRF" Under the State School Revolving Renovation Fund (the "SRRF") administered through a Maine Municipal Bond Bank Program, the Town borrowed \$1,000,000 to finance a portion of the costs of eligible school projects whereby \$200,000 is forgiven by the State with the balance (\$800,000) paid in ten equal annual installments at 0% interest.

<sup>(3)</sup> Indicates State Revolving Loan Fund Program (the "SRF") administered jointly by the Maine Municipal Bond Bank and the State of Maine, acting by and through its Department of Environmental Protection (the "DEP").

<sup>(4)</sup> Indicates the Maine Municipal Bond Bank (the "MMBB") General Resolution Bonds.

**PROJECTED PRINCIPAL PAYMENTS, BY ISSUE**

**(\$/000)**

<b>FY</b>	<b>2001</b>	<b>2002</b>	<b>2004 SRRF</b>	<b>2004</b>	<b>2006</b>	<b>2006 SRF</b>	<b>2006 MMBB</b>	<b>2008</b>	<b>2009 Ref'd'g</b>	<b>2011</b>	<b>Total</b>
2011	215	80	80	180	235	159	95	130	895	0	2,068
2012	0	80	80	180	235	162	95	130	890	225	2,076
2013	0	80	80	180	235	164	95	130	880	225	2,069
2014	0	80	80	180	235	167	95	130	875	220	2,062
2015	0	80	0	180	235	170	95	130	860	220	1,970
2016	0	80	0	180	235	173	95	130	295	220	1,408
2017	0	80	0	180	235	176	95	130	290	200	1,386
2018	0	80	0	180	235	179	95	130	290	200	1,389
2019	0	75	0	180	235	182	95	125	290	200	1,382
2020	0	75	0	180	235	185	95	125	285	200	1,380
2021	0	75	0	180	235	189	95	125	0	200	1,098
2022	0	75	0	180	235	192	95	125	0		901
2023	0	0	0	175	235	195	95	125	0		825
2024	0	0	0	175	235	199	95	125	0		828
2025	0	0	0	0	235	202	95	125	0		657
2026	0	0	0	0	0	206	95	125	0		425
2027	0	0	0	0	0	0	95	125	0		220
2028	0	0	0	0	0	0	0	125	0		125
6/30/10	215	940	320	2,510	3,525	2,901	1,607	2,290	5,850	2,110	22,267
pd 2011	(215)	(80)	(80)	(180)	(235)	(159)	(95)	(130)	(895)	0	(2,068)
Ref'd'd'	(1,910)	0	0	0	0	0	0	0	0	0	
6/30/11	(1,910)	860	240	2,330	3,290	2,742	1,512	2,160	4,955	2,110	20,199

**PROJECTED DEBT SERVICE REQUIREMENTS**

<b>Fiscal Yr. End June 30,</b>	<b>Prior Debt</b>					<b>Projected Debt (Pro Forma)</b>			<b>Projected Total Debt</b>
	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Less Ref'd'd</b>	<b>Total Debt</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt</b>	
2011	\$2,058,422	\$715,488	\$10,455	\$0	\$2,784,365	\$0	\$0	\$0	\$2,784,365
2012	2,036,172	663,771	10,455	(275,233)	2,435,165	225,000	33,600	258,600	2,693,765
2013	2,033,969	602,107	10,455	(281,280)	2,365,251	225,000	40,300	265,300	2,630,551
2014	2,021,814	549,916	10,455	(267,280)	2,314,905	220,000	35,800	255,800	2,570,705
2015	1,934,708	485,969	10,455	(258,018)	2,173,115	220,000	31,400	251,400	2,424,515
2016	1,372,654	432,106	10,455	(248,755)	1,566,460	220,000	27,000	247,000	1,813,460
2017	1,365,648	379,378	10,455	(229,493)	1,525,989	200,000	22,600	222,600	1,748,589
2018	1,368,697	331,568	10,455	(220,705)	1,490,015	200,000	18,600	218,600	1,708,615
2019	1,361,796	282,616	10,455	(211,918)	1,442,950	200,000	14,600	214,600	1,657,550
2020	1,364,950	228,241	10,455	(203,130)	1,400,516	200,000	10,200	210,200	1,610,716
2021	1,083,158	181,879	10,455	(194,065)	1,081,427	200,000	5,400	205,400	1,286,827
2022	901,422	139,060	10,455		1,050,937				1,050,937
2023	824,742	104,768	10,455		939,965				939,965
2024	828,120	75,137	10,455		913,712				913,712
2025	656,556	43,992	10,455		711,003				711,003
2026	425,052	22,130	10,455		457,637				457,637
2027	219,500	11,117			230,617				230,617
2028	125,000	5,156			130,156				130,156
<b>TOTAL</b>	<b>\$21,982,380</b>	<b>\$5,254,399</b>	<b>\$167,280</b>	<b>(\$2,389,876)</b>	<b>\$25,014,184</b>	<b>\$2,110,000</b>	<b>\$239,500</b>	<b>\$2,349,500</b>	<b>\$27,363,684</b>

## DEBT RATIOS

The following table sets forth the ratio of bonded debt to equalized State Valuation and per capita debt ratios for the end of the nine most recent audited fiscal years and projected for the most recent fiscal year (unaudited, and including the Bonds):

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt (000)	Debt as % Eq. Val.	Per Capita Debt
2010	9,015	\$1,789,750	\$1,345,000	\$22,067,380	1.23%	\$2,447.85
2009	9,068	1,784,100	1,334,803	24,093,100	1.35	2,656.94
2008	9,068	1,942,000	1,311,684	26,297,911	1.35	2,900.08
2007	9,068	1,756,550	1,296,346	25,939,635	1.48	2,860.57
2006	9,068	1,580,600	1,276,656	28,139,873	1.78	3,103.21
2005	9,068	1,424,950	1,276,036	20,095,675	1.41	2,216.11
2004	9,068	1,217,450	1,266,305	17,499,962	1.44	1,929.86
2003	9,068	1,053,800	732,980	19,128,328	1.82	2,109.43
2002	9,068	918,150	714,338	20,827,289	2.27	2,296.79
2001	9,068	814,150	699,557	21,074,742	2.59	2,324.08

## DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Actual (Audited)				Unaudited	Budgeted
	2007	2008	2009	2010	2011	2012
Total Current Year Debt Service:	\$3,039,252	\$3,184,213	\$3,206,024	3,038,386	\$2,784,365	\$2,702,149
(less Sewer Debt):	(463,982)	(353,833)	(246,405)	(219,563)	(219,563)	(219,563)
Tax backed Debt Service:	\$2,575,270	\$2,692,830	\$2,959,619	\$2,818,823	\$2,564,802	\$2,482,586
Budgeted Operating Expense:	28,988,748	29,219,469	30,378,403	30,804,023	30,536,251	31,396,709
Debt Service as % Oper. Exp:	8.88%	9.22%	9.74%	9.15%	8.40%	7.91%

## OVERLAPPING DEBT

### County of Cumberland

The Town is subject to an annual assessment of its proportional share of the County of Cumberland's (the "County") expenses, including debt repayment, as determined by the percentage of the Town's equalized State Valuation to the County's equalized State Valuation. At January 1, 2011 the Town's equalized State Valuation of \$1,789,750,000 was 4.39% of the County's equalized State Valuation of \$40,729,950,000. The Town's share is 4.39%, or \$159,729, of the County's \$3,635,000 long-term debt outstanding as of December 31, 2010.

### Portland Water District

The Town is also served by the Wastewater Division of the Portland Water District (the "PWD") for treatment of its wastewater. PWD is a wholly distinct public municipal corporation and separate quasi-municipal entity whose territory is made up of ten municipalities (the "Member Municipalities") and whose operation is not part of the Town. The PWD provides for sewer interception and treatment services to its Member Municipalities. Municipalities served by the PWD, including the Town, own and

maintain collector sewer lines, being responsible for the cost of maintenance, improvements and expansion of these lines (the "Collector Lines"). Member Municipalities contract with PWD for wastewater delivered to the Interceptor System from their Collector Lines. The PWD owns and operates a sewer interceptor system, all pumping stations within the respective municipality served for treatment of wastewater and a variety of treatment plants for sewage delivered to the plant. The PWD allocates the costs for Interceptor and Treatment System services among the Member Municipalities. The respective municipality adopts sewer user fees for the use of Collector Lines with the PWD's allocated costs for the Interceptor and Treatment System (including associated debt service for "Wastewater System Debt") establishes monthly fees, with the PWD serving as its billing agent. Municipalities served for treatment of wastewater are responsible for the debt service for Wastewater System Debt required to finance the PWD's treatment plants (or portion thereof) serving that municipality. Wastewater System Debt is an overlapping debt obligation of such municipality. At December 31, 2010, the end of PWD's fiscal year, the Town was responsible for 100%, or \$85,500, of its portion of PWD's Wastewater System Debt (or 0.29% of PWD's \$29,451,680 total Wastewater System Debt). See "INDEBTEDNESS – FUTURE FINANCING – PWD Projects" herein.

## **CONTINGENT DEBT**

### **Portland Water District**

The Water Division of the PWD also provides water to the inhabitants of 11 cities and towns and one water district within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the PWD Municipalities. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (previously codified at Title 30, Section 3211 of the Maine Revised Statutes, as amended) (the "Act"), and pursuant to an agreement with ten of the 12 PWD Municipalities, (the "Section 6103 Members"; the exceptions being the Town of Standish and the Yarmouth Water District), 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 System Debt"). In the event of a default by PWD in the payment of the principal of, or interest on, its Water System 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 would be allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at December 31, 2010 the Town was contingently responsible for approximately 7.03%, or \$2,174,753, of the PWD's \$30,950,023 Water System Debt.

### **ecomaine**

ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town, has issued debt to fund a resource recovery system ("RRS") (the "RRS Debt"). The RRS Debt is a special revenue obligation of ecomaine, payable from and secured by a pledge of ecomaine revenues. The debt does not constitute a debt or liability within the meaning of any constitutional or statutory provision, 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 and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal required debt service on the RRS Debt. The obligations of the Member 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, 2010, outstanding RRS Debt of ecomaine totaled \$9,210,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 4.86% or \$447,720.

The Town has also entered into an agreement with ecomaine, as one of 20 RWS original Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility. It is anticipated that the Town's share of debt incurred for this project will also be paid through user charges and service fees over the life of the project. At June 30, 2010 the Town's share is 4.03% or \$79,794 of ecomaine's outstanding MRF debt of \$1,980,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$14,834,132 at June 30, 2009. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 4.85%, or \$719,877.

**TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT**

	<b>Direct Debt</b>	<b>Overlapping</b>	<b>Contingent</b>	<b>Total Debt</b>
Town of Cape Elizabeth (Gen'l Fund) <sup>(1)</sup>	\$19,166,500			\$19,166,500
Town of Cape Elizabeth (Sewer) <sup>(1)</sup>	2,900,880			2,900,880
County of Cumberland <sup>(2)</sup>		\$159,729		159,729
PWD (Wastewater System) <sup>(2)</sup>		85,500		85,500
PWD (Water System) <sup>(2)</sup>			\$2,174,753	2,174,753
ecomaine (RRS) <sup>(3)</sup>			447,720	447,720
ecomaine (MRF) <sup>(3)</sup>			79,794	79,794
ecomaine (Closure) <sup>(1)</sup>			719,877	719,877
<b>Totals</b>	<b>\$22,067,380</b>	<b>\$245,229</b>	<b>\$3,422,144</b>	<b>\$25,734,753</b>

NOTE: <sup>(1)</sup> As of fiscal year ended June 30, 2010.  
<sup>(2)</sup> As of fiscal year ended December 31, 2010  
<sup>(3)</sup> As of fiscal year ended June 30, 2010.

**FUTURE FINANCING**

The Town Manager develops a formal Capital Improvement Program which is submitted to the Town Council (see "TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is be an indication of future projects that may be financed through the issuance of debt.

**PWD Projects**

PWD's 2009 and/or 2010 Capital Improvement Plans include financings to provide funds, in the amount of \$200,000, to complete a combined sewer overflow master plan for Ottawa Road pump station; in the amount of \$2,700,000 Cape Elizabeth South treatment plant upgrades, improvements to the adjacent Spurwink pump station and wet weather improvement (collectively, the "PWD Projects") to address the State Department of Environmental Protection's ("DEP") concerns regarding wet weather overflows. On July 26, 2010 PWD's Board of Trustees authorized an amount of up to \$3,000,000 in wastewater bonds to be financed through the State Revolving Loan Fund Program ("SRF") administered jointly by Maine Municipal Bond Bank ("MMBB") and the State of Maine, acting by and through its DEP, financed over 20 years. On November 1, 2010, PWD received interim financing through a \$3,000,000 Bond Anticipation Note ("BAN") with MMBB due on or before November 1, 2011, with the option to prepay

with no penalty, to provide funds to finance the PWD Projects. The Town expects that PWD will issue long-term bonds to refund the BAN later in calendar year 2011.

While the obligation will be issued and repaid by PWD, as previously discussed Wastewater System Debt for the PWD Projects is an overlapping debt obligation of Cape Elizabeth and is disclosed, therefore, herein. See "INDEBTEDNESS - OVERLAPPING DEBT – Portland Water District" herein.

Other than the Bonds of this financing and the financing contemplated for the PWD Projects, discussed above, the Town has no authorized but un-issued debt or obligations that it expects to finance through bond issues over the next year.

## **RETIREMENT**

### **A. DEFINED BENEFIT PENSION PLAN - DISTRICT GROUP**

Effective July 1, 1996, the former Maine State Retirement System ("MSRS") (Maine Public Employees Retirement System, "MainePERS", is the successor to MSRS) discontinued further sponsorship of individual Participating Local Districts ("PLDs") and instead communities had the opportunity to participate in the Consolidated Plan for Participating Local District ("CPPLD") a "Cost-Sharing Multiple-Employer Defined Benefit Pension Plan" established by the Maine State Legislature and administered by MainePERS. The Town did not join the CPPLD and only employees (hired prior to July 1, 1990) that were previously in the PLD plan are eligible to continue to participate in MainePERS.

As of June 30, 2010 the Town had three active covered employees, 0 vested inactive employee and 56 vested/retired employees in the plan. Covered payroll for the year ended June 30, 2010 was \$140,259 of the total combined Town and School payroll of \$17,412,850. 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 MainePERS' actuary. For the year ended June 30, 2010 the Town contributed a minimum required monthly contribution of \$14, and amounted to \$168 for the year. Covered employees are required to contribute 6.5% of their salary to MainePERS, amounting to \$9,117 for the year ended June 30, 2010.

The Town has adopted Government Accounting Standards Board ("GASB") Statement No. 27, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Pension Plans*. At the date of transition to GASB Statement No. 27, the Town was required to calculate its pension liability. The pension liability is equal to the employer's (a) contractually required contributions that are due and payable at the effective date and (b) the pension debt, if applicable. At the date of transition, the Town's pension liability was calculated to be \$0.

At June 30, 2010, the most recent date available, the actuarial accrued liability in excess of total assets was \$284,255 determined as follows:

## Actuarial Accrued Liability

### PLD 85

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$5,200,189
Current Employees:	
Accumulated employee contributions including investment income	713,468
Employer-financed, vested	127,007
Employer-financed, nonvested	<u>27,542</u>
Total actuarial accrued liability	6,068,206
Actuarial value of assets	<u>(5,783,951)</u>
 Pension benefit obligation in excess of assets	 <u>\$284,255</u>

### **B. DEFINED BENEFIT PENSION PLAN – POLICE OFFICERS AND SERGEANTS**

Effective July 1, 2008, the Town began offering participation in MainePERS Special Plan 2-C of the CPPLD for all police officers and sergeants. MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling (800) 451-9800.

Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate of covered payroll for the Special Plan 2-C is 6.3%, effective July 1, 2011. The contribution rates of plan members and the City are established and may be amended by the State Legislature. The Town's contributions to the MainePERS for the year ended June 30, 2010 was \$66,012.

### **C. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP**

All school teachers, plus other qualified educators, participate in MainePERS through the Teachers Retirement Plan (the "Teachers Group") an "Agent, Multiple-Employer, Defined Benefit Pension Plan". School employees participating in the Teachers Retirement Plan are eligible for normal retirement upon attaining age 60, or over 62 for employees with less than seven years of service in 1991. Employees are penalized from approximately 2.5% to up to 6.0% (for post-1984 new hires) for each year of early retirement. The authority to establish and amend benefit provisions rests with the State Legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers Retirement Plan. That report may be obtained by writing the Maine State Retirement System, 46 State House Station, Augusta, ME 04333-0046.

Employees are required by State statute to contribute 7.65% of their compensation to MainePERS. The Town is not required to make contributions to the Teachers Retirement Plan. As required by State statute, contributions are made on behalf of the Town for the teachers by a biannual State appropriation. There is no contribution required by the Town except for federally funded teachers, for which the Town's School Department contributed 17.78% of the compensation. This cost is charged to the applicable grant.

#### **D. DEFINED CONTRIBUTION PLAN**

The Town offers its regular employees and certain school employees not participating in MSRS a defined contribution money purchase plan created in accordance with Section 401(a) of the Internal Revenue Code, as amended. 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, 2010, the Town's and School's contribution to the plan totaled \$194,975.

#### **E. DEFERRED COMPENSATION PLAN**

The Town offers all of its employees not participating in MSRS a deferred compensation plan created in accordance with Section 457(k) of the Internal Revenue Code, as amended. 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. In applying the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town has determined that effective July 1, 1997 it is no longer required to record assets and associated liability of the plan.

#### **F. OTHER RETIREMENT**

The Town participates in the Social Security Administration's Retirement Program ("FICA"). The Town's contribution to FICA, including the Medicare supplement, was approximately \$595,549 for the year ended June 30, 2010.

#### **G. OTHER POST EMPLOYMENT BENEFITS**

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits ("OPEB"). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45 whereby an OPEB liability actuarial valuation was completed by the consultants in June 2009 based upon an actuarial valuation date of December 31, 2008.

**Plan Descriptions** - In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

**Funding Policy and Annual OPEB Cost** - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution ("ARC"), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal Cost:	\$38,212
Amortization of Unfunded:	51,232
Interest:	<u>1,789</u>
Annual Required Contribution:	\$91,233

**Net OPEB Obligation** - The Town's net OPEB obligation was calculated as follows:

OPEB liability, July 1, 2009:	\$91,233
Annual Required Contribution:	91,233
(Less Actual Contributions):	<u>(35,228)</u>
OPEB liability, June 30, 2010:	\$147,238

**Funding Status and Funding Progress** - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending December 31, 2008 was:

Annual required contribution:	\$91,233
Actual contribution:	35,228
Percent contributed:	38.61%
Actuarial accrued liability:	921,348
Plan assets:	<u>0</u>
Unfunded actuarial accrued liability:	921,348
Covered payroll:	\$2,864,998
Unfunded actuarial accrued liability as a percentage of covered payroll:	32.16%

### ENVIRONMENTAL MATTERS

The Town is subject to a wide variety of federal and State laws and regulations relating to land use, water resources, sewage disposal, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the Town believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties on operations by government agencies or courts that could adversely affect the Town. The Town is not aware of any environmental conditions or non-compliance, the remediation or correction of which the Town believes would have a material adverse impact on the financial condition of the Town. The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town's financial condition or ability to pay debt service on the Bonds as and when due.

While not having a material adverse impact upon the Town's financial condition, or its ability to meet its debt service obligations, the Town is voluntarily making the following disclosure with respect to environmental liabilities: The Town is not subject to any pending legal proceedings involving environmental matters that would require disclosure under the Regulation were the Town subject to its provisions.

### LITIGATION

In the opinion of Town officials there is no litigation pending against the Town that, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town's financial position or its ability to meet its debt service obligations.

**APPENDIX A**

**TOWN OF CAPE ELIZABETH, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2010**

**(With Report of Independent Auditors' Thereon)**

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**TOWN OF CAPE ELIZABETH, MAINE**

**Annual Financial Report**

**June 30, 2010**



TOWN OF CAPE ELIZABETH, MAINE  
Annual Financial Report  
Year ended June 30, 2010

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**TOWN OF CAPE ELIZABETH, MAINE**  
**Annual Financial Report**

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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, 2010, 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, 2010, 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 September 24, 2010, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cape Elizabeth, Maine's financial statements as a whole. 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 financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.



September 24, 2010  
South Portland, Maine

**TOWN OF CAPE ELIZABETH, MAINE**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2010**

**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 \$49,697,026. The total net assets are \$24,639,862. Net assets include \$16,804,351 invested in capital assets, net of related debt and \$7,835,511 in unrestricted net assets. For the reporting period, the Town had an increase in the fund balance for total governmental funds (from statement 4) of \$394,263. The fund balance for the General Fund increased \$315,360. This is attributable to revenues meeting targets and expenditure savings from budgeted levels. The school undesignated fund balance decreased \$518,527 as a result of reduced intergovernmental revenue.

**Comparison of Information from Current Year and Prior Year**

**Assets**

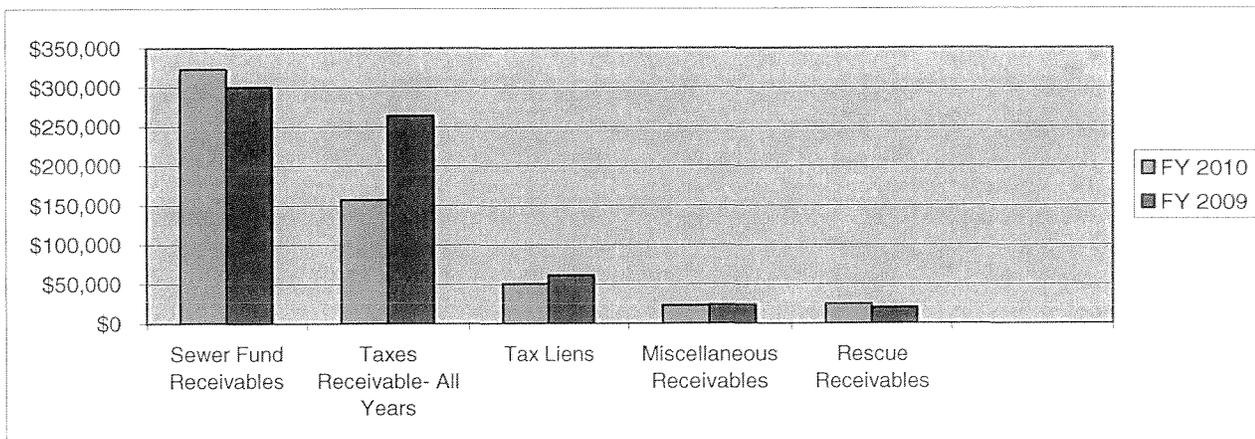
**Cash, Cash Equivalents and Investments**

The portion of the fund balance in cash, cash equivalents and investments increased \$448,126, from \$9,425,984 to \$9,874,110. The cash increase is attributable in large part due to expenditures falling below planned budget levels.

	FY 2010	FY 2009
Sewer Fund Receivables	\$323,529	\$300,769
Taxes Receivable- Current Year	\$156,142	263,415
Taxes Receivable- Prior Yrs.	1,360	1,351
Tax Liens	\$50,572	61,474
Miscellaneous Receivables	22,894	23,971
Rescue Receivables	24,511	20,211
Tax Acquired Property	206	206
<b>Total</b>	<b>\$579,214</b>	<b>\$671,397</b>
% Sewer	56%	45%
% Taxes etc.	44%	55%

**Receivables**

The Town continues to have an excellent record of tax receivables, improving the collection rate of the levy for the current year to 99.3%. The taxes receivable amount decreased from the prior year, due to one property that was in receivership the prior year, but whose taxes were paid in full in FY 2010. The sewer receivable has increased and appears at a high level as billing occurs just before the end of each fiscal year. The Town places tax liens on uncollected sewer fees, so eventually the entire receivable is paid.



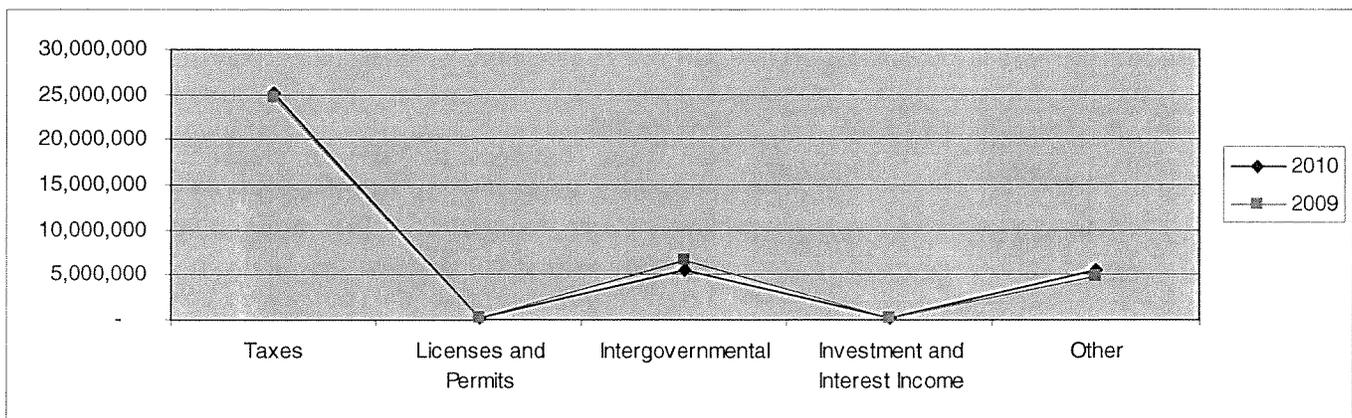
**TOWN OF CAPE ELIZABETH, MAINE**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2010**

**Revenues by Major Source**

Property and other taxes amounted to 68.9% of revenue in FY 2010. This compares to 67.8% in FY 2009. Intergovernmental revenues decreased 17% due to less revenue for education and from Maine State Revenue Sharing. Investment income increased about 24% from \$127,421 to \$158,548. Overall, revenues were down about \$57,015 or 1%. The total increase in revenue from taxes this past year was \$357,461 or 1.4% compared with 5.9% the previous year.

	2010	2009	\$ Change	% Change
Taxes	25,119,671	24,762,210	357,461	1.4%
Licenses and Permits	148,480	140,388	8,092	5.8%
Intergovernmental	5,547,797	6,704,205	(1,156,408)	-17.2%
Investment and Interest Income	158,548	127,421	31,127	24.4%
Other	5,479,563	4,776,850	702,713	14.7%
	36,454,059	36,511,074	(57,015)	-0.2%
			-	
% Taxes of Total	68.9%	67.8%	1.1%	

**Revenues Chart**



**Expenditures**

Total expenditures decreased by \$710,560 or 2.0%. The decrease was due to reduced town side and capital outlay expenditures. Spending, excluding capital outlay, increased \$803 or less than 1%, compared to an increase the previous year of 1.7%.

Expenditures changed as follows:

	2010	2009	\$ Change	% Change
General Government	\$ 1,018,929	\$ 1,116,039	\$ (97,110)	-8.7%
Public Safety	1,702,665	1,742,865	(40,200)	-2.3%
Public Works	1,680,662	1,761,263	(80,601)	-4.6%
Human Services	47,837	38,715	9,122	23.6%
Cultural and Parks	1,105,290	1,192,979	(87,689)	-7.4%
Education	23,620,060	23,170,931	449,129	1.9%
Intergovernmental Assessments	987,445	1,030,500	(43,055)	-4.2%
Unclassified	1,776,559	1,828,936	(52,377)	-2.9%
Sewer	1,126,602	1,083,662	42,940	4.0%
School Lunch Program	508,626	503,904	4,722	0.9%
Capital Outlay	1,352,328	2,074,691	(722,363)	-34.8%
Non-School Debt Service	1,379,002	1,483,080	(104,078)	-7.0%
<b>Total Expenditures</b>	<b>\$ 36,306,005</b>	<b>\$ 37,027,565</b>	<b>\$ (721,560)</b>	<b>-2.0%</b>
<b>Excluding Capital Outlay</b>	<b>\$ 34,953,677</b>	<b>\$ 34,952,874</b>	<b>\$ 803</b>	<b>0.0%</b>

**TOWN OF CAPE ELIZABETH, MAINE**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2010**

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**Transfers**

The 2008 Capital Bond Fund was closed out with \$174,460 transferred to the General Fund. The Portland Head Light Fund had a transfer in of \$90,000 as the result of an overpayment to the General Fund in FY 2009.

**The Overall Financial Position of the Town**

The overall financial condition of the Town improved in FY 2010. Despite a tough economy nationally, the tax collection rate improved to 99.3% of the current levy. The municipal undesignated fund balance increased by its largest amount in history, \$896,809. The ratio of bonded debt to assessed value was decreased and no long-term debt was issued except for older debt which was refinanced at a lower interest rate. \$ 2.0 million was retired. The infrastructure is in good condition with police, fire, public works and community facilities having been built or substantially remodeled over the last 12 years. All school buildings have been recently renovated. 78% 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 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 2010, compared to a state unemployment rate of 5.3% and a national rate of 5.5%.

**Changes in Individual Fund Balances**

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 4,603,328	\$ 4,287,968	\$ 315,360	6.9%
School Categorical Funds	720,663	441,643	279,020	38.7%
School Lunch Program	15,698	322	15,376	97.9%
Sewer User Fund	831,508	543,013	288,495	34.7%
Community Services Fund	3,437	(9,091)	12,528	364.5%
Riverside Cemetery Capital Improvements	76,299	62,335	13,964	18.3%
Fort Williams Park Fund	60,484	50,043	10,441	17.3%
Portland Head Light Fund	373,305	243,333	129,972	34.8%
Rescue Fund	312,002	270,251	41,751	13.4%
Cemetery Perpetual Care	355,229	339,981	15,248	4.3%
Library Fund	139,919	133,109	6,810	4.9%
Police and Fire Fund	11,161	10,974	187	1.7%
Land Acquisition Fund	180,192	179,788	404	0.2%
Spurwink Church Fund	28,237	29,068	(831)	-2.9%
Thomas Jordan Fund	840,626	813,764	26,862	3.2%
Turf Field	94,852	80,695	14,157	14.9%
Infrastructure Improvement	168,790	134,426	34,364	20.4%
2008 Capital Projects Bond	-	809,845	(809,845)	

**Significant Changes in Individual Fund Balances**

The General Fund increase reflects the increase in the "town" undesignated surplus. The 2008 Capital Projects Fund was closed out and the assets were transferred to the General Fund. The Thomas Jordan Fund increased due to its investments. The Portland Head Light Fund increased due to good sales at the gift shop and a \$90,000 credit from the General Fund due to an overpayment in FY 2009. The Community Services Fund had a net gain after two years of losses. The Infrastructure Improvement Fund was established in FY 2007 and is receiving steady income. The Sewer User Fund is benefiting from a three year implementation of sewer fee increases intended to meet the debt service expense of Portland Water District sewer plant upgrades due to begin in September 2010. The Portland Water District is expected to borrow approximately \$3.0 million from the Maine State Revolving Loan Fund Program at a minimal interest rate. School categorical funds increased due to State Maine Care reimbursements.

**TOWN OF CAPE ELIZABETH, MAINE**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2010**

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**Significant Budget Variances**

There was one significant negative budget variance. A public works equipment known as a multiple tool carrier was budgeted in FY 2009, but was expensed in FY 2010 at a cost of \$110,000. The Town has adjusted to the economic slowdown.

**Long-term Debt Activity**

In the past 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, 2010 stood at \$22,067,420. This equated to 1.65 % of assessed value and to \$2,434 net bonded debt per capita. The ratio of debt service to general governmental expenditures was 9.27% on June 30, 2010 compared to 9.67% on June 30, 2009.

<b>Existing Debt Service Requirements</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 2,068,422	705,486	2,773,908
2012	2,051,172	648,770	2,699,942
2013	2,043,969	592,105	2,636,074
2014	2,036,814	534,915	2,571,729
2015	1,944,708	475,967	2,420,675
2016-2020	6,858,745	1,628,901	8,487,646
2021-2025	4,293,998	543,832	4,837,830
2026-2029	769,592	38,402	807,994
<b>Totals</b>	<b>\$ 22,067,420</b>	<b>5,168,378</b>	<b>27,235,798</b>

**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](mailto:michael.mcgovern@capeelizabeth.org)

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF CAPE ELIZABETH, MAINE**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,516,902
Investments	357,208
Receivables:	
Accounts	22,894
Taxes receivable - prior years	1,360
Taxes receivable - current year	156,142
Tax liens	50,572
Tax acquired property	206
Rescue (net of allowance for uncollectible of \$14,400)	24,511
Sewer fees receivable (net of allowance for uncollectible of \$4,000)	323,529
Prepaid expenses	17,879
Inventories	117,610
Capital assets, not being depreciated	1,594,604
Capital assets, being depreciated	37,513,609
Total assets	49,697,026
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	13,947
Accrued payroll	1,450,390
Compensated absences payable	807,550
Deferred revenues	175,166
Taxes collected in advance	7,580
Accrued interest	151,431
Other postemployment benefits liability	147,238
Noncurrent liabilities:	
Due within one year	2,244,301
Due in more than one year	20,059,561
Total liabilities	25,057,164
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	16,804,351
Unrestricted	7,835,511
Total net assets	\$ 24,639,862

*See accompanying notes to financial statements.*

**TOWN OF CAPE ELIZABETH, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/programs	Expenses	Charges for services	Program revenues		Net (expense) revenue and changes in net assets
			Operating grants and contributions	Capital grants and contributions	
<b>Governmental activities:</b>					
General government	\$ 1,294,806	148,481	-	-	(1,146,325)
Public safety	1,962,717	11,254	-	-	(1,951,463)
Public works	2,246,229	75,254	77,216	-	(2,093,759)
Human services	47,837	-	-	-	(47,837)
Cultural and parks	1,105,290	188,940	-	-	(916,350)
Education	22,926,211	1,131,623	4,483,486	-	(17,311,102)
School lunch	508,626	451,127	72,875	-	15,376
Intergovernmental assessments	987,445	-	-	-	(987,445)
Unclassified	1,796,294	1,648,812	-	-	(147,482)
Sewer	1,126,602	1,667,259	-	-	540,657
Capital maintenance expenses	769,543	-	-	-	(769,543)
Interest on debt	350,919	-	-	-	(350,919)
<b>Total governmental activities</b>	<b>35,122,519</b>	<b>5,322,750</b>	<b>4,633,577</b>	<b>-</b>	<b>(25,166,192)</b>

General revenues:

Property taxes	23,415,310
Excise taxes	1,647,131
Interest and costs on taxes	57,230
Franchise fees	144,317

Grants and contributions not restricted to specific programs:

State Revenue Sharing	599,840
Homestead exemption	215,154
Other intergovernmental revenues	99,226
Unrestricted investment earnings	158,548
Loss on disposal	(26)
Miscellaneous revenues	161,003
<b>Total general revenues</b>	<b>26,497,733</b>

Change in net assets

1,331,541

Net assets - beginning

23,308,321

**Net assets - ending**

**\$**

**24,639,862**

See accompanying notes to financial statements.

TOWN OF CAPE ELIZABETH, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,422,639	1,094,263	9,516,902
Investments	-	357,208	357,208
Receivables:			
Accounts	8,422	14,472	22,894
Taxes receivable - prior years	1,360	-	1,360
Taxes receivable - current year	156,142	-	156,142
Tax liens	50,572	-	50,572
Tax acquired property	206	-	206
Rescue (net of allowance for uncollectible of \$14,400)	-	24,511	24,511
Sewer fees receivable (net of allowance for uncollectible of \$4,000)	-	323,529	323,529
Prepaid expenditures	-	17,879	17,879
Inventory	-	117,610	117,610
Interfund loans receivable	-	2,440,434	2,440,434
<b>Total assets</b>	<b>\$ 8,639,341</b>	<b>4,389,906</b>	<b>13,029,247</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other liabilities	13,947	-	13,947
Accrued payroll	1,450,390	-	1,450,390
Interfund loans payable	2,438,096	2,338	2,440,434
Deferred revenues	126,000	175,166	301,166
Taxes collected in advance	7,580	-	7,580
<b>Total liabilities</b>	<b>4,036,013</b>	<b>177,504</b>	<b>4,213,517</b>
Fund balances:			
Reserved for:			
Inventory	-	117,610	117,610
Encumbrances - education	81,858	-	81,858
Unreserved, reported in:			
General fund:			
Designated - Town	986,510	-	986,510
Designated - education	250,000	-	250,000
Undesignated - Town	3,061,548	-	3,061,548
Undesignated - education	223,412	-	223,412
Special revenue fund	-	4,094,792	4,094,792
<b>Total fund balances</b>	<b>4,603,328</b>	<b>4,212,402</b>	<b>8,815,730</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,639,341</b>	<b>4,389,906</b>	
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.			39,108,213
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			126,000
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			(807,550)
Accrued interest			(151,431)
Other postemployment benefits liability			(147,238)
Capital leases			(236,442)
Bonds payable			(22,067,420)
<b>Net assets of governmental activities</b>			<b>\$ 24,639,862</b>

*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, 2010**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 25,119,671	-	25,119,671
Licenses and permits	148,480	-	148,480
Intergovernmental	4,210,701	1,337,096	5,547,797
Investment income	88,070	70,478	158,548
Other	702,968	4,776,595	5,479,563
Total revenues	30,269,890	6,184,169	36,454,059
Expenditures:			
Current:			
General government	1,018,929	-	1,018,929
Public safety	1,702,665	-	1,702,665
Public works	1,680,662	-	1,680,662
Human services	47,837	-	47,837
Cultural and parks	1,105,290	-	1,105,290
Education	20,875,702	2,744,358	23,620,060
Intergovernmental assessments	987,445	-	987,445
School lunch	-	508,626	508,626
Unclassified	1,061,250	715,309	1,776,559
Sewer	-	1,126,602	1,126,602
Capital improvements	524,960	827,368	1,352,328
Debt service	1,158,985	220,017	1,379,002
Total expenditures	30,163,725	6,142,280	36,306,005
Excess of revenues over expenditures	106,165	41,889	148,054
Other financing sources (uses):			
Proceeds from capital leases	25,325	135,884	161,209
Refunding bond issued	5,850,000	-	5,850,000
Payment to refunded bond escrow agent	(5,765,000)	-	(5,765,000)
Transfers from other funds	329,270	246,400	575,670
Transfers to other funds	(230,400)	(345,270)	(575,670)
Total other financing sources	209,195	37,014	246,209
Net change in fund balances	315,360	78,903	394,263
Fund balances, beginning of year	4,287,968	4,133,499	8,421,467
Fund balances, end of year	\$ 4,603,328	4,212,402	8,815,730

*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, 2010**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	394,263
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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 (\$1,918,363) and loss on disposal (\$27) exceeded capital outlays (\$682,941) in the current period.

(1,235,449)

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 interest (\$50,916) and accrued compensated absences (\$89,150) less the change in other postemployment benefits liability (\$56,005).

84,061

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 repayments (\$7,875,680) exceeded proceeds (\$5,850,000).

2,025,680

This is the amount by which lease repayments (\$224,195) exceeded proceeds (\$161,209).

62,986

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<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>1,331,541</b>
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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, 2010**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 24,984,947	24,984,947	25,119,671	134,724
Licenses and permits	107,000	107,000	148,480	41,480
Intergovernmental	2,841,417	2,841,417	2,290,148	(551,269)
Investment income	60,000	60,000	88,070	28,070
Other	535,000	535,000	702,968	167,968
Total revenues	28,528,364	28,528,364	28,349,337	(179,027)
Expenditures:				
Current:				
General government	1,114,849	1,120,176	1,018,929	101,247
Public safety	1,822,625	1,845,803	1,702,665	143,138
Public works	1,857,948	1,832,948	1,680,662	152,286
Human services	32,484	52,484	47,837	4,647
Cultural and parks	1,118,798	1,138,712	1,105,290	33,422
Education	19,298,966	19,298,966	18,833,280	465,686
Intergovernmental assessments	988,408	988,408	987,445	963
Unclassified	1,404,580	1,420,712	1,061,250	359,462
Capital improvements	400,000	748,037	524,960	223,077
Debt service	1,164,116	1,249,116	1,158,985	90,131
Total expenditures	29,202,774	29,695,362	28,121,303	1,574,059
Excess (deficiency) of revenues over (under) expenditures	(674,410)	(1,166,998)	228,034	1,395,032
Other financing sources (uses):				
Transfer to special revenue funds	(140,400)	(140,400)	(230,400)	(90,000)
Transfer from special revenue funds	154,810	154,810	154,810	-
Transfer from capital projects funds	-	-	174,460	174,460
Refunding bonds issued	-	5,850,000	5,850,000	-
Payment to refunded bond escrow agent	-	(5,765,000)	(5,765,000)	-
Carryforward balances and subsequent authorizations	-	407,588	-	(407,588)
Utilization of prior year surplus - School	450,000	450,000	-	(450,000)
Utilization of prior year surplus - Town	210,000	210,000	-	(210,000)
Total other financing sources	674,410	1,166,998	183,870	(983,128)
Net change in fund balance	-	-	411,904	411,904
Reconciliation to GAAP:				
Change in encumbrances			(96,544)	
Fund balance, beginning of year			4,287,968	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>4,603,328</b>	

*See accompanying notes to financial statements.*

TOWN OF CAPE ELIZABETH, MAINE  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010

		Private- purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$	85,423	178,018
Total assets		85,423	178,018
<b>LIABILITIES</b>			
Due to student groups		-	178,018
Total liabilities		-	178,018
<b>NET ASSETS</b>			
Held in trust	\$	85,423	-

*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, 2010**

	Private- purpose Trust Funds
<b>Additions:</b>	
Interest earned	\$ 1,461
Donations	4,758
<b>Total additions</b>	<b>6,219</b>
<b>Deductions:</b>	
School scholarships	4,175
Other	1,321
<b>Total deductions</b>	<b>5,496</b>
Change in net assets	723
Net assets, beginning of year	84,700
<b>Net assets, end of year</b>	<b>\$ 85,423</b>

*See accompanying notes to financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 and with an initial, individual cost of more than \$5,000. 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 are 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.

**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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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, 2010:

Capital assets	\$ 64,332,439
Accumulated depreciation	(25,224,227)
Bonds and notes payable	(22,067,420)
Capital leases	(236,442)
<b>Total invested in capital assets, net of related debt</b>	<b>\$ 16,804,351</b>

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**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 \$1,920,553. 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.

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

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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>
2009-2010 budget as originally adopted	\$ 30,104,903	30,104,903	-
Overlay/abatements	409,804	409,804	-
Local homestead exemption	(220,000)	(220,000)	-
Utilization of prior year balances:			
Town	(210,000)	-	210,000
School	(450,000)	-	450,000
Community services	(951,533)	(1,077,933)	(126,400)
Designated carry-forward balances – Town	-	542,888	542,888
Budgetary adjustments:			
Subsequent authorizations and transfers	(154,810)	(64,300)	90,510
<b>Total adjusted budget</b>	<b>\$ 28,528,364</b>	<b>29,695,362</b>	<b>1,166,998</b>

**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 \$250,000 insurance limit must be collateralized by the financial institution, or the excess funds be placed with other financial institutions. As of June 30, 2010, the Town reported deposits of \$9,780,343 with a bank balance of \$10,124,099. None of the Town's bank balances were exposed to custodial credit risk as they were covered by the FDIC 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	\$ 9,516,902
<u>Reported in fiduciary funds</u>	<u>263,441</u>
<b>Total deposits</b>	<b>\$ 9,780,343</b>

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

**CASH DEPOSITS AND INVESTMENTS, CONTINUED**

**B. Investments**

At June 30, 2010, the Town had the following investments reported in governmental funds:

	<u>Fair value</u>
Mutual funds (1)	\$ 357,208

(1) Mutual funds are not considered securities and are exempt from credit risk disclosure noted above.

**PROPERTY TAXES**

Property taxes for the current year were committed on August 6, 2009 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 9% on all taxes unpaid as of October 2, 2009 and April 2, 2010. Assessed values are periodically established by the Town's Assessor at 78% 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 \$409,804 for the year ended June 30, 2010.

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.

The following summarizes the 2010 and 2009 levy:

	<u>2010</u>	<u>2009</u>
Assessed valuation:		
Land	\$ 525,136,600	525,387,300
Buildings	803,721,600	791,636,000
Personal property	5,944,900	4,170,400
<b>Total assessed valuation</b>	<b>\$ 1,334,803,100</b>	<b>1,323,193,700</b>
Assessed valuation	1,334,803,100	1,323,193,700
<u>Tax rate (per \$1,000)</u>	17.54	17.44
Commitment	23,412,447	23,076,498
Supplemental taxes assessed	2,863	1,681
Total tax levy	23,415,310	23,078,179
Change in deferred tax revenues	-	(26,700)
Total property tax revenues	23,415,310	23,051,479

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

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**PROPERTY TAXES, CONTINUED**

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Less:  
 Collections and abatements \$ 23,259,168 22,788,064

**Current year receivables at June 30,**  
**2010 and 2009** \$ **156,142** **263,415**

	<u>2010</u>	<u>2009</u>
Due date(s)	10/2/2009	10/3/2008
	4/2/2010	4/2/2009
Interest rate on delinquent taxes	9.00%	11.00%
Collection rate	99.33%	98.86%

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**CAPITAL ASSETS**

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Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,116,995	-	-	1,116,995
Construction in progress	479,123	368,565	370,079	477,609
<b>Total capital assets, not being depreciated</b>	<b>1,596,118</b>	<b>368,565</b>	<b>370,079</b>	<b>1,594,604</b>
Capital assets, being depreciated:				
Land improvements	669,581	-	-	669,581
Buildings and building improvements	38,904,370	-	-	38,904,370
Furniture and equipment	3,249,422	404,927	30,972	3,623,377
Vehicles	3,982,693	279,528	45,000	4,217,221
Infrastructure	15,323,286	-	-	15,323,286
<b>Total capital assets being depreciated:</b>	<b>62,129,352</b>	<b>684,455</b>	<b>75,972</b>	<b>62,737,835</b>
Less accumulated depreciation for:				
Land improvements	81,837	44,640	-	126,477
Buildings and building improvements	11,879,170	1,126,547	-	13,005,717
Furniture and equipment	2,596,805	152,950	30,945	2,718,810
Vehicles	2,447,653	281,498	45,000	2,684,151
Infrastructure	6,376,344	312,728	-	6,689,072
<b>Total accumulated depreciation</b>	<b>23,381,809</b>	<b>1,918,363</b>	<b>75,945</b>	<b>25,224,227</b>
<b>Total capital assets being depreciated, net</b>	<b>38,747,543</b>	<b>(1,233,908)</b>	<b>27</b>	<b>37,513,609</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 40,343,661</b>	<b>(865,343)</b>	<b>370,106</b>	<b>39,108,213</b>

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

**CAPITAL ASSETS, CONTINUED**

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

Governmental activities:	
General government	\$ 205,354
Public safety	260,052
Public works, including depreciation of general infrastructure assets	565,567
Education	867,655
Unclassified	19,735
<b>Total depreciation expense – governmental activities</b>	<b>\$ 1,918,363</b>

**INTERFUND BALANCES**

Individual interfund receivables and payables at June 30, 2010 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	2,438,096
Nonmajor special revenue funds:		
Sewer User Fund	507,979	-
School Categorical Programs	720,420	-
School Lunch Program	-	2,338
Community Services Fund	149,731	-
Fort Williams Park Fund	60,484	-
Rescue Fund	287,491	-
Portland Head Light	270,495	-
Land Acquisition Fund	180,192	-
Turf Field	94,852	-
Infrastructure Improvement	168,790	-
Total nonmajor special revenue funds	2,440,434	2,338
<b>Totals</b>	<b>\$ 2,440,434</b>	<b>2,440,434</b>

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.

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

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**INTERFUND BALANCES, CONTINUED**

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Individual fund transfers for the year ended June 30, 2010 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General Fund</u>	<u>\$ 329,270</u>	<u>230,400</u>
Nonmajor special revenue funds:		
School Categorical Programs	-	154,810
Community Services Fund	142,400	-
Portland Head Light	90,000	-
Thomas Jordan Fund	-	16,000
Turf Field	14,000	-
<u>Total nonmajor special revenue funds</u>	<u>246,400</u>	<u>170,810</u>
Nonmajor capital projects fund:		
<u>2008 Capital Projects Fund</u>	<u>-</u>	<u>174,460</u>
<u>Total nonmajor capital projects funds</u>	<u>-</u>	<u>174,460</u>
<u><b>Totals</b></u>	<u><b>\$ 575,670</b></u>	<u><b>575,670</b></u>

These transfers were budgeted transfers to fund certain activities.

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**STATUTORY DEBT LIMIT**

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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, 2010, the Town was in compliance with these limitations.

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 24,093,100	5,850,000	7,875,680	22,067,420	2,068,422
Capital leases	299,428	161,209	224,195	236,442	175,879
Accrued compensated absences	896,700	-	89,150	807,550	-
<u>Governmental activity long-term liabilities</u>	<u>\$ 25,289,228</u>	<u>6,011,209</u>	<u>8,189,025</u>	<u>23,111,412</u>	<u>2,244,301</u>

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

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**LONG-TERM DEBT**

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Long-term debt payable at June 30, 2010 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>
General obligation bonds				
2000 Capital improvements	4,100,000	4.00-4.90%	2021	2,125,000
2002 Capital improvements	1,500,000	3.25-5.00%	2022	940,000
2004 School Revolving Renovation Fund (1)	800,000	0%	2014	320,000
2004 School Renovation	3,725,000	3.00-4.36%	2024	2,510,000
2006 School Renovation	4,725,000	3.75-4.20%	2025	3,525,000
2006 Clean Water Revolving Fund	3,510,000	1.73%	2026	2,900,880
2006 Sewer bond	1,890,000	1.90%-5.50%	2027	1,606,500
2008 Capital improvements	2,550,000	3.25%-4.13%	2028	2,290,040
2009 Refunding bond	5,850,000	2.00%-2.75%	2020	5,850,000
<b>Total general obligation bonds</b>				<b>22,067,420</b>
<b>Total</b>				<b>\$ 22,067,420</b>

(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, 2010 was \$320,000.

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, 2010 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>
2011	\$ 2,068,422	705,486	2,773,908
2012	2,051,172	648,770	2,699,942
2013	2,043,969	592,105	2,636,074
2014	2,036,814	534,915	2,571,729
2015	1,944,708	475,967	2,420,675
2016-2020	6,858,745	1,628,901	8,487,646
2021-2025	4,293,998	543,832	4,837,830
2026-2029	769,592	38,402	807,994
<b>Totals</b>	<b>\$ 22,067,420</b>	<b>5,168,378</b>	<b>27,235,798</b>

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.

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

**CAPITAL LEASES**

The Town has entered into five lease agreements as lessee for financing of computers, buses and a van. 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, 2010:

Computer equipment	\$ 370,403
Buses	147,550
Van	23,325

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, 2010:

Fiscal year ending	
<u>June 30,</u>	
2011	\$ 184,686
2012	52,303
2013	5,499
2014	5,499
Total minimum lease payments	247,987
Less amounts representing interest	11,545
<b>Present value of future minimum lease payments</b>	<b>\$ 236,442</b>

**OPERATING LEASES**

The Town has four operating lease agreements for rental of Town-owned buildings and land. Rental income from these operating leases in 2010 was \$34,803.

The following is a schedule of the future minimum rentals on operating leases as of June 30, 2010:

Fiscal year ending	
<u>June 30,</u>	
2011	\$ 35,820
2012	30,385
2013	13,975
2014	2,500
2015	2,500
2016-2020	12,500
<u>2021-2025</u>	<u>12,500</u>
<b>Total of future rental income</b>	<b>\$ 110,180</b>

**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, 2010, the Town's share is \$161,128 (4.27%) of Cumberland County's outstanding debt of \$3,772,625.

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

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**OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED**

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**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, 2010, the Town was responsible for \$159,250 of its portion of PWD's Wastewater Fund Debt (or .49% of PWD's \$32,604,976 total Wastewater Fund Debt).

**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, 2010, the Town was contingently responsible for approximately 6.60%, or \$2,074,490, of the PWD's \$31,450,023 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, 2010, outstanding "Incinerator Debt" of Ecomaine totaled \$9,210,000 of which the Town of Cape Elizabeth's share, based on estimated tonnage to be delivered, amounted to \$447,720.

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, 2010 the Town's share is \$79,794 of Ecomaine's outstanding MRF debt of \$1,980,000.

Additionally, Ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure costs approximate \$14,834,132 at June 30, 2009 (the most recent data available). The Town's proportionate share of these estimated landfill closure and postclosure costs is 4.85% or \$719,877.

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

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**RISK MANAGEMENT**

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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.

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, 2010.

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**POSTCLOSURE CARE COSTS**

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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.

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**DESIGNATED/RESERVED FUND BALANCES**

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**Designated Fund Balances**

At June 30, 2010 and 2009, portions of the General Fund fund balance were designated to future periods as follows:

	<u>2010</u>	<u>2009</u>
<u>General Fund:</u>		
Town:		
Roadway and drainage repairs	\$ 249,843	256,936
Sidewalk improvements	45,000	-
Royles Library	50	50
Telephone upgrade	9,200	-
GIS improvements	14,339	-
Planning studies	3,800	-
Fort Williams repairs	50,720	14,914
Revaluation	19,033	19,033
B. Chase	2,689	5,828
M.J. Chase	4,319	18,767
Police donations	14,403	13,830
Greenbelt trails	2,551	-
Cruiser replacement	9,073	5,175
Street openings	-	717
Retirement system assessment	19,548	-
Fire donations	822	-
Lebensfeld	209	209
Ronald Fritz memorial bench	-	446
Records preservation	5,529	5,327
Recycling promotion	5,000	-
Multiple Tool Carrier	-	110,000

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

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**DESIGNATED/RESERVED FUND BALANCES, CONTINUED**

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Family fun day	\$ 1,691	5,000
Fire Gear	-	9,348
Alternative Energy Committee	39,030	32,923
Dispatch transition expenses	-	20,000
Fuel assistance fund	-	10,415
High School tennis courts	-	3,000
Parks garage repairs	-	10,970
Tennis court repair	7,500	-
Town hall structural repairs	49,000	-
Election equipment	16,000	-
Pool roof repairs	6,556	-
Fireproof cabinet – Public Works	2,900	-
Municipal energy projects	87,420	-
Shore Road path engineering	53,291	-
ARRA energy grant – local share	51,512	-
Fuel and food donations	5,482	-
Total Town	776,510	542,888
Re-appropriated fund balance:		
Education	250,000	250,000
Town	210,000	410,000
Total reappropriated fund balance	\$ 460,000	660,000

**Reserved Fund Balances**

Additionally, at June 30, 2010, 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	\$ -	14,800	102,810
Reserved for encumbrances	81,858	-	-
<b>Total reserved fund balance</b>	<b>\$ 81,858</b>	<b>14,800</b>	<b>102,810</b>

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)**

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**Maine Public Employees Retirement System - 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. Except for police officers and sergeants, 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, 2010, the Town had 3 active covered employees, 0 vested inactive employee and 56 vested/retired employees. Covered payroll for the year ended June 30, 2010 was \$140,259 of the total combined Town and School payroll of \$17,412,850. 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, 2010, the Town contributed a minimum required monthly contribution of \$14, which amounted to \$168 for the year. Covered employees are required to contribute 6.5% of their salary to the Maine Public Employees Retirement System and amounted to \$9,117 for the year ended June 30, 2010.

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, 2009 (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

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS), CONTINUED**

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At June 30, 2009, the date of the latest actuarial report, the actuarial accrued liability in excess of total assets was \$1,238,347, determined as follows:

Actuarial accrued liability:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 4,885,858
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Current employees:

Accumulated employee contributions including investment income	702,469
Employer financed, vested	626,975
Employer financed, nonvested	41,979

Total actuarial accrued liability	6,257,281
Market value of net assets available for benefits	(5,018,934)

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<b>Pension benefit obligation in excess of assets</b>	<b>\$ 1,238,347</b>
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**Maine PERS - Consolidated Plan – Police Officers and Sergeants**

**Description of the Plan** - Effective July 1, 2008, the Town of Cape Elizabeth began offering participation in the Maine PERS Special Plan 2-C of the Consolidated Plan for all police officers and sergeants. The Maine Public Employees Retirement Consolidated Plan is a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. Any officers and sergeants participating in this plan are responsible for any applicable buyback costs. Joining and buyback opportunities and deadlines are determined by Maine PERS. The Town does permit employee funded buybacks in accordance with Maine PERS regulations. The employee is responsible for the employee costs as determined by Maine PERS. 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 Consolidated Plan. 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.

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 9.6% of annual covered payroll for the Special Plan 2-C. The contribution rates of plan members and the Town of Cape Elizabeth are established and may be amended by the State legislature. The Town's contribution to the Maine Public Employees Retirement System Consolidated Plan for the years ended June 30, 2010 was \$66,012.

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS), CONTINUED**

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**Maine Public Employees Retirement System - Teacher's Group**

**Description of Plan** - 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.

**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 \$1,920,553 (17.78%) for the fiscal year 2010. There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.78% 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, 2010, the Town's and School's contributions to the plan totaled \$194,975.

**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 \$595,549 for the year ended June 30, 2010.

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

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**OTHER POST EMPLOYMENT BENEFITS**

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GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Cape Elizabeth, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Cape Elizabeth is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in June 2009.

**Plan Descriptions** – In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

**Funding Policy and Annual OPEB Cost** – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 38,212
Amortization of unfunded	51,232
<u>Interest</u>	<u>1,789</u>
Annual Required Contribution	\$ 91,233

**Net OPEB Obligation** – The Town's net OPEB obligation was calculated as follows:

OPEB liability, June 30, 2009	\$ 91,233
Annual required contribution	91,233
<u>Actual contribution</u>	<u>(35,228)</u>
OPEB liability, June 30, 2010	\$ 147,238

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

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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**Funding Status and Funding Progress** – The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2010 were as follows:

Annual required contribution	\$ 91,233
Actual contribution	35,228
Percent contributed	38.61%
Actuarial accrued liability	921,348
Plan assets	-
Unfunded actuarial accrued liability	921,348
Covered payroll	\$ 2,864,998
Unfunded actuarial accrued liability as a percentage of covered payroll	32.16%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only two years available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

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Retiree Healthcare Plan

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2009	1/1/09	\$ -	\$921,348	\$921,348	0.00%	\$3,079,336	29.92%
2010	1/1/09	\$ -	\$921,348	\$921,348	0.00%	\$2,864,998	32.16%

## **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, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,422,639	7,201,100
Taxes receivable - current year	156,142	263,415
Taxes receivable - prior years	1,360	1,351
Tax liens	50,572	61,474
Tax acquired property	206	206
Accounts receivable	8,422	8,676
<b>Total assets</b>	<b>\$ 8,639,341</b>	<b>7,536,222</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and other current liabilities	13,947	64,232
Accrued payroll	1,450,390	1,449,290
Deferred revenues	126,000	126,000
Taxes collected in advance	7,580	3,682
Interfund loans payable	2,438,096	1,605,050
<b>Total liabilities</b>	<b>4,036,013</b>	<b>3,248,254</b>
Fund balance:		
Reserved:		
Encumbrances - education	81,858	178,402
Unreserved:		
Designated - Town	986,510	952,888
Designated - education	250,000	250,000
Undesignated - education	223,412	741,939
Undesignated - Town	3,061,548	2,164,739
<b>Total fund balance</b>	<b>4,603,328</b>	<b>4,287,968</b>
<b>Total liabilities and fund balance</b>	<b>\$ 8,639,341</b>	<b>7,536,222</b>

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, 2010  
 (with comparative actual amounts for the year ended June 30, 2009)

	2010		Variance positive (negative)	2009 Actual
	Revised budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 23,412,447	23,412,447	-	23,076,819
Supplemental taxes	-	2,863	2,863	1,681
Change in deferred taxes	-	-	-	(26,700)
Excise taxes	1,532,500	1,647,131	114,631	1,671,850
Interest and costs on taxes	40,000	57,230	17,230	38,560
Total taxes	24,984,947	25,119,671	134,724	24,762,210
Licenses and permits:				
Auto registration fees	25,000	25,063	63	24,915
Building, electrical and plumbing fees	70,000	110,567	40,567	100,536
Town Clerk fees	12,000	12,850	850	14,937
Total licenses and permits	107,000	148,480	41,480	140,388
Intergovernmental revenues:				
State revenue sharing	614,000	599,840	(14,160)	667,238
Education - State subsidies	1,872,152	1,250,711	(621,441)	2,654,038
State agency clients	40,000	48,001	8,001	44,354
D.O.T. block grant	82,000	77,216	(4,784)	86,944
Homestead revenue	215,154	215,154	-	166,294
Other miscellaneous - State and Federal	18,111	99,226	81,115	210,957
Total intergovernmental revenues	2,841,417	2,290,148	(551,269)	3,829,825
Investment income:				
Investment earnings	60,000	88,070	28,070	157,421
Total investment income	60,000	88,070	28,070	157,421
Other revenues:				
Rental income	15,000	15,303	303	13,698
Cable television franchise	100,000	144,317	44,317	128,535
Refuse disposal	60,000	75,254	15,254	62,155
School department	43,000	122,226	79,226	51,938
Police specials and fees	20,500	11,254	(9,246)	13,136
Library fines and fees	8,500	8,625	125	8,449
Miscellaneous donations	-	5,400	5,400	20,112
Community pool and fitness center	191,000	180,315	(10,685)	256,798
Miscellaneous	97,000	140,274	43,274	77,689
Total other revenues	535,000	702,968	167,968	632,510
Total revenues	28,528,364	28,349,337	(179,027)	29,522,354

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

	2010		Variance positive (negative)	2009 Actual
	Revised budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 494,587	452,929	41,658	490,055
Assessing	357,074	336,489	20,585	331,103
Town council	2,500	963	1,537	1,231
Legal and audit	58,000	50,967	7,033	45,046
Elections	33,002	17,590	15,412	27,021
Boards and commissions	10,603	10,134	469	15,734
Facilities and property management	139,110	127,880	11,230	178,866
Town hall maintenance	25,300	21,977	3,323	26,983
Total general government	1,120,176	1,018,929	101,247	1,116,039
Public works:				
General public works	988,144	935,591	52,553	990,906
Refuse disposal	844,804	745,071	99,733	770,357
Total public works	1,832,948	1,680,662	152,286	1,761,263
Public safety:				
Fire department	283,548	258,262	25,286	247,073
Police department	1,127,128	1,070,195	56,933	978,664
Animal control	20,020	20,020	-	19,332
Dispatchers	168,000	145,088	22,912	260,355
WETeam	23,565	14,174	9,391	17,544
Miscellaneous public protection	159,483	144,062	15,421	156,698
Emergency preparedness	2,259	2,007	252	2,010
Town center fire station	13,570	10,075	3,495	15,417
Cape cottage fire station	5,680	4,764	916	5,486
Police station	42,550	34,018	8,532	40,286
Total public safety	1,845,803	1,702,665	143,138	1,742,865
Cultural and parks:				
Library	436,196	431,063	5,133	423,066
Parks and grounds	363,402	347,542	15,860	341,273
Community pool and fitness center	319,728	307,923	11,805	411,347
Trees	19,386	18,762	624	17,293
Total cultural and parks	1,138,712	1,105,290	33,422	1,192,979
Human services	52,484	47,837	4,647	38,715
Education:				
Regular instruction	8,265,997	8,206,946	59,051	8,367,051
Special education instruction	2,552,275	2,552,275	-	2,387,970
Career and technical education	46,242	46,242	-	49,694
Other instruction	584,972	563,767	21,205	626,504
Student and staff support	2,230,127	2,156,975	73,152	1,926,789
System administration	593,899	569,730	24,169	564,048
School administration	957,271	887,987	69,284	875,770
Transportation	625,156	609,871	15,285	620,226
Facilities maintenance	1,942,512	1,771,202	171,310	1,874,443
Debt service	1,500,515	1,468,285	32,230	1,565,811
Total education	19,298,966	18,833,280	465,686	18,858,306

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

	2010			2009 Actual
	Revised budget	Actual	Variance positive (negative)	
Expenditures, continued				
Current, continued:				
Intergovernmental assessments	\$ 988,408	987,445	963	1,030,500
Unclassified:				
Abatements/overlay	409,804	49,913	359,891	22,587
Insurance	92,500	91,091	1,409	80,710
Employee benefits	862,111	841,159	20,952	883,771
Contributions	5,450	3,928	1,522	4,757
Cable television	39,715	29,683	10,032	33,203
Grants	10,415	22,278	(11,863)	11,995
Other	717	23,198	(22,481)	56,656
Total unclassified	1,420,712	1,061,250	359,462	1,093,679
Debt service (excluding School Department)	1,249,116	1,158,985	90,131	1,234,894
Capital improvements:				
Road and sidewalk projects	469,936	220,520	249,416	280,157
Cruiser replacement	36,375	27,301	9,074	94,824
Fire equipment	-	-	-	47,363
Police radio repairs	1,000	852	148	1,393
High school tennis court	3,000	-	3,000	-
Computer hardware and software	7,500	13,293	(5,793)	3,416
Police station repairs / improvements	2,500	-	2,500	9,000
Town hall improvements	-	-	-	5,848
Public works building	5,500	16,165	(10,665)	-
Police	-	-	-	5,014
Library improvements	-	-	-	410
Building maintenance vehicle	-	-	-	21,929
Town Hall building systems	30,000	20,403	9,597	-
Nordic ski trail	-	-	-	3,227
Revaluation	19,033	-	19,033	-
Fire station repairs	8,000	2,074	5,926	2,585
Rental unit repairs	2,000	-	2,000	223
Parks building repairs	8,000	6,965	1,035	1,530
Pick up truck replacement	37,000	36,436	564	-
Recycling promotion	-	(235)	235	4,998
Dugouts	-	-	-	(632)
Ice storm damage	-	14,368	(14,368)	64,280
Hannaford turf field	-	2,823	(2,823)	(835)
Dispatch consolidation	20,000	13,283	6,717	123,044
Tool carrier replacement	-	110,000	(110,000)	-
Parks garage door repair	10,970	-	10,970	-
Pool roof repairs	7,000	444	6,556	-
Public works radio repair	5,000	4,632	368	-
Town center fire station	5,500	-	5,500	-
Public works fire program	2,900	-	2,900	-
Replacement voting machine	16,000	-	16,000	-
Refuse container	4,300	3,667	633	-
Parks equipment trailer	3,100	3,436	(336)	-
Replace WETeam motor	5,000	5,000	-	-
Fire / Police EMA radios	5,500	4,340	1,160	-
Alternative energy	32,923	19,193	13,730	7,076
Total capital improvements	748,037	524,960	223,077	674,850
Total expenditures	29,695,362	28,121,303	1,574,059	28,744,090
Excess (deficiency) of revenues over (under) expenditures	(1,166,998)	228,034	1,395,032	778,264

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

	2010		Variance positive (negative)	2009 Actual
	Revised budget	Actual		
Other financing sources (uses):				
Transfer to special revenue funds	\$ (140,400)	(230,400)	(90,000)	(210,522)
Transfer from special revenue funds	154,810	154,810	-	77,202
Transfer from capital projects funds	-	174,460	174,460	-
Carryforward balances and subsequent authorizations	407,588	-	(407,588)	-
Refunding bonds issued	5,850,000	5,850,000	-	-
Payment to refunded bond escrow agent	(5,765,000)	(5,765,000)	-	-
Utilization of prior year surplus - School	450,000	-	(450,000)	-
Utilization of prior year surplus - Town	210,000	-	(210,000)	-
Total other financing sources (uses)	1,166,998	183,870	(983,128)	(133,320)
Net change in fund balance	-	411,904	411,904	644,944
Reconciliation to GAAP:				
Change in encumbrances		(96,544)		115,483
Fund balance, beginning of year		4,287,968		3,527,541
<b>Fund balance, ending of year</b>	<b>\$</b>	<b>4,603,328</b>		<b>4,287,968</b>



**ALL OTHER GOVERNMENTAL FUNDS**



TOWN OF CAPE ELIZABETH, MAINE  
Combining Balance Sheet  
All Other Governmental Funds  
June 30, 2010

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,094,263	-	1,094,263
Investments	357,208	-	357,208
Receivables:			
Accounts	14,472	-	14,472
Rescue receivable (net of allowance for uncollectible of \$14,400)	24,511	-	24,511
Sewer fees receivable (net of allowance for uncollectible of \$4,000)	323,529	-	323,529
Inventory	117,610	-	117,610
Prepaid expenditures	17,879	-	17,879
Interfund loans receivables	2,440,434	-	2,440,434
<b>Total assets</b>	<b>\$ 4,389,906</b>	<b>-</b>	<b>4,389,906</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue	175,166	-	175,166
Interfund loans payables	2,338	-	2,338
<b>Total liabilities</b>	<b>177,504</b>	<b>-</b>	<b>177,504</b>
Fund balances:			
Reserved for:			
Inventory	117,610	-	117,610
Unreserved, reported in:			
Special revenue fund	4,094,792	-	4,094,792
<b>Total fund balances</b>	<b>4,212,402</b>	<b>-</b>	<b>4,212,402</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,389,906</b>	<b>-</b>	<b>4,389,906</b>

**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, 2010**

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues:			
Intergovernmental:			
Federal and State subsidies	\$ 1,321,181	-	1,321,181
Federal commodities	15,915	-	15,915
Investment income	64,845	5,633	70,478
Other:			
Building and park rentals and fees	65,449	-	65,449
Sale of cemetery lots	66,433	-	66,433
School lunch	451,127	-	451,127
Community service	943,948	-	943,948
Sewer assessments	1,667,259	-	1,667,259
Lighthouse admissions	45,507	-	45,507
Lighthouse gift shop sales	502,242	-	502,242
Rescue charges	186,450	-	186,450
Miscellaneous	848,180	-	848,180
Total revenues	6,178,536	5,633	6,184,169
Expenditures:			
Current:			
Educational/recreation program	2,744,358	-	2,744,358
School lunch	508,626	-	508,626
Unclassified:			
Fort Williams Park	983	-	983
Portland Head Light - operations and staff	239,568	-	239,568
Portland Head Light - gift shop costs	270,466	-	270,466
Rescue expenditures	144,699	-	144,699
Maintenance	44,086	-	44,086
Church	5,847	-	5,847
Miscellaneous	9,660	-	9,660
Sewer	1,126,602	-	1,126,602
Capital improvements	186,350	641,018	827,368
Debt service	220,017	-	220,017
Total expenditures	5,501,262	641,018	6,142,280
Excess (deficiency) of revenues over (under) expenditures	677,274	(635,385)	41,889
Other financing sources (uses):			
Lease proceeds	135,884	-	135,884
Transfer from other funds	246,400	-	246,400
Transfer to other funds	(170,810)	(174,460)	(345,270)
Total other financing sources (uses)	211,474	(174,460)	37,014
Net change in fund balances	888,748	(809,845)	78,903
Fund balances, beginning of year	3,323,654	809,845	4,133,499
Fund balances, end of year	\$ 4,212,402	-	4,212,402

# 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 Cemetery Capital Improvements**

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**

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**

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.

### **Thomas Jordan Fund**

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.

### **Turf Field**

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**

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, 2010

		School Categorical Programs	School Lunch Program	Sewer User Fund	Community Services Fund	Riverside Cemetery Capital Improvements	Fort Williams Park Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$	-	-	-	-	76,299	-
Investments		-	-	-	-	-	-
Accounts receivable		243	14,229	-	-	-	-
Rescue receivable (net of allowance for uncollectible of \$14,400)		-	-	-	-	-	-
Sewer fees receivable allowance for uncollectible of \$4,000)		-	-	323,529	-	-	-
Inventory		-	14,800	-	-	-	-
Prepaid expenditures		-	-	-	17,879	-	-
Interfund loans receivable		720,420	-	507,979	149,731	-	60,484
<b>Total assets</b>	<b>\$</b>	<b>720,663</b>	<b>29,029</b>	<b>831,508</b>	<b>167,610</b>	<b>76,299</b>	<b>60,484</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Deferred revenues		-	10,993	-	164,173	-	-
Interfund loans payable		-	2,338	-	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>13,331</b>	<b>-</b>	<b>164,173</b>	<b>-</b>	<b>-</b>
Fund balances:							
Reserved:							
Inventory		-	14,800	-	-	-	-
Unreserved:							
Undesignated		720,663	898	831,508	3,437	76,299	60,484
<b>Total fund balances</b>		<b>720,663</b>	<b>15,698</b>	<b>831,508</b>	<b>3,437</b>	<b>76,299</b>	<b>60,484</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>720,663</b>	<b>29,029</b>	<b>831,508</b>	<b>167,610</b>	<b>76,299</b>	<b>60,484</b>

**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
-	-	355,229	139,919	11,161	-	483,418	-	-	28,237	1,094,263
-	-	-	-	-	-	357,208	-	-	-	357,208
-	-	-	-	-	-	-	-	-	-	14,472
-	24,511	-	-	-	-	-	-	-	-	24,511
-	-	-	-	-	-	-	-	-	-	323,529
102,810	-	-	-	-	-	-	-	-	-	117,610
-	-	-	-	-	-	-	-	-	-	17,879
270,495	287,491	-	-	-	180,192	-	94,852	168,790	-	2,440,434
<b>373,305</b>	<b>312,002</b>	<b>355,229</b>	<b>139,919</b>	<b>11,161</b>	<b>180,192</b>	<b>840,626</b>	<b>94,852</b>	<b>168,790</b>	<b>28,237</b>	<b>4,389,906</b>
-	-	-	-	-	-	-	-	-	-	175,166
-	-	-	-	-	-	-	-	-	-	2,338
-	-	-	-	-	-	-	-	-	-	177,504
102,810	-	-	-	-	-	-	-	-	-	117,610
270,495	312,002	355,229	139,919	11,161	180,192	840,626	94,852	168,790	28,237	4,094,792
373,305	312,002	355,229	139,919	11,161	180,192	840,626	94,852	168,790	28,237	4,212,402
<b>373,305</b>	<b>312,002</b>	<b>355,229</b>	<b>139,919</b>	<b>11,161</b>	<b>180,192</b>	<b>840,626</b>	<b>94,852</b>	<b>168,790</b>	<b>28,237</b>	<b>4,389,906</b>

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, 2010

	School Categorical Programs	School Lunch Program	Sewer User Fund	Community Services Fund	Riverside Cemetery Capital Improvements	Fort Williams Park Fund
Revenues:						
Intergovernmental:						
Federal and state subsidies	\$ 1,231,285	56,960	-	32,936	-	-
Federal commodities	-	15,915	-	-	-	-
Interest income	-	-	1,084	-	1,064	-
Other revenue:						
Building and park rentals and fees	-	-	-	-	-	26,866
Sewer assessments	-	-	1,667,259	-	-	-
Sale of cemetery lots	-	-	-	-	12,900	-
School lunch	-	451,127	-	-	-	-
Community services	-	-	-	943,948	-	-
Lighthouse admissions	-	-	-	-	-	-
Lighthouse gift shop sales	-	-	-	-	-	-
Rescue charges	-	-	-	-	-	-
Miscellaneous	840,147	-	1,795	-	-	-
<b>Total revenues</b>	<b>2,071,432</b>	<b>524,002</b>	<b>1,670,138</b>	<b>976,884</b>	<b>13,964</b>	<b>26,866</b>
Expenditures:						
Current:						
Educational/recreation program expenditures	1,637,602	-	-	1,106,756	-	-
Church expenditures	-	-	-	-	-	-
School lunch expenditures	-	508,626	-	-	-	-
Unclassified:						
Fort Williams park	-	-	-	-	-	983
Portland Head Light operations and staff	-	-	-	-	-	-
Portland Head Light gift shop costs	-	-	-	-	-	-
Rescue expenditures	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Sewer - Operations and maintenance	-	-	57,084	-	-	-
Sewer - Portland Water District assessments	-	-	1,069,518	-	-	-
Capital improvements	135,884	-	35,024	-	-	15,442
Debt service	-	-	220,017	-	-	-
<b>Total expenditures</b>	<b>1,773,486</b>	<b>508,626</b>	<b>1,381,643</b>	<b>1,106,756</b>	<b>-</b>	<b>16,425</b>
Other financing sources (uses):						
Lease proceeds	135,884	-	-	-	-	-
Transfer to other funds	(154,810)	-	-	-	-	-
Transfer from other funds	-	-	-	142,400	-	-
<b>Total other sources (uses)</b>	<b>(18,926)</b>	<b>-</b>	<b>-</b>	<b>142,400</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>279,020</b>	<b>15,376</b>	<b>288,495</b>	<b>12,528</b>	<b>13,964</b>	<b>10,441</b>
<b>Fund balances (deficit), beginning of year</b>	<b>441,643</b>	<b>322</b>	<b>543,013</b>	<b>(9,091)</b>	<b>62,335</b>	<b>50,043</b>
<b>Fund balances, end of year</b>	<b>\$ 720,663</b>	<b>15,698</b>	<b>831,508</b>	<b>3,437</b>	<b>76,299</b>	<b>60,484</b>

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
-	-	-	-	-	-	-	-	-	-	1,321,181
-	-	-	-	-	-	-	-	-	-	15,915
558	-	5,801	2,271	187	404	52,522	157	301	496	64,845
-	-	-	-	-	-	-	-	34,063	4,520	65,449
-	-	-	-	-	-	-	-	-	-	1,667,259
-	-	53,533	-	-	-	-	-	-	-	66,433
-	-	-	-	-	-	-	-	-	-	451,127
-	-	-	-	-	-	-	-	-	-	943,948
45,507	-	-	-	-	-	-	-	-	-	45,507
502,242	-	-	-	-	-	-	-	-	-	502,242
-	186,450	-	-	-	-	-	-	-	-	186,450
1,699	-	-	4,539	-	-	-	-	-	-	848,180
550,006	186,450	59,334	6,810	187	404	52,522	157	34,364	5,016	6,178,536
-	-	-	-	-	-	-	-	-	-	2,744,358
-	-	-	-	-	-	-	-	-	5,847	5,847
-	-	-	-	-	-	-	-	-	-	508,626
-	-	-	-	-	-	-	-	-	-	983
239,568	-	-	-	-	-	-	-	-	-	239,568
270,466	-	-	-	-	-	-	-	-	-	270,466
-	144,699	-	-	-	-	-	-	-	-	144,699
-	-	44,086	-	-	-	-	-	-	-	44,086
-	-	-	-	-	-	9,660	-	-	-	9,660
-	-	-	-	-	-	-	-	-	-	57,084
-	-	-	-	-	-	-	-	-	-	1,069,518
-	-	-	-	-	-	-	-	-	-	186,350
-	-	-	-	-	-	-	-	-	-	220,017
510,034	144,699	44,086	-	-	-	9,660	-	-	5,847	5,501,262
-	-	-	-	-	-	-	-	-	-	135,884
-	-	-	-	-	-	(16,000)	-	-	-	(170,810)
90,000	-	-	-	-	-	-	14,000	-	-	246,400
90,000	-	-	-	-	-	(16,000)	14,000	-	-	211,474
129,972	41,751	15,248	6,810	187	404	26,862	14,157	34,364	(831)	888,748
243,333	270,251	339,981	133,109	10,974	179,788	813,764	80,695	134,426	29,068	3,323,654
373,305	312,002	355,229	139,919	11,161	180,192	840,626	94,852	168,790	28,237	4,212,402



## **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 purpose:

#### **2008 Capital Improvement Project**

This fund accounts for expenditures which were bonded in 2008.



TOWN OF CAPE ELIZABETH, MAINE  
 Nonmajor Capital Project Fund  
 Balance Sheet  
 June 30, 2010

		2008 Capital Projects Bond	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$	-	-
<b>Total assets</b>	<b>\$</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund loans payable		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
Fund balances:			
Unreserved:			
Undesignated		-	-
<b>Total fund balances</b>		<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>-</b>	<b>-</b>

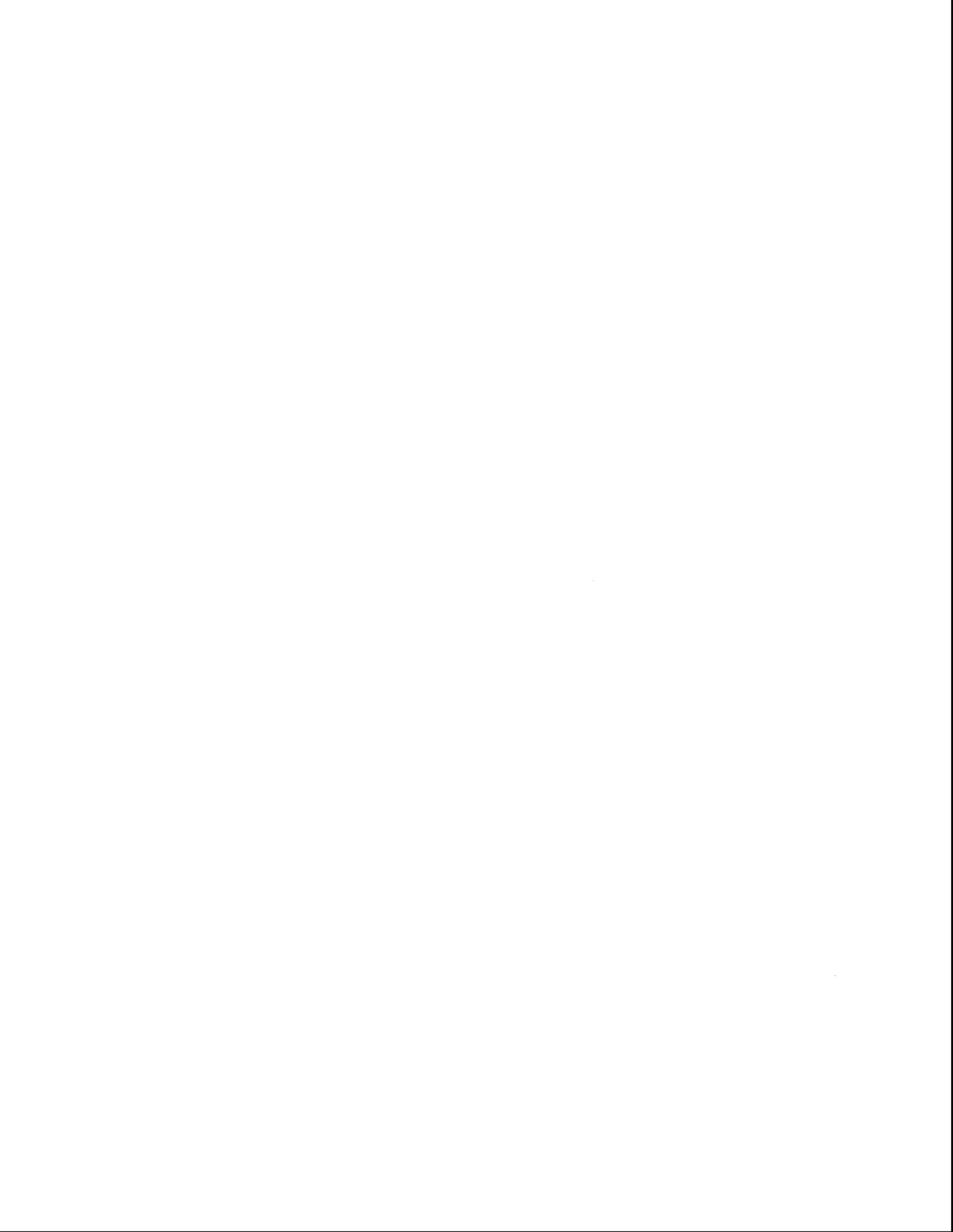
TOWN OF CAPE ELIZABETH, MAINE  
 Nonmajor Capital Project Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Year Ended June 30, 2010

	2008 Capital Projects Bond	Total
Revenues:		
Interest income	\$ 5,633	5,633
Total revenues	5,633	5,633
Expenditures:		
Capital outlay	641,018	641,018
Total expenditures	641,018	641,018
Other financing uses:		
Transfer to other funds	(174,460)	(174,460)
Total other financing uses	(174,460)	(174,460)
Net change in fund balances	(809,845)	(809,845)
Fund balances, beginning of year	809,845	809,845
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>-</b>

**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, 2010

	Seaside Cemetery	School Scholarship Trust	Zimpritch Library Trust	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 486	68,865	16,072	85,423
<b>Total assets</b>	<b>\$ 486</b>	<b>68,865</b>	<b>16,072</b>	<b>85,423</b>
<b>NET ASSETS</b>				
Held in trust	486	68,865	16,072	85,423
<b>Total net assets</b>	<b>\$ 486</b>	<b>68,865</b>	<b>16,072</b>	<b>85,423</b>

**TOWN OF CAPE ELIZABETH, MAINE**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Private-Purpose**  
**For the Year Ended June 30, 2010**

		Seaside Cemetery	School Scholarship Trust	Zimpritch Library Trust	Total
<b>Additions:</b>					
Interest earned	\$	8	1,203	250	1,461
Donations		-	2,258	2,500	4,758
Total additions		8	3,461	2,750	6,219
<b>Deductions:</b>					
School scholarships		-	4,175	-	4,175
Other		-	-	1,321	1,321
Total deductions		-	4,175	1,321	5,496
Change in fiduciary net assets		8	(714)	1,429	723
Net assets, beginning of year		478	69,579	14,643	84,700
<b>Net assets, end of year</b>	<b>\$</b>	<b>486</b>	<b>68,865</b>	<b>16,072</b>	<b>85,423</b>

TOWN OF CAPE ELIZABETH, MAINE  
 Agency Funds  
 Statement of Changes in Balances  
 For the Year Ended June 30, 2010

		Balances beginning of year	Net additions/ deductions	Balances end of year
Activity funds:				
High School Student Activities	\$	117,847	9,195	127,042
Middle School Student Activities		30,736	860	31,596
Pond Cove Student Activities		19,568	(188)	19,380
<b>Total</b>	<b>\$</b>	<b>168,151</b>	<b>9,867</b>	<b>178,018</b>

**TOWN OF CAPE ELIZABETH, MAINE**  
**Statement of Changes in Long-term Debt**  
**For the Year Ended June 30, 2010**

	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 bonds:										
1998 Refunding/capital improvement bonds	4.00-4.45%	2015	Var. \$	7,475,000	7,475,000	3,910,000	3,565,000	-	3,565,000	-
1999 Capital improvement bonds	4.00-5.70%	2019	Var.	5,700,000	5,700,000	2,565,000	3,135,000	-	3,135,000	-
2000 Capital improvement bonds	4.00-4.90%	2021	Var.	4,100,000	4,100,000	1,760,000	2,340,000	-	215,000	2,125,000
2002 Capital improvement bonds	3.25-5.00%	2022	Var.	1,500,000	1,500,000	480,000	1,020,000	-	80,000	940,000
2004 School Revolving Renovation Fund bond	0%	2014	Var.	800,000 (1)	800,000	400,000	400,000	-	80,000	320,000
2004 School Renovation bond	3.00-4.36%	2024	Var.	3,725,000	3,725,000	1,035,000	2,690,000	-	180,000	2,510,000
2006 Clean Water Revolving Loan Fund	1.73%	2026	Var.	3,510,000	3,510,000	452,900	3,057,100	-	156,220	2,900,880
2006 Sewer bond	1.90%-5.50%	2027	Var.	1,890,000	1,890,000	189,000	1,701,000	-	94,500	1,606,500
2006 School Renovation Bond	3.75-4.20%	2025	Var.	4,725,000	4,725,000	960,000	3,765,000	-	240,000	3,525,000
2008 Capital improvement bonds	3.25%-4.13%	2028	Var.	2,550,000	2,550,000	130,000	2,420,000	-	129,960	2,290,040
2009 Refunding bond	2.00% - 2.75%	2020	Var.	5,850,000	5,850,000	-	-	5,850,000	-	5,850,000
<b>Total general obligation bonds</b>				<b>41,825,000</b>	<b>41,825,000</b>	<b>11,881,900</b>	<b>24,093,100</b>	<b>5,850,000</b>	<b>7,875,680</b>	<b>22,067,420</b>
				<b>\$ 41,825,000</b>	<b>41,825,000</b>	<b>11,881,900</b>	<b>24,093,100</b>	<b>5,850,000</b>	<b>7,875,680</b>	<b>22,067,420</b>

(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, 2010 was \$320,000.

## **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, 2010  
(with comparative actual amount for the year ended June 30, 2009)

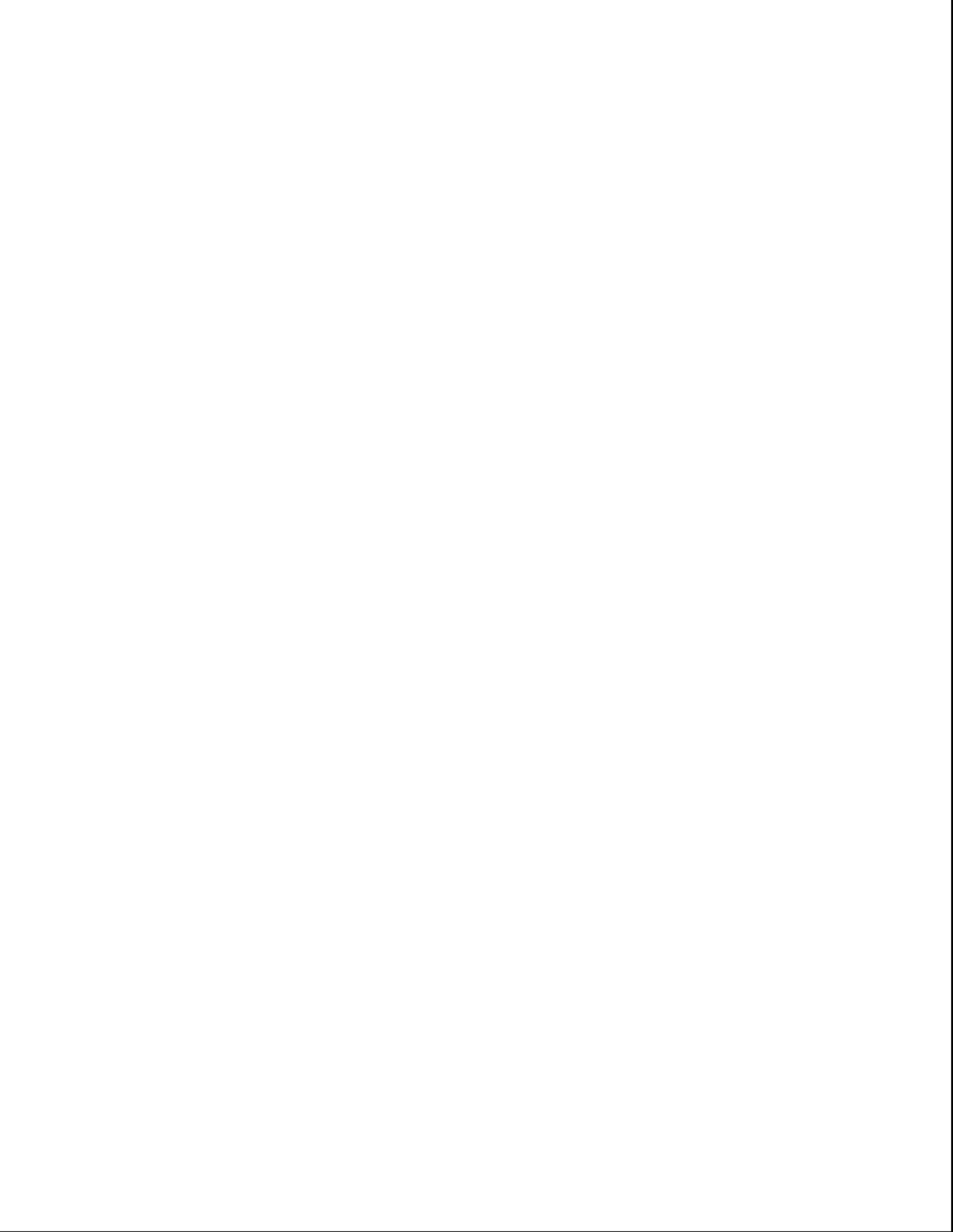
	2010			2009 Actual
	Budget	Actual	Variance positive (negative)	
Revenues:				
State education subsidy--school	\$ 1,872,152	1,250,711	(621,441)	2,654,038
Miscellaneous	82,999	170,227	87,228	96,289
Total revenues	1,955,151	1,420,938	(534,213)	2,750,327
Expenditures:				
Current:				
Regular instruction	8,265,997	8,206,946	59,051	8,367,051
Special education instruction	2,552,275	2,552,275	-	2,387,970
Career and technical education	46,242	46,242	-	49,694
Other instruction	584,972	563,767	21,205	626,504
Student and staff support	2,230,127	2,156,975	73,152	1,926,789
System administration	593,899	569,730	24,169	564,048
School administration	957,271	887,987	69,284	875,770
Transportation	625,156	609,871	15,285	620,226
Facilities maintenance	1,942,512	1,771,202	171,310	1,874,440
Debt service	1,500,515	1,468,285	32,230	1,565,811
Total expenditures	19,298,966	18,833,280	465,686	18,858,303
Other financing sources (uses):				
Town appropriation	16,746,005	16,746,005	-	16,341,767
Transfer from Town general fund	-	-	-	200,000
Transfer from Medicaid	154,810	154,810	-	77,202
Transfer to school lunch program	-	-	-	(11,000)
Transfer to turf field fund (budgeted in facilities maintenance)	(7,000)	(7,000)	-	(7,000)
Budgeted use of surplus	450,000	-	(450,000)	-
Total other financing sources	17,343,815	16,893,815	(450,000)	16,600,969
Net change in fund balance	-	(518,527)	(518,527)	492,993
Fund balance, beginning of year (budgetary)		991,939		498,946
Fund balance, end of year (budgetary)		473,412		991,939
Reconciliation to GAAP:				
Add back encumbrances		81,858		178,402
Fund balance, end of year (GAAP)		555,270		1,170,341
Reserve for encumbrances		(81,858)		(178,402)
Reappropriated to subsequent year budget		(250,000)		(250,000)
<b>Undesignated school fund balance, end of year</b>	<b>\$</b>	<b>223,412</b>		<b>741,939</b>

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, 2010  
 (with comparative actual amount for the year ended June 30, 2009)

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues:				
State receipts--adult education	\$ 28,750	32,936	4,186	33,008
Adult and community education	92,000	103,881	11,881	101,300
Summer program	251,745	193,221	(58,524)	236,199
Adult gym	4,000	4,862	862	3,948
Prepaid Summer program	119,494	192,472	72,978	170,928
Senior citizens and adult trips	32,900	81,503	48,603	26,739
After school adventure	62,000	57,431	(4,569)	46,515
Middle School athletics	39,000	42,511	3,511	42,948
Extended school care	197,000	175,576	(21,424)	187,324
Rental of facilities	33,144	38,480	5,336	37,695
Fitness center	75,500	53,237	(22,263)	-
Miscellaneous	-	774	774	300
Total revenues	935,533	976,884	41,351	886,904
Other financing sources:				
Transfer from Thomas Jordan Fund	16,000	16,000	-	20,000
Town appropriation	126,400	126,400	-	185,522
Total revenues and other financing sources	1,077,933	1,119,284	41,351	1,092,426
Expenditures:				
Administration	178,464	177,781	683	201,122
Adult education	200,156	198,910	1,246	196,090
Summer program	174,786	137,602	37,184	183,043
Other programs	139,417	197,422	(58,005)	172,254
Facilities maintenance	10,200	12,155	(1,955)	23,190
Extended school care	104,660	88,996	15,664	104,144
Debt service	126,400	126,400	-	129,400
Senior citizens	29,350	61,017	(31,667)	26,586
Middle School athletics	39,000	32,507	6,493	38,238
Fitness center	75,500	73,703	1,797	-
Miscellaneous	-	263	(263)	201
Total expenditures	1,077,933	1,106,756	(28,823)	1,074,268
Net change in fund balance	-	12,528	12,528	18,158
Fund balance (deficit), beginning of year		(9,091)		(27,249)
Fund balance, end of year	\$	3,437		(9,091)

**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, 2010**

	Fund balances beginning of year	Program revenues	Program expenditures	Fund balances end of year
Title IA	\$ -	34,159	34,159	-
Title IIA	-	50,519	50,519	-
Title IID	-	247	247	-
ARRA-Title IID	-	608	608	-
Title IV (Drug Free Schools)	-	4,273	4,273	-
Local Entitlement	600	363,972	364,384	188
ARRA-Local Entitlement	-	210,718	209,784	934
Pre-School Grant	-	2,421	2,421	-
ARRA-Pre-School Grant	-	1,132	1,132	-
ARRA Stabilization Funds	-	699,120	675,860	23,260
State MaineCare	365,242	394,695	154,810	605,127
Administrative Recertification	505	8,100	8,334	271
Cape Coalition	1,043	-	213	830
H.S. Art Donations	300	-	-	300
Escapade Program	515	-	198	317
PCPA Grant	-	13,820	6,133	7,687
Kevin Brady Memorial Fund	7,431	380	-	7,811
Laptop Maintenance	9,934	12,980	15,438	7,476
Arts Commission Grant	516	-	312	204
MMA Grant	-	117	117	-
Rotary Grant	1,353	-	-	1,353
MMA Insurance Refund	25,946	-	25,946	-
H1N1 Grant	-	11,029	560	10,469
Text We Can Book Fundraiser	-	63,250	50,150	13,100
MS Piano Donations	-	1,550	1,550	-
Healthy Schools	-	1,300	-	1,300
Technology/bus lease	-	135,884	135,884	-
Wellness Grant	-	1,000	410	590
Boosters Donation	-	500	500	-
School gate receipts-Athletics	-	23,124	21,049	2,075
School gate receipts-Drama	4,083	14,660	18,743	-
School Lunch Grant	-	100	100	-
C.E. Education Foundation	24,175	157,658	144,462	37,371
<b>Total</b>	<b>\$ 441,643</b>	<b>2,207,316</b>	<b>1,928,296</b>	<b>720,663</b>



## **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.

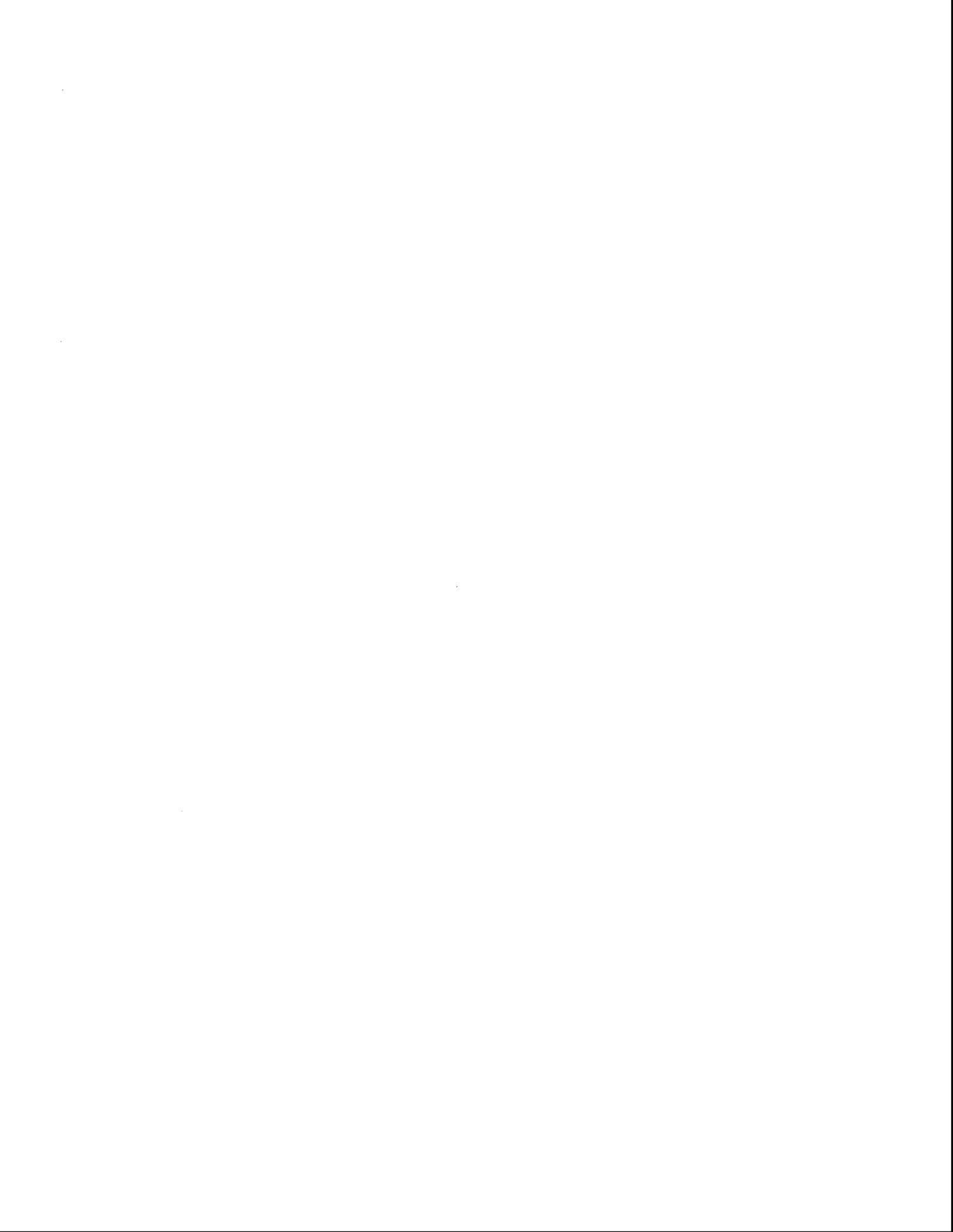


Table 1

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
2010	\$ 1,294,806	1,962,717	2,246,229	47,837	1,105,290	22,926,211	508,626	987,445	1,796,294	1,126,602	769,543	350,919	35,122,519
2009	1,429,466	1,894,280	2,315,932	38,715	1,099,461	22,172,897	503,904	1,030,500	1,848,362	1,083,662	1,798,901	456,013	35,672,093
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	1,558,965	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 eight 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						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Contributions not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous			
2010	\$ 5,322,750	4,633,577	-	25,119,671	914,220	158,548	305,294	36,454,060		
2009	4,677,204	5,659,716	-	24,788,910	1,044,489	127,421	240,034	36,537,774		
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 eight 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 Governmental Expenditures by Function (1)										Total
	General government	Public safety	Public works	Cultural and Parks	Human services	Education	Intergovernmental	Debt service (2)	Capital improvements	Other expenditures and transfers	
2010	\$ 1,018,929	1,702,665	1,680,662	1,105,290	47,837	18,833,280	987,445	1,158,985	524,960	7,056,650	34,116,703
2009	1,116,039	1,742,865	1,761,263	1,192,979	38,715	18,858,306	1,030,500	1,234,894	674,850	1,304,201	28,954,612
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

(1) General Fund expenditures only.

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

**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
2010	\$ 23,415,310	1,704,361	148,480	2,290,148	88,070	702,968	6,179,270	34,528,607
2009	23,051,800	1,710,410	140,388	3,829,825	157,421	632,510	77,202	29,599,556
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

Table 5

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

Fiscal year end	Direct			Community service	Overlapping County	Total tax rate
	Town	School				
2010	\$	4.19	12.54	0.09	0.72	17.54
2009		4.22	12.34	0.12	0.76	17.44
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

**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
2010	\$	23,412,446	23,256,304	99.33%	274,301	23,530,605	100.50%
2009		23,076,498	22,813,083	98.86%	152,550	22,965,633	99.52%
2008		21,592,439	21,435,863	99.27%	223,569	21,659,432	100.31%
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%

**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)	
2010	\$ 1,328,858,200	5,944,900	1,334,803,100	1,784,100,000	74.82%
2009	1,319,023,300	4,170,400	1,323,193,700	1,828,400,000	72.37%
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%

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

(2) Revaluation

Table 8

**TOWN OF CAPE ELIZABETH, MAINE**  
**Principal Taxpayers**  
**For the Year Ended June 30, 2010**

Name	Assessed valuation	% of total tax commitment
Sprague Corporation	\$ 13,828,300	1.04%
Inn By the Sea LLC	11,187,600	0.84%
Haffenreffer IV, R.F	5,863,700	0.44%
Health Care Property Investors Inc	5,876,300	0.44%
Purpoodock Club	4,612,600	0.35%
Rams Head Partners LLC / John Higgins	4,579,900	0.34%
McGinn, Suzanne	4,138,400	0.31%
Cutler, Eliot	4,057,200	0.30%
Central Maine Power Company	3,553,900	0.27%
Hansen, Lisa O.	3,419,600	0.26%

**TOWN OF CAPE ELIZABETH, MAINE  
Computation of Legal Debt Margin  
For the Year Ended June 30, 2010**

Total estimated actual valuation by State		\$	<u>1,784,100,000</u>
Legal debt margin:			
Debt limitation - 15% of estimated actual valuation			267,615,000
Debt applicable to debt limitation:			
Municipal	7.5%	133,807,500	7,840,503
School	10.0%	178,410,000	9,719,537
Storm and sanitary sewers	7.5%	133,807,500	4,507,380
Airport, water and special districts	3.0%	53,523,000	-
<u>Total</u>	28.0%	499,548,000	22,067,420
Total bonded debt applicable to debt limit			<u>22,067,420</u>
<b>Legal debt margin</b>			<b>\$ <u>245,547,580</u></b>

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
2010	9,068	\$ 1,334,803,100	22,067,420	1.65%	2,434
2009	9,068	1,323,193,700	24,093,100	1.82%	2,657
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

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

(2) Amount from Table 7.

(3) Excludes capital leases

**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
2010	\$ 1,158,985	1,468,285	2,627,270	28,351,703	9.27%
2009	1,234,894	1,565,811	2,800,705	28,954,612	9.67%
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%

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

**TOWN OF CAPE ELIZABETH, MAINE**  
**Computation of Direct, Overlapping and Contingent Debt**  
**For the Year Ended June 30, 2010**

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to government	Amount applicable to government
Direct:			
Town of Cape Elizabeth bonds and notes	\$ 22,067,420	100.00%	22,067,420
Overlapping debt:			
Cumberland County	3,772,625	4.27%	161,128
Portland Water District -- sewer debt	32,604,976	0.49%	159,250
Contingent debt:			
Portland Water District -- water debt	31,450,023	6.60%	2,074,490
Regional Waste Systems, Inc.:			
Resource recovery system	9,210,000	4.86%	447,720
Materials recovery facility	1,980,000	4.03%	79,794
Landfill closure	14,834,132	4.85%	719,877

**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINION**

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July 28, 2011

Town of Cape Elizabeth, Maine  
320 Ocean House Road  
P.O. Box 6260  
Cape Elizabeth, Maine 04107

RE: Town of Cape Elizabeth, Maine \$2,110,000 2011 General Obligation Bonds  
Dated July 15, 2011

Ladies and Gentlemen:

We have acted as Bond Counsel for the Town of Cape Elizabeth, Maine (the "Town") in connection with the issuance and sale of the above-described general obligation bonds (the "Bonds"). We have examined the record of proceedings submitted to us by the Town in connection with the issue and sale of the Bonds, including among other documents, votes of the Town Council adopted on June 12, 2011 (the "Votes").

We understand the Bonds are dated as of July 15, 2011 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of April 15 of each year as reflected hereinbelow:

<u>April 15,</u>	<u>Amount</u>	<u>Interest Rate</u>
2012	\$225,000	%
2013	\$225,000	%
2014	\$220,000	%
2015	\$220,000	%
2016	\$220,000	%
2017	\$200,000	%
2018	\$200,000	%
2019	\$200,000	%
2020	\$200,000	%
2021	\$200,000	%

The Bonds are not subject to redemption prior to their stated dates of maturity.

Each of the Bonds should be signed by the Treasurer and the Chairman of the Town Council to be sealed with the seal of the Town attested by its Clerk, and should bear the signed certificate of the certifying agent identified thereon. We have examined the Bonds and are of the opinion that said Bonds are in proper form and duly executed by the Town.

In expressing the opinions set forth in paragraphs 3 and 5 hereinbelow, we have examined and relied upon the General Certificate of the Treasurer of the Town and the Arbitrage and Use of Proceeds Certificate and the Town's Certificate Regarding Qualified and Designated Status (collectively, the "Tax Certificates") delivered concurrently herewith, which contain representations, provisions and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Town, in executing such Tax Certificates, has certified to the effect that the information therein is true and accurate and that the Town will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds is not includable in gross income for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5 below, we have relied upon the representations of the Town set forth in such Tax Certificates, and we have assumed that the Town will comply with the provisions and procedures set forth in such Tax Certificates.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance thereof, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

We are of the opinion that:

1. Under the Constitution and laws of the State of Maine, the Town has been duly created and validly exists as a body corporate and politic and a municipality under the name of the Town of Cape Elizabeth, Maine with lawful power and authority to adopt the Votes and to issue the Bonds.
2. The Bonds, executed as above described and subject to due authentication, have been duly authorized and are valid and binding general obligations of the Town, enforceable in accordance with their terms. All taxable property within the Town (except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established municipal development districts or municipal affordable housing districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds ) is subject to the levy of limited *ad valorem* taxes to pay the Bonds unless certain procedural requirements under 30-A M.R.S.A. §5721-A are met, in which case such *ad valorem* taxes may be levied without limit as to rate or amount.
3. Based on existing statutes, regulations and court decisions, interest payable on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax imposed upon corporations and will be taken into account for purposes of the foreign branch profits tax.
4. Interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations and decisions.
5. The Bonds will constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the Town, including the Bonds, is subject to and may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and is subject to general principles of equity (regardless of whether the enforceability of such obligations is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the Town and nothing set forth herein shall be construed as assurance as to the Town's financial condition or ability to make required debt service payments on the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PIERCE ATWOOD LLP

By: \_\_\_\_\_  
Bruce A. Coggeshall

**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE CERTIFICATE**

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**TOWN OF CAPE ELIZABETH, MAINE  
PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

In connection with the issuance by the Town of Cape Elizabeth, Maine (the "Issuer") of its \$2,110,000 2011 General Obligation Bonds, dated as of July 15, 2011 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated July 12, 2011 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board ("MSRB") established under the Securities and Exchange Act of 1934, as amended, or any successor thereto: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2012, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension and other post-employment benefit obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner not in excess of nine (9) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
  - g. Modifications to the rights of securities holders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances;
  - j. The release, substitution, or sale of property securing repayment of the Bonds; or
  - k. Rating changes;
  - l. Bankruptcy, insolvency, receivership or similar event of the Borrower;
  - m. The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
  - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide, in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission>.
7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure.
8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Michael K. McGovern, Treasurer, Town of Cape Elizabeth, 320 Ocean House Road, Cape Elizabeth, ME 04107; Telephone: (207) 799-5251.

TOWN OF CAPE ELIZABETH, MAINE

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2011