



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

NEW ISSUE

Moody's: Aa3

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In the opinion of Bond Counsel, under existing statutes 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 judicial 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 SCARBOROUGH, MAINE
\$4,560,000
2009 GENERAL OBLIGATION BONDS

Dated: May 1, 2009

Due: November 1, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2009	\$305,000	2.00%	0.75	2019	\$110,000	3.00%	2.90
2010	400,000	2.00	1.10	2020	100,000	3.125	3.15
2011	400,000	2.00	1.15	2021	100,000	3.375	3.40
2012	400,000	2.00	1.25	2022	100,000	3.50	3.55
2013	400,000	2.00	1.45	2023	100,000	3.75	3.70
2014	400,000	2.125	1.80	2024	100,000	4.00	3.85
2015	315,000	2.25	2.00	2025	100,000	4.00	100
2016	310,000	2.50	2.25	2026	100,000	4.00	4.10
2017	310,000	2.75	2.45	2027	100,000	4.00	4.20
2018	310,000	3.00	2.70	2028	100,000	4.25	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 November 1, 2009 and semi-annually on each May 1 and November 1 thereafter until maturity or redemption prior to maturity.

The legal opinion of Bernstein, Shur, Sawyer & Nelson, P.A., 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 Scarborough, 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 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. The \$522,560 of Bonds issued for the School Department are not subject to the property tax limit set forth in Section 5721-A. See "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein. The Finance Director has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. 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.

Bonds maturing on and before November 1, 2018 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after November 1, 2018 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2018 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Bernstein, Shur, Sawyer & Nelson, P.A. 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 May 14, 2009.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

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 Scarborough, 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 its Financial Advisor or by Bernstein, Shur, Sawyer & Nelson, P.A., 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 Finance Director, 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, she 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 Finance Director 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)].

Ruth D. Porter
Finance Director
Town of Scarborough, Maine

**OFFICIAL STATEMENT
TOWN OF SCARBOROUGH, MAINE
\$4,560,000
2009 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Scarborough, Maine (the “Town” or “Scarborough”) in connection with the sale of its 2009 General Obligation Bonds (the “Bonds” or the “2009 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 May 1, 2009 and will bear interest, payable on November 1, 2009, and semi-annually thereafter on May 1 and November 1 of each year until maturity or redemption prior to maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>Nov. 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Nov. 1,</u>	<u>CUSIP</u>
\$305,000	2009	806075TT4	\$110,000	2019	806075UD7
400,000	2010	806075TU1	100,000	2020	806075UE5
400,000	2011	806075TV9	100,000	2021	806075UF2
400,000	2012	806075TW7	100,000	2022	806075UG0
400,000	2013	806075TX5	100,000	2023	806075UH8
400,000	2014	806075TY3	100,000	2024	806075UJ4
315,000	2015	806075TZ0	100,000	2025	806075UK1
310,000	2016	806075UA3	100,000	2026	806075UL9
310,000	2017	806075UB1	100,000	2027	806075UM7
310,000	2018	806075UC9	100,000	2028	806075UN5

It is expected that the Bonds will be available for delivery at DTC on or about May 14, 2009.

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.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before November 1, 2018 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after November 1, 2018 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2018, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine, at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Redemption

In the case of every redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The Town shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

Cancellation

All Bonds that have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the Town or returned to the Town at its request.

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected by the Town by lot or in such other manner, as the Town in its discretion may deem appropriate.

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 fifteenth day of the month preceding each interest payment date for the Bonds, 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

The authority to issue the Bonds is granted under Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and Sections 204.3, 901.3 and 905 of the Town's Charter (the "Charter"). Section 204.3 of the Charter authorizes the Town Council to make ordinances. Section 901.3 of the Charter provides for a petition for overrule of Council action of orders or resolves authorizing bond issues of \$100,000 or more for a single capital improvement or capital equipment, by the initiative and referendum provisions of Article IX of the Town's Charter providing that the procedure is within twenty days following the enactment of such ordinance. Section 905 of the Town's Charter requires voter referendum approval for bond issues of \$400,000 or more for a single capital improvement or capital equipment. The Bonds of this financing comply with the provisions of the Charter.

The Projects

The Bonds are being issued pursuant to orders adopted by the Town Council at its meetings held on September 15, 2000 (Order No. 00-140), September 17, 2003 (Order No. 03-116), February 6, 2008 (Order No. 08-08, April 2, 2008 (Order 08-26), September 17, 2008 (Orders No. 08-122 and 08-123) and November 5, 2008 (Order No. 08-139) (the "Orders") in order to provide funds to finance various capital improvement programs of the Town. The various projects being financed by the Bonds are itemized in the following table "THE BONDS - THE PROJECTS".

Abandoned Projects or Excess Bond Proceeds

In the event that any proceeds of the Bonds remain unspent upon completion of the Projects, or the Town abandons any portion of the Projects, 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 debt service on the Bonds.

THE PROJECTS

<u>CIP Year</u>	<u>Project Description</u>	<u>Total Authorized</u>	<u>Unissued</u>	<u>2009 Bonds</u>	<u>Years</u>	<u>Order No.</u>
School Projects:						
2007-08	DW Flooring	\$95,000	\$12,560	\$12,560	4	08-26
2008-09	WI Electrical	50,000	50,000	50,000	5	08-123
2008-09	WI Mechanical & Plumbing	80,000	80,000	80,000	5	08-123
2008-09	WI Interior Finishes	50,000	50,000	30,000	5	08-123
2008-09	MS HVAC	50,000	50,000	50,000	5	08-123
2008-09	MS/WI Bldg Mod & Pgm Sup	100,000	100,000	40,000	5	08-123
2008-09	DW Flooring	170,000	170,000	130,000	5	08-123
2008-09	DW Movable Equipment	75,000	75,000	30,000	5	08-123
2008-09	HS Café Air Conditioning	125,000	125,000	100,000	10	08-123
Total School Projects				522,560		
Municipal Projects:						
2008-09	Police-New Building Site Study	100,000	100,000	25,000	5	08-122
2007-08	PW Dunstan Sidewalk	550,000	550,000	375,340	10	08-08
2008-09	Fire-Engine 1 Pumper Vehicle	398,500	398,500	398,500	10	08-122
2008-09	PW West Beech Ridge Rd Pav	120,600	120,600	120,600	10	08-122
2008-09	PW Holmes Road Paving	710,000	710,000	710,000	10	08-122
2008-09	PW Higgins Beach Seawall	400,000	400,000	400,000	10	08-122
2008-09	PW Mid Level Road Rehab	400,000	400,000	400,000	20	08-122
2008-09	PW Hillside Rd Drainage Imp	1,358,000	1,358,000	1,358,000	20	08-122
2000-01	Salt Marsh Upland	1,500,000	202,600	202,600	20	00-140 (08-139)
2003-04	Salt Marsh Upland	2,500,000	2,500,000	47,400	20	03-116 (08-139)
Total Municipal Projects				\$4,037,440		
The Bonds				\$4,560,000		

AMORTIZATION OF THE BONDS

<u>Due Nov. 1,</u>	<u>School Projects</u>			<u>Total School</u>	<u>Municipal Projects</u>			<u>Total Muni</u>	<u>Total Bonds</u>
	<u>4 yr</u>	<u>5 yr</u>	<u>10 yr</u>		<u>5 yr</u>	<u>10 yr</u>	<u>20 yr</u>		
2009	0	0	0	0	5,000	199,200	100,800	305,000	305,000
2010	3,560	82,000	10,000	95,560	5,000	198,640	100,800	304,440	400,000
2011	3,000	82,000	10,000	95,000	5,000	199,200	100,800	305,000	400,000
2012	3,000	82,000	10,000	95,000	5,000	199,200	100,800	305,000	400,000
2013	3,000	82,000	10,000	95,000	5,000	199,200	100,800	305,000	400,000
2014		82,000	10,000	92,000		207,200	100,800	308,000	400,000
2015			10,000	10,000		204,200	100,800	305,000	315,000
2016			10,000	10,000		199,200	100,800	300,000	310,000
2017			10,000	10,000		199,200	100,800	300,000	310,000
2018			10,000	10,000		199,200	100,800	300,000	310,000
2019			10,000	10,000			100,000	100,000	110,000
2020				0			100,000	100,000	100,000
2021				0			100,000	100,000	100,000
2022				0			100,000	100,000	100,000
2023				0			100,000	100,000	100,000
2024				0			100,000	100,000	100,000
2025				0			100,000	100,000	100,000
2026				0			100,000	100,000	100,000
2027				0			100,000	100,000	100,000
2028				0			100,000	100,000	100,000
	12,560	410,000	100,000	522,560	25,000	2,004,440	2,008,000	4,037,440	4,560,000

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 property taxes unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as revised, in which case the Town has the power to levy such ad valorem taxes which may be levied, subject to certain procedural limitations under Section 5721-A of the Maine Revised Statutes as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer 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 as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 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 \$522,560 portion of Bonds issued for the School Department are not subject to the property tax limit set forth in Section 5721-A. The Finance Director has certified that a tax base sharing agreement does not now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts. Within the limits established by statute, the Town has the right to designate additional development districts or affordable housing 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 to satisfy debts or judgments 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.

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as the “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.

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 or exceed 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(7)(B) 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.

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 are circumstances outside the control of the Town Council and 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.

TAX MATTERS

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, based on existing statutes, regulations and court decisions interest on the Bonds is not includable in 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. In addition, interest payable on the Bonds is

not subject to Maine income taxes imposed upon individuals under existing statutes, regulations and decisions.

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 and the General Certificate of the Treasurer and the Issuer's Certificate regarding Qualified and Designated status (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. In the opinion of Bond Counsel, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals. See "Proposed Form of Legal Opinion" in APPENDIX B herein.

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 and 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 signers of the Bonds, and incorporated by reference in the Bonds.

Town has not 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. Furthermore, recognizing the importance of the Rule, the Town's undertaking thereof, and prompt compliance thereon, the Town amended Section 215.1 of its Charter on November 2, 2004, effective December 1, 2004, such that "*The audit shall be completed and delivered to the Town Council not later than December 30th following the end of the municipal year of the subject audit*".

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP 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 of Scarborough, Maine 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 the public bidding for 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 Finance Director, and attested to by the Town Clerk, dated the date of delivery, 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 Bernstein, Shur, Sawyer & Nelson, P.A. 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 Finance Director

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Finance Director 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.

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 Finance Director to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of her 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, she has no reason to believe that such information is materially inaccurate or misleading.

TOWN OF SCARBOROUGH

GENERAL

The Town of Scarborough is located on the southern coast of the State of Maine in the southeastern most section of the County of Cumberland, the State's most populous county, and is approximately seven miles southeast of Portland, the State's largest city. The shape of the Town is nearly square. Scarborough's entire eastern width is on Spurwink River and on the Atlantic Ocean; its northeastern border is formed by the cities of South Portland, Westbrook and the Town of Cape Elizabeth; the towns of Gorham and Buxton are contiguous on its northwest; and its southwest boundaries align the City of Saco and Town of Old Orchard Beach. Sections of the Town include, North Scarborough, Oak Hill, Black Point, Pleasant Hill, Higgins Beach, Pine Point (first called Blue Point) and Prouts Neck. Originally known as Libby's Neck, Prouts Neck is a broadening point of land extending into the sea. On the outer northeastern side of Prouts Neck the Town's oceanfront begins with Scarborough Beach, about 2 miles in length, going north to Higgins Beach which succeeds and continues to the Spurwink River at the Town's line. On the western side of Prouts Neck, is a small harbor facing Pine Point and Ferry Rock, nearly enclosing from the sea a considerable basin into which waters of the several streams are discharged.

Access to Scarborough is provided by US Route 1 (also forming a portion of State Route 9) and, running on a parallel to the US Route 1's northwest, US Interstate Route 95 (the Maine Turnpike) each bisecting the Town throughout its interior from northeast to southwest. State Route 77 follows the Town's oceanfront, then continuing as State Route 207. At Dunstan, State Route 9 splits off from US Route 1 and traverses southeasterly to the ocean border. State Route 114 starts at the Oak Hill section of the Town, at its north-center, from US Route 1 and then northwesterly along Scarborough's northern line to Gorham. The Portland International Jetport, located in Portland, provides convenient air travel for the region. Bus transit by major carriers operate from terminals in Portland, providing regularly scheduled inter and intra-state transportation. The Maine Central Railroad, Boston & Maine Corporation and the St. Lawrence & Atlantic Railroad Company provide the area with rail links to the United States and Canada.

A 1,500-acre tract of land between Prouts Neck, then called Black Point, and the Spurwink River was granted to Capt. Thomas Cammock, a nephew of the English Earl of Warwick. The Indian name for the area was "Owascoag" which signifies the place of much grass. In 1633, Thomas Cammock and his wife moved from Richmond's Island to Prouts Neck and was the first legal proprietor in Scarborough. In the course of a few years other settlers joined Cammock, mostly as tenants. By 1650 there were 50 homes at the Black Point settlement. In 1651 there developed a further principal settlement inland, as Dunstan. The Town was incorporated as the 6th town in the Province of Maine on July 14, 1658 named for Old Scarborough, England. By October, 1676 Scarborough, comprised three settlements of more than 100 houses. In 1681 a strong fortification was erected at Black Point, but the inhabitants were so harassed by the attacks of Native Americans that, in 1690, the town was wholly abandoned. A resettlement appears to have been in 1702, by a band of seven persons who came in a sloop from Lynn, Massachusetts. Scarborough is the birthplace of William King (1768-1852), the State of Maine's first governor. The studio and home of the famous artist Winslow Homer are located at Prouts Neck. The Black Point Inn, built by the Kaler family in 1878 and originally known as "The Southgate", is also located at Prouts Neck and is included in the National Registry of Historic Hotels of America. The Scarborough Marsh, a great salt marsh in the Town encompassing approximately 3,100 acres, is Maine's largest tidal marsh.

Scarborough is an affluent suburban coastal community beautifully situated on the Maine Coast. The Town has primarily single family dwellings, of which 63.4% are owner occupied. The land area of the Town is comprised of residential, local business, industrial, medical, commercial and resource protection zones, as well as recreation, oceanfront, open space, farmland and woodland areas. The area of the Town totals 27,919 acres or approximately 54 square miles.

GOVERNMENT

The Town operates under a charter first adopted on October 7, 1969, (the "Charter"), providing for a Council-Manager form of government with a seven-member Town Council, elected at-large who serve 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, giving effect to any vote of the Town authorizing the issuance of debt, and providing for an annual audit of the Town's accounts. Voter approval is required for a single capital improvement that requires the issuance of \$400,000 or more issuance of debt. The Town Manager is the chief administrative officer of the Town.

MUNICIPAL SERVICES

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

The Scarborough Sanitary District, a wholly separate quasi-municipal entity whose operation and obligations are not part of the Town, provides wastewater treatment service for portions of the Town that have sewers. The Portland Water District, also a quasi-municipal entity, and the Biddeford-Saco Water Company, a wholly separate privately-owned water utility, provide water service to the Town's inhabitants (see "INDEBTEDNESS - CONTINGENT DEBT - Portland Water District" herein).

Public Safety

The Police Department is staffed by employees which include a Police Chief, two Captains, six Sergeants, three detectives one evidence technician, one community resource officer, two school resource officers, two task force officers and 17 patrol officers and three full-time civilian personnel. In addition, the Town employs a Marine Resource Officer/Harbor Master, an Animal Control Officer, ten Dispatchers, and 50 part-time personnel. The Police Department maintains 25 vehicles, which are in excellent repair.

The Fire Department operates from one central fire station and five sub-stations lead by a Fire Chief, a Deputy Fire Chief of Operations/Suppression and a deputy Chief of Emergency Medical Services. The departments personnel include two full-time Administrative Assistants, four career Paramedic Lieutenants, 12 career Firefighter/EMTs and 167 per diem and call Firefighters. Through its Fire Department, the Town operates three Marine Units, on a seasonal basis.

Public Works

The Public Works Department is comprised of three divisions managed by a Director of Publics Works as discussed below: The Operations Division is comprised of a manager, a foreman and 18 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling and processes "Excavator Licenses," "Street Opening Permits," and "Building Permit Coordination Forms." The Vehicle Maintenance Division consists of a fleet manager shop supervisor, parts manager and seven fleet technicians and is responsible for the maintenance of all Town-owned vehicles including Fire Trucks, Rescue Vehicles, Police Cruisers, School Buses, Public Works equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment and for overseeing the town-wide fuel distribution program. The Traffic/Electrical Division is manned by one person who oversees the town-wide alarm system, traffic

signals and associated equipment. In addition, Public Works is staffed by two full-time office personnel, a part-time GIS coordinator and a part-time Solid Waste coordinator.

In 1996 the Town ceased using its landfill and has closed the site in conformance with the State of Maine Department of Environmental Protection procedures. The Town began transporting its solid waste to the ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 21 member municipalities (“Member Municipalities”), including the Town, that 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.

Public Education

The Town operates 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. 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, an Assistant Superintendent one Business Office Manager, one Director of Special Education, 10 full-time equivalent Principals or Assistant Principals, 540 teachers and various other professional and non-professional staff.

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	274
Eight Corners School	K-2	250 ⁽¹⁾	266
Pleasant Hill School	K-2	200 ⁽¹⁾	210
Benjamin Wentworth Intermediate	3-5	750 ⁽¹⁾	728
Scarborough Middle	6-8	800 ⁽¹⁾	810
Scarborough High	9-12	1,200	1,048

NOTE: ⁽¹⁾ Does not include Portable Classrooms. ⁽²⁾ “Previous Year Pupils” from Town of Scarborough School Department.

School Enrollments

April 1,	Grades					Total Enrollment
	K-2	3-5	6-8	9-12	Other	
2008	714	772	828	1,024	9	3,347
2007	718	790	797	993	8	3,306
2006	724	790	803	1007	0	3,324
2005	727	799	805	977	0	3,308
2004	723	777	811	923	0	3,234
2003	715	789	754	850	102	3,210
2002	724	754	782	785	92	3,137
2001	746	736	729	749	77	3,037
2000	728	702	658	721	84	2,893
1999	709	699	633	692	52	2,785

School Administrative Reorganization

On June 6, 2007 the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter. 240. The law sets forth state policy to ensure that schools are organized as units 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 school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

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 an alternative plan to achieve efficiencies.

The Town's enrollment was 3,313 on October 1, 2006 and 3,351 on October 1, 2008. Therefore, on November 16, 2007 the Town's Department of Education filed an Alternative Plan based upon the Town exceeding the minimum student enrollment threshold of 2,500 students and provided subsequent revisions requested by the Commissioner. The Commissioner approved the Town's Alternative Plan on February 19, 2008. As such, the school budget will no longer be part of the Town budget approved by Town Council, but would instead be subject to approval by the voters of the Town through a budget meeting and budget validation process.

THE SCARBOROUGH PUBLIC LIBRARY

Inspired by a group of women of the First Parish Church on the Black Point Road in Scarborough who collected and shared books, on August 2, 1899 a first meeting was held of people desiring to become incorporated as proprietors of a social library. Appearing before a Justice of the Peace, the Scarborough Public Library Corporation was organized and recorded. By-laws were drawn up, officers elected and, on December 6, 1899, it was voted to build a library building for use by the corporation. Architect Fred A. Thompson, donating his time, drew up plans for a one room building. On August 28, 1900, the first meeting of trustees was held in the new library building. Annie Louise Cary, world famous Metropolitan Opera singer and summer patroness of the Atlantic House, established the Atlantic House Fund for the benefit of the library. Following her death, in 1921, a trust fund was left for the library. On April 29, 1919, in memory of his son who was killed in World War One, Chas E. Libby donated \$1,000 to be expended for books for the library. Another guest of the Atlantic House, Margaret Jewell, gave generously to the building fund, and upon her death, in 1970, she left an endowment fund to the library.

Since 1934, the Town has included the library in its budget, appropriating funds at its pleasure. In 1937, the Town purchased land on the south side of the corporation's building and, with a gift of two additional parcels of land on the north and west sides of the building, an addition to the one-room library was planned. The north wing, known as the Fiction Room, was completed in 1938. Another building fund, starting in 1947, led to a south wing completion in October 1951, to become the Reference Room. In 1976, the library underwent extensive renovation including an addition to the rear of the building for an

expansion of the children’s section, added office space and moving the circulation desk to a central location. Additionally, a public meeting room was built and storage space provided. Finally, a new one-floor 12,000 square feet library building, located in the central Oak Hill area, opened in 1990 after a successful community-wide fundraising drive.

The Scarborough Public Library operates as a private, non-profit, tax-exempt corporation. A 14-member Board of Trustees (comprised of Town residents including one member of the Town Council and the President of the Friends of the Library) is responsible for policy, planning and fiscal control of the corporation. Funds to operate the library come primarily, but not exclusively, from the Town. Each year, a library budget is presented to the Town Council using the same procedures required of town departments. The library’s current collection exceeds 55,500 items of print and audiovisual materials. Averages of 2,000 visitors per week circulate approximately 152,000 items per year. The Library Director oversees a staff of five full-time and 16 part-time employees and various volunteers.

LABOR RELATIONS

The Town employs approximately 550 full-time and various part-time personnel, and approximately 796 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Labor Contracts

Union ⁽¹⁾	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	30	July 1, 2008	June 30, 2011
SPSDA	Dispatchers	10	July 1, 2008	June 30, 2011
SPA	Paramedics	10	July 1, 2006	June 30, 2009
SEA	Teachers	295	Sept 1, 2006	Aug 31, 2009
SEAA	School Administrators	11	July 1, 2006	June 30, 2009
SESA	School Staff and Teacher’s Aids	129	July 1, 2007	June 30, 2009
SEA	School Custodians	26	July 1, 2007	June 30, 2010
SEA	Bus Drivers	24	July 1, 2006	June 30, 2009
SEA	Maintenance Workers	6	July 1, 2007	June 30, 2010
SEA	Food Service Workers	25	Sept 8, 2007	Aug 31, 2009

NOTE: ⁽¹⁾ “SPBA” indicates the Scarborough Police Benevolent Association, and “SPSDA” indicates the Scarborough Public Safety Dispatchers Association, as respective unaffiliated local associations operating as separate bargaining units; “SPA” indicates Scarborough Paramedics Association, affiliated with the International Association of Firefighters (“IAFF”) affiliate of the American Federation of Labor & Congress of Industrial Organizations (“AFL/CIO”) as a separate bargaining unit; “SEA” indicates the Scarborough Educators Association, “SEAA” indicates the Scarborough Educational Administrators Association, and “SESA” indicates the Scarborough Educational Support Association, of which the various components are affiliated with the Maine Teachers Association s (“MEA”), as separate bargaining units.

COMMUTER TRENDS AND EMPLOYMENT

People who work in Scarborough, but live in:	Number of Workers	% Scarborough Workforce	People who live in Scarborough, but work in:	Number of Workers	% Scarborough Workers
Scarborough	2,387	24.52%	Portland	2,709	31.05%
Portland	1,061	10.90	Scarborough	2,387	27.36
South Portland	649	6.67	South Portland	1,410	16.16
Saco	525	5.39	Westbrook	380	4.36
Biddeford	448	4.60	Gorham	223	2.56
Old Orchard Beach	414	4.25	Saco	220	2.52
Westbrook	389	4.00	Freeport	119	1.36
Gorham	338	3.47	Falmouth	116	1.33
Buxton	311	3.20	Biddeford	115	1.32
Windham	246	2.53	Cape Elizabeth	106	1.22
Cape Elizabeth	224	2.30	Yarmouth	101	1.16
Standish	224	2.30	Old Orchard Beach	68	0.78
Falmouth	188	1.93	Auburn	66	0.76
Hollis	154	1.58	Windham	56	0.64
Gray	149	1.53	Sanford	44	0.50
Yarmouth	129	1.33	Brunswick	38	0.44
Kennebunk	126	1.29	Lewiston	34	0.39
Waterboro	114	1.17	Augusta	33	0.38
Cumberland	88	0.90	Gray	28	0.32
Limington	76	0.78	Buxton	24	0.28
Sanford	64	0.66	Kittery	24	0.28
Lewiston	62	0.64	Wells	24	0.28
Lyman	60	0.62	Sebago	23	0.26
Freeport	56	0.58	Standish	23	0.26
Dayton	52	0.53	Portsmouth NH	21	0.24
All Other	1,199	12.32	All Other	332	3.81
	<u>9,733</u>	<u>100.00%</u>		<u>8,724</u>	<u>100.00%</u>

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2000 data.

Representative Employer	Type of Business	Approximate Number of Employees
Hannaford Brothers	Supermarket Chain & Corporate Office	1,169
Postal Service Distribution Ctr	Distribution	632
Cabela's	Sports Equipment	292
NorDX	Medical Laboratory	256
Johnson & Jordan	Mechanical Contractors	250
Wal-Mart	Retail Department Store	223
Sam's Wholesale Club	Wholesale Department Store	173
Stantec	Engineering Services	153
Piper Shores	Nursing Home	150
Scarborough Downs	Race Track & Restaurant	150

SOURCE: Scarborough Economic Development Corporation.

RETAIL TRADE

**Retail Sales by Product Group and Consumer Sales
(\$/000)**

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2008	59,846	53,127	21,862	119,487	61,781	26,289	50,138	392,531	332,685
2007	64,658	38,068	21,611	121,294	20,874	28,283	43,294	338,082	273,424
2006	74,422	31,443	19,950	126,307	19,906	27,646	42,248	341,923	267,501
2005	68,093	27,163	18,554	126,788	15,767	29,272	40,514	326,151	258,058
2004	62,341	23,339	17,834	132,892	14,957	28,494	39,129	318,985	256,645
2003	51,560	19,497	16,803	128,063	14,531	29,212	36,824	296,489	244,929
2002	48,284	18,740	15,445	122,010	13,074	24,926	37,267	279,747	231,462
2001	55,189	18,181	15,819	115,495	12,988	21,018	35,720	274,410	219,221
2000	66,947	18,406	17,990	102,166	12,338	20,615	34,305	272,766	205,820
1999	67,657	15,753	17,676	87,800	13,867	20,521	32,352	255,627	187,970

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.

BUILDING PERMITS

Year Ended Dec. 31,	Commercial (\$/000)				Residential (\$/000)				Total (\$/000)	
	New Construction		Alterations		New Construction		Alterations		Permits	Cost
	Permits	Cost	Permits	Cost	Permits	Cost	Permits	Cost		
2008	10	\$35,447.4	80	\$55,559.8	75	\$100,517.1	359	\$79,765.4	524	\$271,329.7
2007	19	56,828.5	123	13,410.1	75	32,653.6	364	6,366.0	581	109,258.2
2006	86	40,296.6	72	12,103.9	86	24,508.5	356	9,163.6	600	86,072.6
2005	6	2,495.0	298	5,637.5	107	26,146.9	300	10,086.7	711	44,366.1
2004	14	26,077.8	222	11,033.8	120	32,104.1	286	10,286.1	642	79,501.8
2003	10	8,210.0	61	6,770.5	169	36,338.5	243	7,717.7	483	59,036.7
2002	7	5,357.0	214	5,037.8	147	30,400.4	366	6,697.9	734	47,493.1
2001	7	2,318.0	261	6,048.2	214	38,743.1	309	6,869.3	791	53,978.6
2000	13	42,617.0	270	1,030.9	263	45,594.7	289	4,715.1	835	93,957.8
1999	16	38,450.0	259	2,736.4	201	29,769.7	325	5,238.3	801	76,194.4

SOURCE: Town of Scarborough, Maine, Code Enforcement Office

ECONOMIC CHARACTERISTICS

Population	% Change			
	Town of <u>Scarborough</u>	<u>Town</u>	<u>State</u>	<u>USA</u>
1960	6,418	NA	6.1%	18.5%
1970	7,845	22.2	2.4	13.4
1980	11,347	44.6	13.4	11.4
1990	12,518	10.3	9.2	9.8
2000	16,970	35.6	3.8	13.2
2005	18,812	10.9	-	-

Population Characteristics	Town of <u>Scarborough</u>	Cumberland <u>County</u>	State of <u>Maine</u>	<u>USA</u>
Median age (years)	38.8	37.6	38.6	35.3
% School age	19.1%	17.5%	18.1%	18.9%
% Working age	61.0%	63.4%	62.0%	61.9%
% 65 and over	12.0%	13.3%	14.4%	12.4%
Persons/household	2.59	2.38	2.39	2.59

Income	Town of <u>Scarborough</u>	Cumberland <u>County</u>	State of <u>Maine</u>	<u>USA</u>
Median family income	\$65,137	\$54,485	\$45,179	\$50,046
% Below poverty level (individuals)	4.0%	7.9%	10.9%	12.4%
Per capita income	\$26,321	\$23,949	\$19,533	\$21,587

Housing	Town of <u>Scarborough</u>	Cumberland <u>County</u>	State of <u>Maine</u>	<u>USA</u>
% Owner occupied	81.5%	66.8%	71.5%	66.2%
% Built 1939 or earlier	16.1%	29.0%	29.1%	15.0%
% Built since 1990	25.6%	13.7%	14.6%	17.0%
Owner occupied med. value	\$159,800	\$131,200	\$98,700	\$119,600
Median gross rent	\$804	\$615	\$497	\$602
Occupied housing units	6,462	107,989	518,200	-

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

Unemployment	Town of <u>Scarborough</u>	Cumberland <u>County</u>	State of <u>Maine</u>	<u>USA</u>
2008	3.3%	4.0%	5.4%	5.8%
2007	2.9	3.5	4.6	4.7
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1
2004	2.9	3.3	4.6	5.5
2003	2.2	3.0	5.1	6.0
2002	2.0	2.8	4.4	5.8
2001	1.8	2.3	4.0	4.8
2000	1.4	2.0	3.5	4.0
1999	1.8	2.3	4.1	4.2

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 60 days prior to the beginning of each budget year. The budget is compiled from detailed information furnished by the School Committee, administrative officers and boards designated by the Town Manager. The proposed budget is reviewed by the Council, with the prerogative of amendment (except the Council has only total, not line item, appropriation authority for the Department of Education). The Council orders a public hearing with prior public notification. The Charter directs the Council to adopt their budget prior to the first day of the next budget year. If the Council fails to adopt the budget no later than 60 days of its submission to the Council, the budget as presented by the Town Manager and the Board of Education automatically becomes the budget for the fiscal 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). Upon adoption of the budget, a property tax levy is then established and filed with the Town Assessor. The following table sets forth the trends in the General Fund’s budgets for the Town for the last four fiscal years and for the current fiscal year.

Budgets for Fiscal Year Ending June 30,

	2005	2006	2007	2008	2009
EXPENDITURES					
General government	\$3,728,756	\$3,759,665	\$4,093,567	\$4,250,361	\$4,358,084
Public services	2,593,119	2,685,032	2,869,959	2,924,357	3,134,633
Public safety	5,904,193	6,361,045	6,755,786	6,995,577	7,563,495
Public works	5,516,714	5,683,601	6,135,470	6,305,800	6,501,204
Education	28,741,171	30,745,456	32,033,553	33,489,615	33,145,994
County Tax	1,519,714	1,584,344	1,614,651	1,735,302	1,836,509
Debt service	4,309,239	4,098,398	4,409,714	4,717,767	4,935,548
CIP	1,741,927	596,200	1,368,569	1,878,746	947,360
TOTAL EXPENDITURES	54,054,833	55,513,741	59,281,269	62,297,525	62,422,827
REVENUES					
Taxes	39,968,877	41,182,213	42,800,875	44,611,816	46,929,139
Licenses and permits	495,949	536,235	713,008	667,115	602,140
Intergovernmental	7,149,779	8,562,141	9,368,710	9,372,942	9,908,963
Interest earned	120,000	130,000	182,000	227,000	227,000
Other	2,996,528	3,035,745	3,957,635	3,807,265	4,629,952
TOTAL REVENUES	50,731,133	53,446,334	57,022,228	58,686,138	62,297,194
OTHER SOURCES					
Operating transfers	1,687,259	1,580,562	1,149,718	2,253,882	1,399,606
Prior year fund balance	478,840	475,000	475,000	540,000	799,770
Overlay	(74,899)	(369,155)	(101,427)	(99,688)	(73,743)
Bond and note proceeds	1,232,500	381,000	735,750	917,193	0
TOTAL OTHER	3,323,700	2,067,407	2,259,041	3,611,387	2,125,633
TOTAL BUDGET	\$54,054,833	\$55,513,741	\$59,281,269	\$62,297,525	\$64,422,827

CAPITAL IMPROVEMENT PLAN

The Town forms a Capital Improvement Program (“CIP”). The CIP includes a Capital Budget for the current year and the next five years that includes funds, and financing sources, necessary to acquire or improve buildings, lands, major equipment and other commodities that are of significant value and have a useful life of several years. The Town Manager prepares and submits a five-year capital program which includes a list of all capital improvements proposed over the next five fiscal years. This includes costs, methods of financing and time schedules as well as the annual cost to operate and maintain the proposed improvement. The CIP is reviewed by the Council who adopt the program, as amended if necessary, following a public hearing. The following page displays the current capital improvements schedule:

**Current Capital Improvement Plan
Fiscal Year Ending June 30,**

	2010	2011	2012	2013	2014	Total
Planning						
Capital Projects	\$1,690,000	\$0	\$0	\$0	\$0	\$1,690,000
Equipment	0	0	0	0	0	0
Community Services						
Capital Projects	0	0	0	0	0	0
Equipment	0	45,000	0	0	0	45,000
MIS						
Capital Projects	0	0	88,500	0	0	88,500
Equipment	61,600	0	0	0	0	61,600
Public Safety						
Capital Projects	0	0	0	0	0	0
Equipment	293,126	123,000	132,566	92,500	62,500	703,692
Fire Department						
Capital Projects	97,700	58,000	59,000	960,000	61,000	1,235,700
Equipment	177,500	241,000	265,500	226,500	234,000	1,144,500
Public Works						
Capital Projects	2,987,000	7,011,000	2,193,225	2,899,000	1,309,000	16,399,225
Equipment	487,000	376,000	372,000	409,000	534,000	2,178,000
Library						
Capital Projects	0	225,500	25,000	0	0	250,500
Equipment	53,195	198,437	12,000	15,900	12,000	291,532
Total Town						
Capital Projects	4,774,700	7,294,500	2,365,725	3,859,000	1,370,000	19,663,925
Equipment	1,072,421	983,437	782,066	743,900	842,500	4,424,324
Total Town	\$5,847,121	\$8,277,937	\$3,147,791	\$4,602,900	\$2,212,500	\$24,088,249

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 Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Property Tax Limit for subsequent fiscal years is the 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 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.

Fiscal year:	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>
State Personal Income Factor:	2.58%	2.62%	2.47%	2.24%
City Property Growth Factor:	<u>2.73</u>	<u>1.83</u>	<u>2.34</u>	<u>2.57</u>
Growth Limitation Factor:	5.31%	4.45%	4.81%	4.81%
Property Tax Levy Limit:	\$10,831,236	\$11,297,115	\$11,857,392	\$12,437,733
Property Tax Levy:	<u>10,564,959</u>	<u>11,210,876</u>	<u>11,587,653</u>	<u>12,567,077</u>
Over/(below) Property Tax Levy Limit:	(\$266,277)	(\$86,239)	(\$269,739)	\$129,344

INVESTMENT POLICY

While the Town has not established a formal Investment Policy, pursuant to 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. For further information regarding the Town's investments see "APPENDIX A – FINANCIAL STATEMENTS – Notes to Basic Financial Statements – DEPOSITS AND INVESTMENTS" herein.

FUND BALANCE POLICY

The Town has established, and follows, a formal Fund Balance Policy that recognizes the importance of maintaining an appropriate level of undesignated fund balance. After evaluating the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes goals regarding to the undesignated fund balances of the General Fund of the Town. This policy has been established to recognize the importance of a stable and sufficient level of undesignated fund balance. However, the Council reserves the right to re-appropriate funds from undesignated fund balance for emergencies and other items it feels necessary to be of the Town's best interest.

The Town's goal is to maintain, as undesignated, a level of fund balance in an amount equal to 8.3% (or 1/12th) of its annual Operating Budget. Once the Town achieves an undesignated fund balance equal to

8.3% of the Town's Operating Budget, any excess is to be designated for capital needs of the Town; thereby, reducing amounts required to be financed and in turn, the related interest costs. At year-end, capital and certain other budget items, in which appropriated amounts exceed actual expenditures, are reviewed to determine if they should be designated to be carried over to the next year. Annually, the Finance Director presents to the Town Manager a list of items for approval to be designated to be carried forward.

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Unreserved General Fund Balance	\$5,918,858	\$7,062,882	\$7,455,082	\$8,018,685	\$8,356,658
Total Revenues (Current Year)	50,509,302	54,158,598	56,600,224	59,619,730	64,546,380
Fund Bal as % Revenues	11.70%	13.00%	13.17%	13.45%	12.95%
Undesignated General Fund Balance	\$4,693,564	\$4,366,474	\$5,519,830	\$6,021,738	\$6,222,425
Total Revenues (Current Year)	50,509,302	54,158,598	56,600,224	59,619,730	64,546,380
Fund Bal as % Revenues	9.30%	8.10%	9.75%	10.10%	9.64%

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article II, Section 215 of the Town's Charter provide for independent annual audits of the Town's accounts and establishes procedures for such audits. The Town, in conformance with this statute and its Charter currently engages the services of Macdonald Page & Co., LLC, Certified Public Accountants for this review.

In order to ensure timely review of the Town's financial position, on November 2, 2004, and effective December 1, 2004, the Town amended Section 215.1 of its Charter such that "The audit shall be completed and delivered to the Town Council not later than December 30th following the end of the municipal year of the subject audit".

The Town's fiscal year 2008 Annual Financial Report, audited by Macdonald Page & Co., LLC, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of Macdonald Page for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

The Government Finance Officers Association (the "GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Town for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2007. This is the third year that the Town has received this prestigious award. In order to be awarded the certificate, the Town published an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles ("GAAP") and applicable legal requirements.

FUNDS

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to

account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Town has the following fund types and account groups:

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of the Town's expendable financial resources and the related liabilities (except those that would be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the Town's Governmental Fund Types:

General Fund - This fund accounts for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust, or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Project Funds - Capital Project Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs.

The Town reports on both the private purpose trust fund and the agency fund. Private purpose trust funds are used to report all of the Scarborough School Department's scholarship programs. Student Activity Funds are recorded as Agency funds and are used to account for funds raised by and on behalf of the various student groups organized within the Scarborough School Department.

Permanent Funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs, that is, for the benefit of the government or its citizenry. Permanent funds are established by the Town for the following purposes: Scarborough Memorial Cemetery Perpetual Care, Dunstan Cemetery Perpetual Care and Mary A. Tucker Perpetual Care.

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

	2008	2007	2006	2005	2004
ASSETS					
Cash and cash equivalents	\$3,972,040	\$7,916,097	\$6,551,527	\$9,421,858	\$6,885,074
Investments	7,724,325	3,019,928	3,307,048	533,400	2,692,139
Receivables:					
Taxes receivable	132,608	103,975	59,797	60,561	75,740
Tax liens	456,920	363,401	407,661	421,274	364,515
Accounts receivable	487,613	606,045	403,966	472,345	535,740
Due from State		0	0		52,814
Interfund receivable	877,117	483,340	1,041,875	265,420	1,438,719
Tax acquired property	7,231	7,231	7,231	7,231	7,231
TOTAL ASSETS	13,657,854	12,500,017	11,779,105	11,182,089	12,051,972
LIABILITIES					
Accounts payable	1,005,571	806,517	695,103	586,549	809,838
Accrued payroll	3,189,200	2,599,530	2,457,799	2,419,588	2,274,593
Accrued absences	65,218	0	0		375,384
Interfund payable	0	0	0		1,526,628
Taxes collected in advance	15,003	31,279	17,928	15,944	36,187
Deferred tax revenue	408,370	370,000	382,000	400,000	400,000
TOTAL LIABILITIES	4,683,362	3,807,326	3,552,830	3,422,081	5,422,630
EQUITY					
Fund balances:					
Reserved	617,834	674,006	771,193	697,126	710,484
Unreserved:					
Undesignated	6,222,425	6,021,738	5,519,830	4,366,474	4,693,564
Designated	2,134,233	1,996,947	1,935,252	2,696,408	1,225,294
TOTAL EQUITY	8,974,492	8,692,691	8,226,275	7,760,008	6,629,342
TOTAL LIABILITIES AND EQUITY	\$13,657,854	\$12,500,017	\$11,779,105	\$11,182,089	\$12,051,972

Prepared from Audited Financial Statements.

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

	2008	2007	2006	2005	2004
REVENUES					
Taxes	\$44,581,175	\$42,712,153	\$41,345,663	\$40,003,836	\$37,104,562
Licenses and permits	817,847	753,026	611,420	566,483	480,440
Intergovernmental	12,605,805	11,794,756	10,828,778	10,242,806	9,756,365
Interest earned	344,371	404,622	260,661	159,450	105,034
Other	6,197,182	3,955,173	3,553,702	3,186,023	3,062,901
TOTAL REVENUES	64,546,380	59,619,730	56,600,224	54,158,598	50,509,302
EXPENDITURES					
General government	4,482,678	4,400,675	4,340,348	3,727,031	3,568,303
Public services	3,102,548	3,070,038	2,849,393	2,642,914	2,572,389
Public safety	6,986,430	6,641,973	6,179,751	5,921,309	5,933,594
Public works	6,765,228	5,846,056	5,702,033	5,370,322	4,877,211
Education	36,113,916	33,652,081	32,791,793	30,919,216	28,862,018
County tax	1,735,302	1,614,651	1,584,344	1,519,714	1,441,610
Other	0	0	0	40,638	0
Debt service	4,720,620	4,396,007	4,065,377	4,304,201	5,046,242
Capital improvements	3,675,867	2,618,995	1,114,864	1,119,917	653,352
TOTAL EXPENDITURES	67,582,589	62,240,476	58,627,903	55,565,262	52,954,719
EXCESS OF REVENUES OVER EXPENDITURES	(3,036,209)	(2,620,746)	(2,027,679)	(1,406,664)	(2,445,417)
OTHER FINANCING SOURCES:					
Operating transfers in	2,782,635	1,855,084	2,166,015	2,086,828	1,304,889
Operating transfers out	(886,474)	(602,222)	(608,069)	(795,906)	(755,514)
Proceeds from Capital Lease	1,010,422	1,199,550	0	0	0
Bond or note proceeds	786,810	634,750	936,000	870,175	1,562,000
TOTAL OTHER FINANCING:	3,693,393	3,087,162	2,493,946	2,161,097	2,111,375
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	657,184	466,416	466,267	754,433	(334,042)
FUND BALANCE, BEGINNING OF YEAR	8,317,308	8,226,275	7,760,008	7,005,575	6,963,384
FUND BALANCE, END OF YEAR	\$8,974,492	\$8,692,691	\$8,226,275	\$7,760,008	\$6,629,342

Prepared from Audited Financial Statements

PROPERTY TAXATION

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Commit. (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 8/31/08
2009	\$3,563,250	\$3,487,005	\$12.15	\$42,367	---- In Process ----		
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01%	99.01%
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.30	99.80
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.92	100.0
2005	2,538,800	2,057,589	17.34	35,678	35,423	99.13	100.0
2004	2,158,300	2,002,987	16.46	32,969	32,747	99.33	100.0
2003	1,864,800	1,930,576	15.70	30,311	30,104	99.20	100.0
2002	1,571,700	1,858,345	15.30	28,433	28,121	98.84	100.0
2001	1,374,950	1,313,684	19.60	25,748	25,339	98.35	100.0
2000	1,253,450	1,259,330	19.20	24,179	23,716	98.06	100.0
1999	1,155,300	1,206,144	18.40	22,193	21,746	97.68	100.0

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 2008/2009 the tax due dates are October 15, 2008 and March 16, 2009. All taxes paid after the due date will be subject to interest, at the rate of 11.0% per annum.

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. However, Article 3 of the Town's *Policy for Disposition of Tax Acquired Property*, adopted October 16, 2003, provide for the Town and the property owner of a single residence property to enter into a plan and an installment sales contract in order to waive the foreclosure process and to secure prompt payment of outstanding and current taxes, related interest and costs.

CHANGES IN PROPERTY TAX LEGISLATION

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 legislation, 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 if it provides a higher level of reimbursement in any year 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 with an additional adjustment for property in a tax increment financing district.

The value of all property made exempt by this legislation in the municipality will also be considered part of that municipality's equalized State Valuation to the extent the municipality 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 legislation 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.

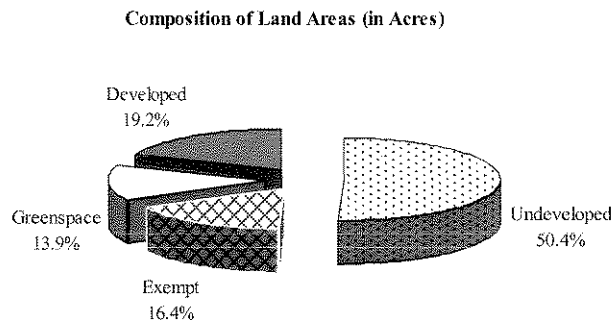
LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2008 (\$/000)				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Senior Housing	\$59,963.0	\$1,897.1	\$61,860.1	\$751,600	1.77%
Hannaford Brothers	Supermarket, Corp Offices	21,735.9	14,547.6	36,283.5	440,845	1.04
Walmart/Sam's Club	Wholesale/Retail	32,795.7	1,995.6	34,791.3	422,714	1.00
New England Exp	Retail/Restaurants	32,364.8	0.0	32,364.8	393,232	0.93
MMC Realty	Medical	22,281.3	4,068.2	26,349.5	320,146	0.76
Scarborough Gallery	Retail/Restaurants	20,922.2	0.0	20,922.2	254,205	0.60
Gavin Ruotolo	Commercial Leases	17,075.2	44.4	17,119.6	208,003	0.49
Shaw's	Supermarket	8,911.6	5,467.6	14,379.2	174,707	0.41
Foxcroft/Coach Lantern	Apartments	13,009.8	175.0	13,184.8	160,195	0.38
BPI LLC	Black Point Inn	11,052.5	600.0	11,652.5	141,578	0.33
Top Ten Taxpayers as % of Total		\$240,112.0	\$28,795.5	\$268,907.5	\$3,267,226	7.71%

CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 28,133 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>2005</u>
Undeveloped ⁽¹⁾	14,189
Exempt	4,620
Greenspace ⁽²⁾	3,921
Developed	5,403
Total	28,133



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

⁽²⁾ 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:

	1995		2000		2005	
	Value (\$)	% Total	Value (\$)	% Total	Value (\$)	% Total
Commercial	189,525,000	17.27%	204,136,700	15.93%	425,931,300	13.08%
Industrial	67,125,300	6.12%	65,155,000	5.08%	133,337,500	4.09%
Residential	813,984,700	74.17%	929,093,200	72.51%	2,508,175,200	77.01%
Undeveloped	Included in Residential		60,606,400	4.73%	100,424,700	3.08%
Other	26,793,100	2.44%	22,379,300	1.75%	88,973,200	2.73%
Assessed Value	1,097,428,100	100.00%	1,281,372,600	100.00%	3,256,841,900	100.00%

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

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables 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”) for a period of up to 30 years 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 dedicates 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 all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st 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.

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 designated various tax increment financing districts and may consider proposals for other districts on an ongoing basis. All districts will 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, welfare 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 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. No assurance can be given that future legislation will not have an adverse impact on school funding in Maine. Because of these uncertainties, it is not possible to predict the level of State subsidy to local units in future years or whether the State's subsidy program will continue in its present form.

In 1998 the State of Maine adopted the Homestead Exemption Program, which is administered locally. For the fiscal years ending through June 30, 2005, up to \$7,000 in value of the primary residence of a Maine resident property taxpayer was exempt from property taxation. Further, the State reimbursed each municipality 100% of the property tax exempted under the Program and a portion of the municipality's administrative costs. Beginning with the fiscal year starting July 1, 2005, the maximum amount of the exemption is \$13,000, however, the State will reimburse municipalities for only 50% of the property tax reduction due to the exemption. The State annually estimates state aid but actual payments may vary from the estimate. The following table displays state aid received by the Town for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	School Aid	Homestead Exemption	General Assistance	Other State Aid	Total From State
2008	\$1,409,156	\$6,567,679	\$325,653	\$11,637	\$943,561	\$9,257,686
2007	1,395,552	6,423,999	317,821	5,730	870,906	9,014,008
2006	1,432,953	5,715,173	305,211	1,184	835,185	8,289,706
2005	1,449,141	4,532,459	300,361	1,169	855,312	7,138,442
2004	1,358,586	4,669,174	341,272	2,657	735,610	7,107,299

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, 2009 the Town’s equalized state valuation (“equalized State Valuation”) was \$3,563,250,000. The 15% debt limit is \$534,487,500. On June 30, 2008 the Town’s long-term debt was \$69,328,000 or 1.95% 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 such debt limits.

DEBT SUMMARY

The Town’s general obligation bonds payable at June 30, 2008 (audited) and projected for June 30, 2009 (unaudited) are comprised of the following individual issues:

Series	Date of Issue	Issue Amount	Date of Final Mat	As of 06/30/08	Payments 2008/2009	Projected 06/30/09
1988	04/25/88	6,615,000	10/25/08	\$275,000	\$(275,000)	\$0
1989	12/15/89	2,300,000	12/15/08	100,000	(100,000)	0
1990	11/01/90	7,415,000	11/01/10	975,000	(325,000)	650,000
1993	05/01/93	1,135,000	11/01/12	125,000	(25,000)	100,000
1994	10/15/94	6,775,000	10/15/14	1,610,000	(230,000)	1,380,000
1995	12/15/95	6,160,000	11/01/15	2,120,000	(265,000)	1,855,000
1997	04/15/97	4,230,000	11/01/16	990,000	(110,000)	880,000
1999	06/15/99	6,493,000	11/01/18	1,095,000	(395,000)	700,000
2000	06/15/00	4,770,000	12/15/19	1,560,000	(205,000)	1,355,000
2001	06/15/01	4,932,000	11/01/20	1,695,000	(180,000)	1,515,000
2003	06/01/03	24,579,000	06/01/34	20,425,000	(655,000)	19,770,000
2004	03/15/04	14,628,000	11/01/33	11,025,000	(985,000)	10,040,000
2005	03/15/05	10,665,000	11/01/34	9,500,000	(520,000)	8,980,000
2006	05/15/06	7,014,000	11/01/20	5,870,000	(690,000)	5,180,000
2007	05/15/07	4,000,000	11/01/21	3,450,000	(550,000)	2,900,000
2008	06/01/08	8,513,000	11/01/27	8,513,000	(593,000)	7,920,000
				69,328,000	(6,103,000)	63,225,000
2009	05/01/09	4,560,000	11/01/28	0		4,560,000
				\$69,328,000	\$(6,103,000)	\$67,785,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2004	2005	2006	2007	2008	2009
Total Current Year Debt Service:	\$7,443,062	\$8,513,265	\$8,753,803	\$8,819,923	\$8,768,869	\$8,853,561
Budgeted Operating Expense:	49,818,261	54,054,833	55,513,741	59,281,269	62,297,525	64,422,827
Debt Service as % Oper. Expense:	14.94%	15.75%	15.77%	14.88%	14.08%	13.74%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2009	18,812	\$3,563,250	\$3,487,005	\$67,785,000	1.90%	\$3,603.29
2008	18,812	3,531,150	3,397,230	69,328,000	1.96	3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76
2004	16,970	2,158,300	2,023,583	62,952,163	2.92	3,709.61
2003	16,970	1,864,800	1,959,463	54,759,228	2.94	3,226.83
2002	16,970	1,571,700	1,858,345	35,095,667	2.23	2,068.10
2001	16,970	1,374,950	1,313,684	35,787,515	2.60	2,108.87
2000	16,970	1,253,450	1,259,330	35,059,806	2.80	2,065.99
1999	12,518	1,155,300	1,206,144	34,071,571	2.95	2,721.81

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total Debt
	Principal	Interest	Total Debt	(Pro Forma)		Total Debt	
				Principal	Interest		
2009	\$6,103,000	\$2,750,561	\$8,853,561	\$0	\$0	\$0	\$8,853,561
2010	5,440,000	2,542,579	7,982,579	305,000	113,513	418,513	8,401,091
2011	5,320,000	2,329,469	7,649,469	400,000	106,463	506,463	8,155,931
2012	4,665,000	2,132,051	6,797,051	400,000	98,463	498,463	7,295,514
2013	4,465,000	1,950,605	6,415,605	400,000	90,463	490,463	6,906,068
2014	3,695,000	1,784,606	5,479,606	400,000	82,463	482,463	5,962,069
2015	3,455,000	1,634,699	5,089,699	400,000	74,213	474,213	5,563,911
2016	3,230,000	1,494,573	4,724,573	315,000	66,419	381,419	5,105,991
2017	2,740,000	1,371,721	4,111,721	310,000	59,000	369,000	4,480,721
2018	2,580,000	1,263,003	3,843,003	310,000	50,863	360,863	4,203,865
2019	2,345,000	1,160,630	3,505,630	310,000	41,950	351,950	3,857,580
2020	2,455,000	1,058,696	3,513,696	110,000	35,650	145,650	3,659,346
2021	2,530,000	953,624	3,483,624	100,000	32,438	132,438	3,616,061
2022	2,390,000	850,404	3,240,404	100,000	29,188	129,188	3,369,591
2023	2,580,000	744,687	3,324,687	100,000	25,750	125,750	3,450,437
2024	1,235,000	663,033	1,898,033	100,000	22,125	122,125	2,020,158
2025	1,285,000	608,961	1,893,961	100,000	18,250	118,250	2,012,211
2026	1,335,000	551,844	1,886,844	100,000	14,250	114,250	2,001,094
2027	1,385,000	492,284	1,877,284	100,000	10,250	110,250	1,987,534
2028	1,445,000	430,139	1,875,139	100,000	6,250	106,250	1,981,389
2029	1,315,000	368,758	1,683,758	100,000	2,125	102,125	1,785,883
2030	1,375,000	308,265	1,683,265				1,683,265
2031	1,440,000	244,153	1,684,153				1,684,153
2032	1,505,000	176,278	1,681,278				1,681,278
2033	1,575,000	105,298	1,680,298				1,680,298
2034	960,000	46,500	1,006,500				1,006,500
2035	480,000	12,000	492,000				492,000
TOTAL	\$69,328,000	\$28,029,417	\$97,357,417	4,560,000	980,081	5,540,081	102,897,498

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

Yr. End June 30,	1988	1989	1990	1993	1994	1995B	1997	1999	2000	2001	2003	2004	2005	2006	2007	2008	2009	Total Debt
2009	275	100	325	25	230	265	110	395	205	180	655	985	520	690	550	593	0	6,103
2010			325	25	230	265	110	70	205	180	685	665	525	805	550	800	305	5,745
2011			325	25	230	265	110	70	115	180	750	680	385	835	550	800	400	5,720
2012				25	230	265	110	70	115	120	840	680	390	480	550	790	400	5,065
2013				25	230	265	110	70	115	115	925	690	395	510	225	790	400	4,865
2014					230	265	110	70	115	115	595	555	305	515	225	595	400	4,095
2015					230	265	110	70	115	115	685	215	315	530	225	580	400	3,855
2016					230	265	110	70	115	115	780	225	250	505	225	570	315	3,545
2017							110	70	115	115	885	235	230	185	225	570	310	3,050
2018								70	115	115	1,005	245	240	190	25	575	310	2,890
2019								70	115	115	1,135	255	250	195	25	185	310	2,655
2020									115	115	1,280	265	260	210	25	185	110	2,565
2021									115	115	1,435	280	270	220	25	185	100	2,630
2022											1,610	290	280	220	25	185	100	2,490
2023											1,800	305	290			185	100	2,680
2024											430	320	300			185	100	1,335
2025											450	335	315			185	100	1,385
2026											475	350	325			185	100	1,435
2027											495	365	340			185	100	1,485
2028											520	385	355			185	100	1,545
2029											545	400	370			185	100	1,415
2030											570	420	385			185	100	1,375
2031											595	440	405			185	100	1,440
2032											625	460	420			185	100	1,505
2033											655	480	440			185	100	1,575
2034											500	500	460			185	100	960
2035													480					480
Totals	275	100	975	125	1,610	2,120	990	1,095	1,560	1,695	20,425	11,025	9,500	5,870	3,450	8,513	4,560	73,888
pd 2009	(275)	(100)	(325)	(25)	(230)	(265)	(110)	(395)	(205)	(180)	(655)	(985)	(520)	(690)	(550)	(593)	0	(6,103)
7/1/2009	0	0	650	100	1,380	1,855	880	700	1,355	1,515	19,770	10,040	8,980	5,180	2,900	7,920	4,560	67,785

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, 2009 the Town's equalized State Valuation of \$3,563,250,000 was 8.50% of the County's equalized State Valuation of \$41,918,400,000. The Town's share is 8.50%, or \$690,802, of the County's \$8,130,000 long-term debt outstanding as of December 31, 2007.

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, 2007 the Town was contingently responsible for approximately 13.60%, or \$2,701,459, of the PWD's \$19,862,858 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, 2008, outstanding RRS Debt of ecomaine totaled \$28,224,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 8.48% or \$2,393,020.

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, 2008 the Town's share is 6.30% or \$231,588 of ecomaine's outstanding MRF debt of \$3,676,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$23,195,375 at June 30, 2007. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.43% or \$1,955,968.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$69,328,000			\$69,328,000
County of Cumberland ⁽¹⁾		\$690,802		690,802
Portland Water District ⁽¹⁾		2,701,459		2,701,459
ecomaine (RRS)			\$2,393,020	2,393,020
ecomaine (MRF)			3,676,000	3,676,000
ecomaine (Landfill)			1,955,968	1,955,968
Total A/O June 30, 2008	\$69,328,000	\$3,392,261	\$8,024,988	\$80,745,249

NOTE: ⁽¹⁾ As of fiscal year ended December 31, 2007.

FUTURE FINANCING

The Town Manager develops a formal Capital Improvement Program that 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. Council orders or resolves authorizing bond issues of \$100,000 or more for a single capital improvement or capital equipment are subject to a petition for overrule of Council action, by the initiative and referendum provisions of Article IX of the Town's Charter. Further, Section 905 of the Town's Charter requires voter referendum approval for bond issues of \$400,000 or more for a single capital improvement or capital equipment.

The following are projects that have been authorized but, following the financing of the Bonds, will remain unissued:

Parks and Conservation Lands

By referendum on November 7, 2000 and November 4, 2003, the voters of the Town authorized the issue of bonds in an amount not to exceed \$1,500,000 and \$2,500,000, respectively, to provide funds to finance purchase of parks and conservation lands. A portion of the proceeds of the Town's 2004 Bonds, in the amount of \$1,000,000; a portion of the proceeds of the Town's 2005 Bonds, in the amount of \$197,496; a portion of the Town's 2008 Bonds, in the amount of \$100,000; and a portion of the 2009 Bonds, in the consolidated amount of \$250,000, have been issued to provide funds for this purpose. As the Town identifies, and successfully negotiates the purchase price of, suitable properties it plans to finance such purchase(s) through the issuance on its bonds. Following the above purchases, the Town has extinguished the authorization under Council Order #00-140 leaving \$2,452,504 remaining authorized but unissued debt for this purpose, under the remaining portion of the Council Order #03-116.

Additional CIP

The Town has a variety of CIP projects that have been authorized by the Council but the projects have not matured to the extent that significant funds need be available over the next several months. These may be financed, if completed, by future bond issues, as follows:

Authorized Projects but Unissued Debt

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>2009 Bonds</u>	<u>Authorized Unissued</u>
2003/2004	03-116	Purchase Parks & Land Cons	\$2,500,000	\$0	\$(47,400)	\$2,452,600
2004/2005	05-08	System Wide ADA	183,000	(153,500)	0	29,500
2005/2006	06-18	Fire Dept Training Building	150,000	0	0	150,000
2006/2007	06-128	IT Townwide Data/Phone	125,000	(23,190)	0	101,810
2007/2008	08-25	Municipal Bldg 2nd Floor Renov	325,000	(194,620)	0	130,380
2007/2008	08-26	Facilities Support Equipment	30,000	(25,160)	0	4,840
2007/2008	08-26	Syst Wide Asbestos Flooring Abat	225,000	(215,300)	0	9,700
2007/2008	08-26	Pleasant Hill/Blue Point Out Ltg	70,000	(55,000)	0	15,000
2007/2008	08-26	Blue Point Fence	25,000	(7,500)	0	17,500
2007/2008	08-26	Long Range Planning	160,000	(80,000)	0	80,000
2008/2009	08-08	Dunston Sidewalk	550,000	0	(375,340)	174,660
2008/2009	08-122	Brick Walls	45,000	0	0	45,000
2008/2009	08-122	Restroom Renov	20,000	0	0	20,000
2008/2009	08-122	Street Side Sign	40,000	0	0	40,000
2008/2009	08-122	Pub Safety Bldg Site Study	100,000	0	(25,000)	75,000
2008/2009	08-122	Broadturn Road	61,700	0	0	61,700
2008/2009	08-123	Replace Tech Equip & Apps	210,460	0	0	210,460
2008/2009	08-123	New Tech Equip & Apps	39,500	0	0	39,500
2008/2009	08-123	WI Asbestos Abatement	25,000	0	0	25,000
2008/2009	08-123	WI Interior Finishes	50,000	0	(30,000)	20,000
2008/2009	08-123	Security Systems	35,000	0	0	35,000
2008/2009	08-123	Flooring & HS Gym Floor	170,000	0	(130,000)	40,000
2008/2009	08-123	DW Movable Equip	75,000	0	(30,000)	45,000
2008/2009	08-123	DW & WI Bilg Envelope	65,000	0	0	65,000
2008/2009	08-123	Bleacher Safety	45,000	0	0	45,000
2008/2009	08-123	Auditorium Wall & Stage	25,000	0	0	25,000
2008/2009	08-123	HS Café AC	125,000	0	(100,000)	25,000
2008/2009	08-123	MS & WI Bldg Modif.	100,000	0	(40,000)	60,000
		Totals	\$5,574,660	\$(754,270)	\$(777,740)	\$4,042,650

Other than the above discussions, the Town has no authorized but unissued debt that it expects to finance through bond issues over the next year.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

The Town contributes to the Maine State Retirement System (“MSRS”) Consolidated Plan (“CRP”), a cost sharing multiple-employer retirement system established by the Maine State legislature. The MSRS

provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, ME 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. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the CRP, non-teaching school personnel or other qualified educators not participating in the MSRS's teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooling unfunded liability ("IUUAL") on a scheduled basis, in addition to making the normal contribution to the plan. The Town's IUUAL with MSRS was fully paid in 2007. The current rate is 2.8% of annual covered payroll for School employees participating in the District Plan and 2.8% for Town employees and 4.0% for Police. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the MSRS-CRP for the year ended June 30, 2008 were \$88,773.

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

All schoolteachers, plus other qualified educators, participate in the MSRS's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The MSRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, ME 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 \$3,183,593 (18.71%) for the fiscal year 2008. This amount has been reported as an intergovernmental revenue and retirement expenditure in the Town's GAAP basis financial statements.

C. DEFINED CONTRIBUTION PLAN

The Town has instituted a contributory Internal Revenue Code Section 401(a) plan which is available to all eligible employees of the Town. The Town contributes to the International City Manager's Association ("ICMA") Money Purchase Plan, which is a defined contribution pension plan administered by the ICMA. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely

on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All municipal employees of the Town have the option of participating in the plan or the MSRS. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his account at that time. Each employee must contribute a minimum of 6% of his or her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings.

During the year, the Town's required and actual contributions amounted to \$360,599, which was 6% of the participating employees and 24% of the Town's Manager's current year covered payroll. The covered payroll amounted to \$5,671,098 while the Town's total payroll was \$9,925,483. Employee's required contributions amounted to \$333,457, which was 6% of the Town's current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Money Purchase Plan held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

D. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Section 457(k) of the Internal Revenue Code, as amended. The plan, available to all Town employees at their option, permits participants 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 Governmental Accounting Standards Board 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.

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 which, 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 SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2008**

(With Report of Independent Auditors' Thereon)

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2008

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2008

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INTRODUCTION



FIGSILLIS ~ MILLIKENS ~ FRODJI ~ RINGS ~ LINDROG ~ BURENPOURSH ~ GING ~ FULLIBOII ~ COLTRINA ~ VESIBROOK ~ JAMIE ~
 CAMNOCK ~ JOCELYN ~ FORWELL ~ BORDEN ~ FLGER ~ WILBYN ~ SODDITOW ~ WICKHARR ~ WASSE

1604100N ~ 3 HAY 2147 ~ 13549 ~ 511 ~ 110 ~ 111 ~ 112 ~ 113 ~ 114 ~ 115 ~ 116 ~ 117 ~ 118 ~ 119 ~ 120 ~ 121 ~ 122 ~ 123 ~ 124 ~ 125 ~ 126 ~ 127 ~ 128 ~ 129 ~ 130 ~ 131 ~ 132 ~ 133 ~ 134 ~ 135 ~ 136 ~ 137 ~ 138 ~ 139 ~ 140 ~ 141 ~ 142 ~ 143 ~ 144 ~ 145 ~ 146 ~ 147 ~ 148 ~ 149 ~ 150 ~ 151 ~ 152 ~ 153 ~ 154 ~ 155 ~ 156 ~ 157 ~ 158 ~ 159 ~ 160 ~ 161 ~ 162 ~ 163 ~ 164 ~ 165 ~ 166 ~ 167 ~ 168 ~ 169 ~ 170 ~ 171 ~ 172 ~ 173 ~ 174 ~ 175 ~ 176 ~ 177 ~ 178 ~ 179 ~ 180 ~ 181 ~ 182 ~ 183 ~ 184 ~ 185 ~ 186 ~ 187 ~ 188 ~ 189 ~ 190 ~ 191 ~ 192 ~ 193 ~ 194 ~ 195 ~ 196 ~ 197 ~ 198 ~ 199 ~ 200 ~ 201 ~ 202 ~ 203 ~ 204 ~ 205 ~ 206 ~ 207 ~ 208 ~ 209 ~ 210 ~ 211 ~ 212 ~ 213 ~ 214 ~ 215 ~ 216 ~ 217 ~ 218 ~ 219 ~ 220 ~ 221 ~ 222 ~ 223 ~ 224 ~ 225 ~ 226 ~ 227 ~ 228 ~ 229 ~ 230 ~ 231 ~ 232 ~ 233 ~ 234 ~ 235 ~ 236 ~ 237 ~ 238 ~ 239 ~ 240 ~ 241 ~ 242 ~ 243 ~ 244 ~ 245 ~ 246 ~ 247 ~ 248 ~ 249 ~ 250 ~ 251 ~ 252 ~ 253 ~ 254 ~ 255 ~ 256 ~ 257 ~ 258 ~ 259 ~ 260 ~ 261 ~ 262 ~ 263 ~ 264 ~ 265 ~ 266 ~ 267 ~ 268 ~ 269 ~ 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Town of Scarborough, Maine

P.O. BOX 360 • SCARBOROUGH, MAINE 04070-0360

December 23, 2008

RUTH D. PORTER
FINANCE DIRECTOR
TREASURER

Michael J. Wood, Council Chairman
And Distinguished Members of the Town Council
Scarborough, Maine

In accordance with the requirements of our Town Charter and state statutes, we hereby issue to the citizens of the Town of Scarborough and to all interested parties, the comprehensive annual financial report of the Town of Scarborough, Maine for the fiscal year ended June 30, 2008.

Responsibility for the accuracy, completeness and reliability of the financial information, including all disclosures, rests with the Town of Scarborough and its management. Management has established a framework of internal controls that afford us the knowledge and belief, that all of the data is accurate in all material respects and reported in a manner that presents fairly the financial position of the Town of Scarborough. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities are included.

Please take this opportunity to review Management's discussion and analysis (MD&A) immediately following the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the Town's financial statements. The MD&A complements this letter of transmittal and we encourage readers to view it in conjunction with it.

The comprehensive annual financial report is prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. This report is presented in three sections: introductory, financial and statistical. The first section is introductory and includes this transmittal letter. The second section, financial, includes the management's discussion and analysis of the Town's financial activities, the basic financial statements and the combining and individual fund statements and schedules. The final section, statistical, includes selected financial and demographic information, generally presented on a multi-year basis.

TOWN'S ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

The Town of Scarborough is located on the southern coast of the State of Maine in the southeastern most section of the County of Cumberland, the State's most populous county. Scarborough is bordered by the Spurwink River and the Atlantic Ocean on its eastern side and is bordered by the communities of Westbrook, South Portland, Cape Elizabeth, Gorham, Buxton, Saco and Old Orchard Beach.

The Town, first settled in 1633, was incorporated as the sixth town in the Province of Maine on July 14, 1658. This year we celebrated our 350th anniversary. The Town operates under a charter first adopted on October 7, 1969 and provides for a Town Council and Town Manager form of government. The legislative body consists of a seven-member town council. A seven-member school board has general authority for the public schools. The Town Council is responsible for passing ordinances, adopting the annual budget, appointing committees and hiring both the Town Manager and the Town Assessor. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the government, and for appointing the administrators of the various departments.

Although legally separate entities, we have two component units, Scarborough Economic Development Corporation and the Public Library.

The Scarborough Public Library is a discretely presented component unit in a separate column in the government wide financial statements to emphasize that they are legally separate from the Town of Scarborough and to differentiate their financial position and results of operations and cash flows from those of the Town.

The Scarborough Economic Development Corporation shows as a blended presentation within the Special Revenue Funds to emphasize that they provide services that benefit the Town.

Financial statements for the following entities are not included in this report because the boards that administer them are separate from and independent of the Town Council. These entities have not met the established criteria for inclusion in this report; however, a brief description is incorporated in the notes to the financial statements:

Portland Water District
ecomaine (formerly Regional Waste)

Scarborough Sanitary District
Biddeford Saco Water District

In accordance with the provisions of Article V of the Town Charter, the annual budget serves as the foundation for Scarborough's financial planning and control. The Town's budget year begins July 1 and ends June 30 of the following year. The Charter provides that the Town Manager submit a budget to the Town Council. The Finance Committee reviews the proposed budget and makes recommendations to the Town Council. With prior public notification, the Council orders a public hearing. If the Council does not adopt the annual budget prior to July 1, then the budgets presented by the Town Manager and the Board of Education becomes the budget for the fiscal year. Department Administrators and the Board of Education may make transfers of appropriations within their departments. Transfers of appropriations between departments, however, require the approval of the Town Council. Once the Council approves the school's budget, the school budget is sent to the voters in a Budget Validation Referenda for final approval. This must happen within 14 days of the Town Council vote. If the voters do not approve the budget, it goes back to the School Board for revision, the Council has to approve it, and then it goes to the citizens. This process continues until the voters approve a budget. If they do not approve one by July 1, the last budget approved by the Town Council would be the budget until one is finally approved in a referendum.

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. By nearly every measure, the Maine economy grew slowly in 2008. Gasoline and energy prices affected growth, and the unemployment rate increased slightly. Maine's unemployment rate has been below the national average for nearly nine years. In 2008, employment decreased by .4% or 2,879 jobs. The major industry groups creating the most jobs were education and health services, leisure and hospitality, construction and the trade-transportation-utilities group. The largest declines were in manufacturing and financial services. Maine taxable sales were up 1.30% over last year. Housing permits for the state were down 29% in keeping with the general trend across the country. Interest rates declined over the past year. The interest rates have now leveled off but a slowdown in the housing industry may persist, as the economy continues to weaken. The scheduled closing of the Brunswick Navel Air Station is not likely to have much effect for several months.

Local Economy. The Town of Scarborough is primarily a suburban residential community that enjoys a favorable economic environment and local indicators continue to point to stability and growth. Approximately 1,400 businesses are located within Scarborough reflecting a 7.69% increase in businesses over last year. As well as being home to two excellent major medical research facilities, the Town of Scarborough continues to attract high tech and biotech industries. Additionally, the Town of Scarborough is an active participant in the development of private industrial and commercial facilities. The Town of Scarborough has a varied manufacturing, industrial and commercial base that adds to the relative stability of the unemployment rate.

The business community in Scarborough is diverse and is located primarily in distinct areas of the Town. US Route One, one of the major routes through the community, is primarily a commercial business district serving the daily needs of Scarborough's residents. It is a mix of retail, business, and professional offices. Payne Road, a continuation of the Maine Mall Road, is home to many larger, big box type retailers and serves a regional clientele. Industrial development is largely contained in the Scarborough Industrial Park and the Pleasant Hill Road areas. A new business area is being developed along the corridor connecting Maine Turnpike Exit 42 and US Route One, known as the Haigis Parkway. Through the creation of a TIF district and local sewer assessments, the Town installed utilities along this stretch of roadway that bisects US Route One and Payne Road and ends at the Maine Turnpike at exit 42. Plans call for development of a high-end business park of approximately 330 acres over the next 15+ years. The first new development in this area opened in May 2008.

Interstate 95, also known as the Maine Turnpike, bisects the Town of Scarborough, north to south, and Scarborough has direct access to Interstate 95 at Exit 42. Interstate 295, Interstate 95, the aforementioned U. S. Route One and the Haigis Parkway give Scarborough an enviable location advantage. Additionally, Scarborough is located ten minutes from downtown Portland, five minutes to the Portland International Jetport, and less than two hours from Boston. Access to the Downeaster train service to Boston is located just north and south of Scarborough.

Over the past ten years, the Town of Scarborough has been one of the fastest growing residential centers in the State of Maine. This growth has necessitated Scarborough's need to develop a strong and stable commercial base to help meet the ever-growing demands of our residents. To foster that development, the Town of Scarborough created a private non-profit Corporation, Scarborough Economic Development Corporation (SEDCO) in 1985 to encourage new business and retain and grow existing businesses and assist the community in its long term economic development planning.

Comprehensive Plan. Over the course of fiscal year 2008, a major initiative of the Town has been the implementation of the 2006 Updated Comprehensive Plan. The implementation of the Plan, to date, has focused on updating our existing zoning regulations for our commercial areas as well as establishing new commercial and mixed-use zones in new areas of the community. The zoning along the entire length of US Route One was revised to establish, town center style, mixed-use zoning districts in the Dunstan and Oak Hill areas of Scarborough. Unique to these areas is a business-office-research district, near the Oak Hill end of US Route One, to ensure this area continues to be a medical and research hub. A new local business district between the Scarborough Marsh and Oak Hill is intended serve the needs of the local community by promoting development and redevelopment. In addition to rezoning the US Route One corridor, the Town turned its attention to Running Hill Road, which abuts the Maine Mall area of South Portland. The location of this area offers significant potential for new commercial and higher density residential development. Zoning was crafted to enable this type of growth, but requires development to be more compact, efficient and vertical than the more conventional retail and office development in the surrounding area. Given these zoning initiatives, the Town anticipates high quality commercial and mixed-use development and redevelopment along US Route One as well as in the Running Hill Road area.

Major Initiatives For the Year.

Construction of the Gateway at Scarborough development, including the destination retailer *Cabelas*, occurred throughout fiscal year 2008, with the hunting, fishing and outdoor-gear retailer opening their doors for business in May of 2008. This 140,000 sq. ft. store is accompanied by 50,000 sq. ft. of other retail and restaurant space that became available over the course of this fiscal year, as well as additional restaurant and retail development that will occur on the *Gateway Shoppes* site in the coming year. This complex has become a retail and restaurant hub off Exit 42 of the Maine Turnpike, one of Scarborough's primary gateways. Major roadway and intersection improvements were necessary to accommodate this new development as well as to serve future development in this vicinity.

The Enterprise Business Park, a private business park, developed in partnership with the Town of Scarborough, continues to develop with the completion and occupancy of its eighth building with a ninth currently under construction. The new animal neurological facility joins a range of industrial, hi-tech research, medical and professional office uses presently located in the park.

Over the course of fiscal year 2008, Scarborough Gallery, a retail boulevard, continued to expand as well. Lowes Home Improvement opened in the summer of 2007 and a new restaurant, Texas Roadhouse, opened their doors in early spring of 2008. In addition, a new Super Wal-Mart commenced construction in late 2007 with the goal of opening in early 2009. In the same vicinity of Scarborough Gallery, the Sam's Club warehouse retailer expanded their store by 25,000 sq. ft. and a new 88-room Homewood Suites Hotel opened for business in the spring of 2008 offering additional lodging accommodates in Scarborough.

In addition to commercial development in the Haigis Parkway zone and in the Payne Road area, Scarborough also saw new development along Route One. A new 20,000 sq. ft. office building was constructed at 383 Route One; a 69-room Comfort Inn and Suites was approved and constructed; a classic diner opened its doors in Dunstan; and the cPort Credit Union located at 313 Route One also opened their doors for business.

On the residential side, Scarborough continues to see growth as well. Dunstan Crossing, a large mixed housing development with formal green areas, commenced construction of phase I of the project. The Black Point Inn on Prouts Neck was subdivided into 13 new residential lots that are now available for development. In addition, a number of single-family developments were constructed, including Hidden Creek Phase III, Sea Ridge at Blue Point, Sunset Ridge, the Pine Point Subdivision, and the SouthCoast Community Church development.

Located on the Municipal and School Campus is the turf stadium. We have completed the expansion of the turf field seating capacity for approximately 3500 people. This expansion along with relocation of the older bleachers should help with hosting large events at the High School Complex. Also at the High School Complex, new drainage was added to the baseball field.

The Eastern Trail is part of the East Coast Greenway Trail System that extends the off-road segment from the Old Orchard Beach town line to the Nonesuch River. The next Eastern Trail project involves spanning the river and connecting with the South Portland Greenway, a distance of about 2 miles. A feasibility study has been completed and we are in the process of obtaining approval for federal funding.

The Fire Department continues their quest for grant funding from a variety of sources. In the 2008 fiscal year, the department participated in a regional grant opportunity as a member of the Metro Fire Chiefs Coalition. This group was successful in obtaining a Fire Act Grant to purchase a driver training simulator, and conduct defensive and emergency vehicle operator training classes. Since driving emergency apparatus is one of our most hazardous tasks, this grant will be a great safety enhancement.

The Public Works Department completed work on drainage and roadway improvements in the Schooner Road and Higgins Beach area. Public Works staff continues their efforts in the National Pollution Elimination System program (NPDES). Currently, the town is continuing to work with the Inter-local storm-water committee to fulfill our EPA requirements.

Public Works implemented an automated curbside recycling and trash collection system, and a bulk item drop off program. The Public Works facility is currently in the process of a lighting improvement/efficiency upgrade. Effective with the new fiscal year, bio-diesel fuel will replace diesel as a main fuel source for town vehicles.

For the Future.

As mentioned above, the Super Wal-Mart and Lowe's Home Improvement stores will anchor the Scarborough Gallery, a 500,000 square foot shopping destination. In addition to these anchors, the Planning Board approved a new McDonald's restaurant as well as a KFC/Taco Bell establishment. These eating establishments will join Texas Roadhouse along Gallery Boulevard.

Likewise, additional development will join the *Gateway Shoppes* complex at the Maine Turnpike Exit 42. Neptune Properties is currently constructing an 18,000 sq. ft. retail building at the corner of Payne Road and Haigis Parkway across the street from the Shoppes that will open in the winter of 2008. In addition, Gateway Square has been permitted to include a 90,000 sq. ft. corporate headquarters for Fairchild Semiconductor, which is the type of high quality professional use that was envisioned for the parkway. This green design office building will be accompanied by a daycare center and other office uses. Farther down the parkway, closer to Route One, the Planning Board has also approved a new commercial subdivision of twelve lots that will pave the way for additional development along Haigis Parkway.

In Oak Hill, our town center, the construction of a new mixed-use development, Bessey Square, is partially complete with an office and retail tenant, but Phase II and III of the project will include live/work units and additional office, retail and restaurant space, creating a mixed-use destination. Next door, a 55 unit senior housing development is nearing completion at the former Bessey School building, which will provide affordable senior housing in our town center within the next year. Also in Oak Hill, a 12,000 sq. ft. office building was approved in September and a new Saco-Biddeford Bank is nearing completion off Hannaford Drive. At the center of Oak Hill is a proposed Walgreen Pharmacy that is beginning the permitting process and will likely accompany these two commercial buildings.

Additionally, in August 2007, the Morrison Development Center School was approved and construction has started in the Oak Hill area. Also under construction is a new funeral home in the Dunstan area, a self-storage facility in the Industrial Park, a 24,000 sq. ft. expansion to a Maine Medical Center research facility and a Brewing Company and Pub in Southborough, all of which are likely to be completed by the end of fiscal 2009.

Black Point Road Community Park is under construction and is scheduled to open in the spring of 2009. The Black Point Park will consist of an open space area, a fifty-car gravel parking lot, a small storage building, irrigation for a community garden and an open green space playing field. Some landscaping will be provided around the area to assure proper buffer between neighbors.

A growing trend is the revitalization of US Route One. As was previously discussed, a new Mercedes dealership combined seven previous properties and entrances into one new project. A number of other projects are also evidence of this trend. The former high school, Bessey School, which had been used for warehouse and office space, is under construction to become subsidized housing for the elderly. Phase I of this project, will include 54 elderly housing units. Bessey Square, right next door to the Bessey School, is currently under construction to become a mixed-use development offering a coffee shop, retail, office and ten live/work units. The Orion Center will involve the complete makeover of an older shopping center into a more village-like atmosphere emphasizing a pedestrian connection. This site, renamed the Scarborough Village Square and approved by the Planning Board has not begun construction. Just off Route One, a substantial addition to the Maine Medical Center Campus was recently approved and construction is now starting. This addition will increase the existing facility by more than 50% and provide more space for medical research in Scarborough.

On the residential side, Eastern Village, a larger traditional neighborhood development with approximately 200 dwelling units, was approved in fiscal year 2008 and will be built out over the coming five to ten years. In addition, a senior retirement community proposing 308 units is under review and will likely be developed within the next three years. We also have seen a number of small residential subdivisions that will increase our housing stock in the near future.

Acquisition and preservation of open space and environmentally sensitive areas continue as priorities for the citizens of Scarborough. In 2000, the citizen approved a \$1.5 million bond for open space preservation and we used these funds in partnership with the Scarborough Land Trust to acquire two farms, one of which remains a working farm with an agricultural easement. Of the original bond issue, \$300,000 is currently available. The voters also approved an additional \$2.5 million for open space preservation in 2003.

In the coming year, fiscal year 2009, the Fire Department will receive funding to replace our spare Pumper apparatus. Our active truck committee spent six months meeting with vendors and designing specifications. The purchasing agent issued an RFP and we have since completed negotiations. A contract was signed for a new Compressed Air Foam (CAFS) Pumper. This new technology allows the firefighters to fight fires with less water and less labor by adding a foam mixture partially propelled by air pressure that extinguishes class A type materials quicker with less water damage.

Long Term Financial Planning. Scarborough utilizes a five year Capital Improvement Plan. The plan encompasses equipment replacement most of which is on a scheduled replacement program: building, land and infrastructure improvements: and land acquisition for capital project, to preserve open space, and of the existing farmland. This plan is updated annually.

The Town of Scarborough is one of twenty-one (21) communities that own and operate a waste to energy facility incorporated as **ecomaine**. The Board of Directors executed a new electric sales contract and fully implemented a new single stream recycling process in a state of the art processing facility without issuing any additional debt. The City of Saco was added as an associate member becoming the seventh associate member in addition to the 21 owner members. During the year, the Board initiated a strategic planning program to help prepare for future challenges and to develop strategies to cope with a decreasing waste stream.

The Public Safety Department continues to face a growing demand for services and plans were adopted to begin addressing these needs. The Fire Department presented a comprehensive staffing analysis to the Town Council during the budget cycle to pace service delivery with the growth in the community especially in the commercially zoned areas. This analysis included a long-range plan for gradually adding full time personnel over the next ten years. The Council authorized in the FY 2009 budget the addition of six new full time personnel, four firefighter/emergency medical technicians and two paramedic lieutenants.

The Police Department experienced similar demands to those of the Fire Department. With changes in technology, staffing and increasing service demands, the present police facility no longer meets the requirements of a 24/7 service operation and the increase activity in the community. An architectural firm was hired to begin design on a new facility and additional land adjacent to existing town property was acquired for a new public safety facility. This new facility will require a town referendum but a date for this question has yet to be set.

Also, as the Town's population continues to grow, existing school buildings, already at or near capacity, are being stretched to the point that effective instruction for all students is becoming increasingly difficult to guarantee and is a top priority for the Town.

Scarborough Middle School for grades six through eight, reached its physical capacity of 600 when the building opened its doors in September 1996. Current enrollment exceeded 800 and an additional fifteen modular classrooms were needed. Future enrollment of the middle school population is projected to be above 900. Proposed development projects will likely push this figure even higher. Additional modular units were added during the last year.

Similarly, the Wentworth Intermediate School, with an enrollment of over 772 is not conducive to currently accepted best practices in intermediate education. Additionally, building mechanicals (heating, lighting) and various building entrances create security concerns. Several of the older modular units were replaced by units acquired from other school districts that recently completed school buildings.

The Board of Education is commencing a new round of studies to examine the needs of the school system which includes the expansion of the Middle School, replacement of the Wentworth School and the construction of a new K-2 school on property acquired by the town last year in an area that is growing and slated for additional growth in the revised Comprehensive Plan.

The Scarborough Public Library is also experiencing an increase in demand for services beyond the lending of books. They are preparing a plan to renovate and repair the existing structure and to replace outdated equipment. The current structure is 17 years old and is in need of mechanical improvements as well as expansion. Voters turned down a proposal to fund an expansion and renovation of the structure in 2006. The Library Board of Trustees is developing a plan for modest expansion and repairs, some of which were completed in 2007.

FINANCIAL INFORMATION

Assessed Valuation and Collections. An indicator of our strong local economy is reflected in the growth of the Town's assessed value of real and personal property. The taxable valuation of Scarborough has more than tripled since 1990. For the 2008 tax year, the valuation was \$3,397,230,200 compared to the 1990 valuation of \$995,448,900.

Below is a list of unpaid property taxes, for the last five years:

\$221,223 in 2004,
\$311,646 in 2005,
\$297,237 in 2006,
\$287,295 in 2007,
\$398,204 in 2008.

Cash Management Policies and Practices. The Town of Scarborough invests cash, temporarily idle during the year, in demand deposits, certificates of deposit, U.S. Government obligations and repurchase agreements. The average yield on all investments was approximately 3.46%. Total investment income during the year amounted to \$686,432 compared to \$718,020 last year.

Risk Management. The Town of Scarborough continues to manage all aspects of its risk management program aggressively. The Human Resource staff is responsible for all employment, workers' compensation and ADA related issues. As claims arise, the staff identifies the situations that may cause injury or illness to employees, and they work to resolve safety issues and health concerns. An ADA Advisory Committee, consisting of Scarborough residents, was created to address any ADA matters that may arise.

The Administrative Assistant to the Town Manager is responsible for the property and casualty, police professional and general liability claims. The Town's risk pool insurance provider, as a part of their insurance service, provides safety training to the Town along with loss prevention analysis on a regular basis.

OTHER INFORMATION

Independent Audit. The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of Macdonald Page & Co was engaged to perform the annual audit for the Scarborough Town Council for the fiscal year 2008. This audit is designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The independent auditor's report is presented as the first component of the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Scarborough for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the third consecutive year that the Town of Scarborough has submitted and achieved this prestigious award. In order to receive the Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements. The Town of Scarborough is grateful to the 350th Celebration Committee, the many volunteers, the vendors, the Town staff, the sponsors and especially, the artist Deb Merrill, who created the historical map depicted on the front of this report. Their donation of time and talents created a successful, grand, weekend long, celebration that the citizens and businesses of Scarborough will long remember. I would like to extend my appreciation to the Scarborough Town Council for their full support for maintaining the highest standards of professionalism in the management of the Town's finances. I would like to acknowledge my gratitude for the information provided by all of the Departments and their staff. The preparation of the comprehensive annual financial report is possible due to the dedicated service of each member of the Scarborough Finance Department. I would also like to wish the best in the future for the existing Town Manager, Ronald W. Owens. Thank you for all that you have done for the Town of Scarborough. Furthermore, I would also like to acknowledge the firm of Macdonald Page & Co., for their efforts and guidance during the engagement.

Respectfully Submitted,

Ruth D. Porter
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Scarborough
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

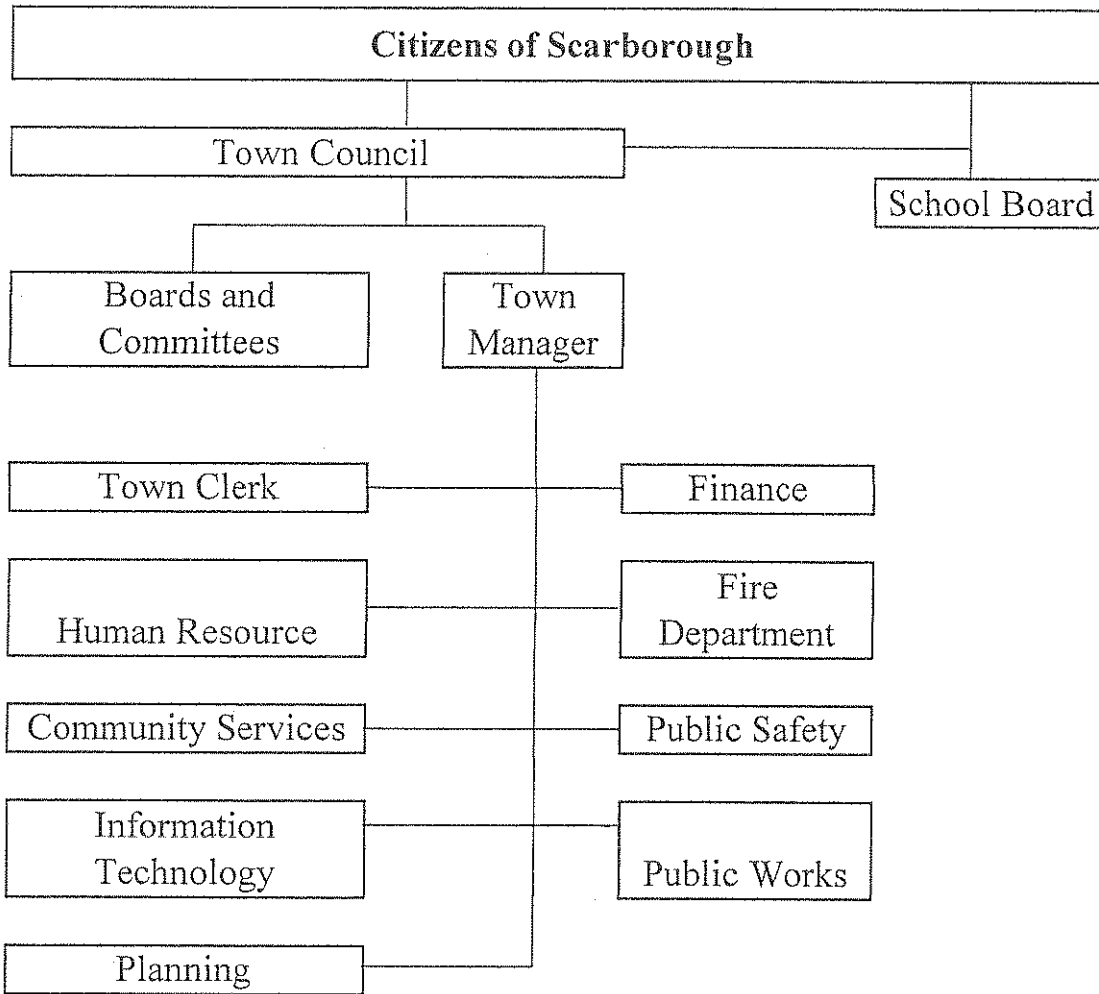
President

Jeffrey R. Emery

Executive Director

Town of Scarborough, Maine

Organizational Chart



TOWN OF SCARBOROUGH

Principal Executive Officers

As of June 30, 2008

Elected Town Council

Jeffrey A. Messer, Chairman

Ronald D. Ahlquist

Judith L. Roy

Sylvia J. Most

Carol S. Rancourt

Richard J. Sullivan, Jr

Michael J. Wood

Appointed Municipal Staff

Ronald W. Owens	Town Manager
Yolande P. Justice	Town Clerk/Registrar of Voter
Ruth D. Porter	Tax Collector/Finance Director /Treasurer
Paul G. Lesperance	Assessor
Brian Smith	Human Resource/General Assistance
Robert Moulton	Chief of Police
Michael Shaw	Director of Public Works
B.Michael Thurlow	Fire Chief
Daniel Bacon	Town Planner
Bruce Gullifer	Recreation Director
Stephen Tewhey	Information Systems
David Doyle	Superintendent of Schools

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macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

Independent Auditors' Report

Town Council
Town of Scarborough, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scarborough, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2008, and the respective changes in financial position and the respective 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 a report dated December 23, 2008 on our consideration of the Town of Scarborough, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Macdonell Page & Co LLC

South Portland, Maine
December 23, 2008

MD&A

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2008

As management of the Town of Scarborough, we are presenting our narrative overview and analysis of the Town's financial activities during the fiscal year ended June 30, 2008. Please consider this information in conjunction with the transmittal letter at the front of this report and the Town's basic financial statements following this section. All dollar amounts are expressed in thousands of dollars unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Scarborough exceeded liabilities at the close of the 2008 fiscal year by \$45,942 (net assets).
- The Town's total net assets increased \$2,972. Capital assets decreased due to the removal of the Haigis Parkway capital assets. While the Town paid for the construction and installation of the utility infrastructure along the Haigis Parkway, the assets once installed, became the property of the utility companies and therefore, were removed from the Town's capital assets. Current liabilities increased due to the timing of the accounts payables.
- As of June 30, 2008, the Town's governmental funds reported combined fund balances of \$21,522, an increase of \$2,537 compared with the prior year. Of the approximately \$17,858 reported as unreserved fund balance, \$4,589 are special revenue funds authorized for specific projects and \$4,912 are for major capital construction projects. The remaining amount of \$8,357 is available for the discrete purposes for which these funds are collected.
- As of June 30, 2008, unreserved undesignated fund balance for the general fund was \$6,222 or 9.21% of the total general fund expenditures of \$67,583. The Town of Scarborough's Fund Balance policy calls for 8.33% of the total operating budget or \$5,630.
- Total debt increased by \$2,483 from the prior year. Total debt retired was \$6,030. Total debt issued was \$8,513 in general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. Government-wide financial statements are designed to provide readers with a broad overview of Town finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements (Statements 1 and 2) distinguish functions of the Town of Scarborough that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Scarborough include general government, public service (recreation, library, economic development), public safety, public works (highways, streets and

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

solid waste disposal) and education.

The government-wide financial statements include not only the Town of Scarborough (known as the *primary government*), but also the legally separate public library for which the Town of Scarborough is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the Town of Scarborough itself. The Scarborough Economic Development Corporation, although also legally separate, has been recorded in the special revenue funds using the blended presentation method. The government-wide financial statements can be found on pages 31-32 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Scarborough, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the Town of Scarborough are divided into two categories, governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financial decisions. Both the governmental fund balance sheet (Statement 3) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Statements 4) provide a reconciliation (statement 5) to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Scarborough maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Performance Bonds, Haigis Parkway and the General Town Improvements all of which are considered major funds. Data from the remaining 34 funds (Special Revenue, Capital Projects, and Permanent) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in Exhibit C-1 through Exhibit E-2.

The basic governmental funds financial statements can be found on pages 33-34 of this report.

Capital Projects Funds. The Capital Projects Fund was established to account for resources obtained and expended for the acquisition and improvement of major capital facilities, land improvements and purchases. The Town of Scarborough's individual capital projects funds were established for the following purposes:

- The Municipal Building Fund was established to account for grants, awards, and money appropriated by the Town Council for a study, development, and the related tax increment financing district for the construction of a Town Center facility.
- The General Town Improvements Account was established to account for grants, awards, and money appropriated by the Town Council or approved by voter referendum for major municipal capital projects.
- The General School Improvements Account was established to account for grants, awards and money appropriated by the Town Council or approved by voter referendum for major school capital projects.

The Municipal Building Fund and General School Improvement Account are not considered major funds and are provided in the form of combining statements elsewhere in this report. The capital projects fund financial statements can be found on pages 77-78 of this report.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Permanent Funds. Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town of Scarborough's programs, that is, for the benefit of the government or its citizenry. Permanent funds are established by the Town of Scarborough for the following purposes:

- Scarborough Memorial Cemetery Perpetual Care
- Dunstan Cemetery Perpetual Care
- Mary A. Tucker Perpetual Care

The Permanent Fund is not considered a major fund and the fund data for this fund is provided in the form of combining statements elsewhere in this report.

The permanent fund financial statements can be found on pages 80-81 of this report.

Fiduciary funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town of Scarborough's own programs.

The Town of Scarborough reports on both the private purpose trust fund and the agency fund. Private purpose trust funds are used to report all of the Scarborough School Department's scholarship programs. Student Activity Funds are recorded as Agency funds and are used to account for funds raised by and on behalf of the various student groups organized within the Scarborough School Department.

The basic fiduciary fund financial statements can be found on pages 84-86 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-59.

Other Information. The combining statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 60-89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Town of Scarborough, assets exceeded liabilities by \$45,942 as of June 30, 2008. As mentioned earlier, the decrease in net assets from 2007 is the result of capital assets that were recorded as town assets that really belong to the utilities in the Haigis Parkway.

By far the largest portion of the Town of Scarborough's net assets (77.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town of Scarborough uses these capital assets to provide services to our citizens; consequently, these assets are *not* available for future spending. Although the Town of Scarborough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Town of Scarborough's Net Assets

Governmental Activities

	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 26,153	\$ 22,105
Long term assets	3,112	3,209
Capital Assets not depreciated	9,663	44,991
Capital assets	<u>88,142</u>	<u>62,470</u>
Total Assets	127,070	132,775
 Liabilities:		
Long term liabilities outstanding	66,647	63,907
Other liabilities	<u>14,481</u>	<u>12,766</u>
Total Liabilities	81,128	76,673
 Net assets:		
Invested in capital assets, net of related debt	35,652	44,077
Restricted	5,111	3,054
Unrestricted	<u>5,179</u>	<u>8,971</u>
Total Net Assets	\$ 45,942	\$ 56,102

11.13% of the Town of Scarborough's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, in the amount of \$5,179, may be used to meet the Town of Scarborough's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year and the prior fiscal year, the Town of Scarborough is able to report positive balances for its net assets.

The Town of Scarborough saw an increase of \$2,058 in restricted net assets due to the start of various paving and other capital projects such as the work on the Green Acres area and the Jasper Street improvements.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

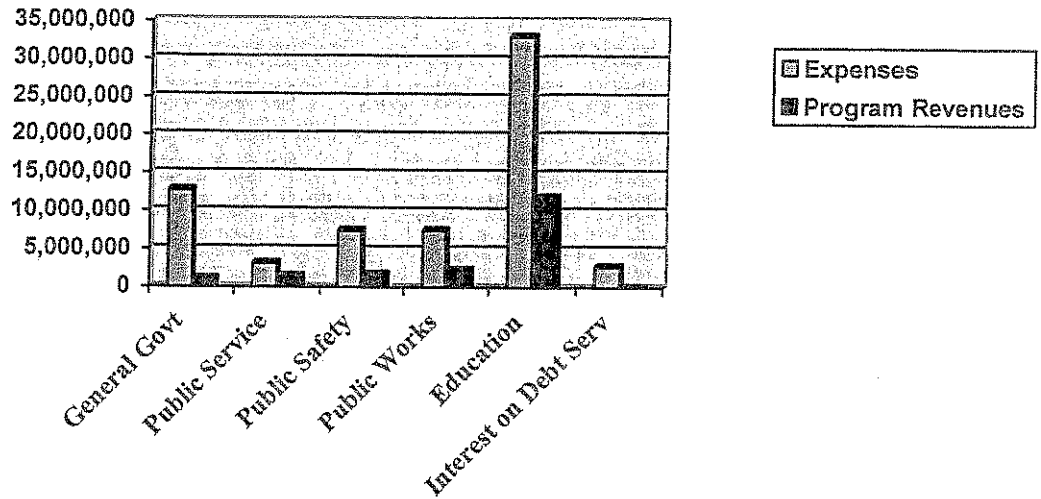
GOVERNMENTAL ACTIVITIES. All of the increase pertaining to the Town of Scarborough's net assets, of \$2,972, is due to the governmental activities of the Town. Key components of this increase are shown below:

Town of Scarborough's Changes in Net Assets

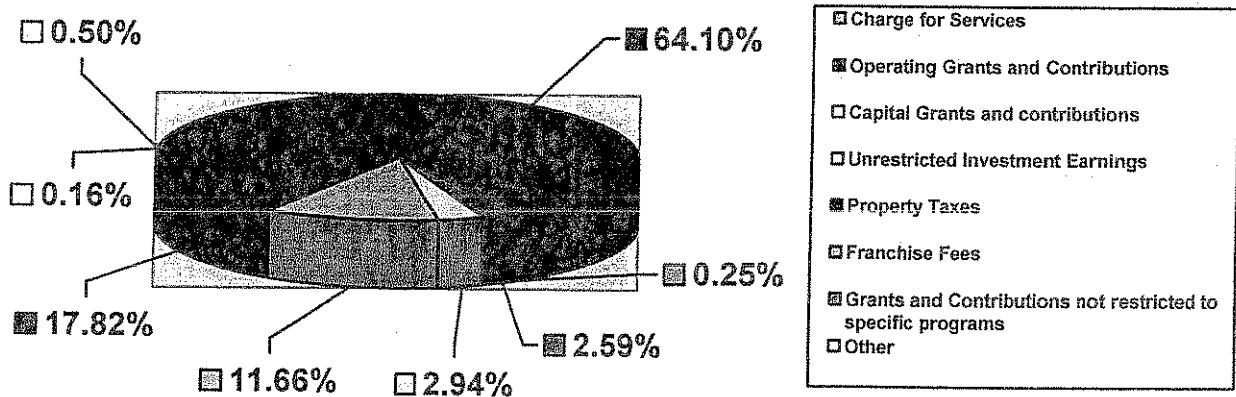
	2008	2007
Revenues:		
Program Revenues:		
Charge for services	\$ 8,095	\$ 7,758
Operating grants and contributions	12,375	11,403
Capital grants and contributions	113	-
General Revenues:		
Property and excise taxes, levied for general purposes	44,519	42,616
Franchise Tax	172	156
Grants and contributions not restricted to specific programs	1,795	1,743
Unrestricted investment earnings	344	404
Other	2,039	188
Total revenues	69,452	64,268
Expenses:		
General government	12,740	13,200
Public Services	3,133	3,092
Public Safety	7,425	7,080
Public Works	7,494	6,426
Education	32,951	31,531
Interest on Debt Service	2,737	1,141
Total expenses	66,480	62,470
Increase in net assets	2,972	1,798
Net assets beginning, restated	42,970	54,304
Net assets ending	\$ 45,942	\$ 56,102

The Town Council approved a change in the Haigis Parkway assessment in 2007. This change resulted in refunds of prior assessments paid to the Town by the property owners. These refunds, for 2007, are reflected as expenditures in the general government expenses for 2007.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE TOWN'S FUNDING

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

Governmental Funds. The general government functions are contained in the General, Special Revenue, Capital Project and Permanent Funds. The focus of the Town's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Scarborough's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2008, the Town of Scarborough's governmental funds reported combined ending fund balances of \$21,522, an increase of \$2,538 in comparison with the prior year's restated fund balances. This increase is the result of various capital project programs begun but not completed at year end.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The revenues generated for the Haigis Parkway will be used to pay the long-term debt service payments on the Haigis Parkway infrastructure construction.

Governmental Fund Balance Comparison

	2008	2007
General Fund	\$ 8,974	\$ 8,317
Haigis Parkway	2,328	2,766
General Town Improvements	3,574	2,211
Other Governmental Funds	6,646	5,690
Total	\$ 21,522	\$ 18,984

As noted earlier, governmental funds reported combined fund balances of \$21,522, an increase of \$2,538 compared with the prior year restated fund balances of \$18,984. Of the \$17,858 reported as unreserved fund balance, \$4,589 are special revenue funds authorized for specific projects and \$4,912 are for major capital construction projects. The remaining amount of \$8,357 is available for the discrete purposes for which these funds are collected.

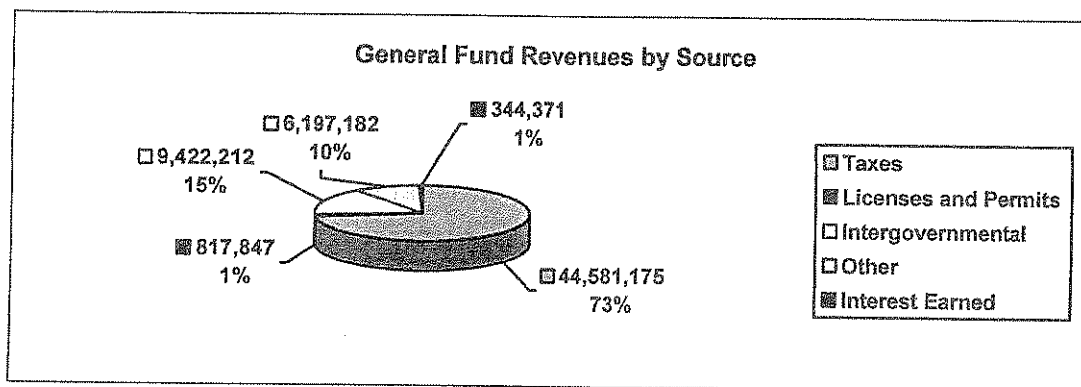
The remaining \$3,665 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

\$ 618	Deficit Fund Balances in the Special Revenue and Capital Projects Fund
200	Perpetual Care of Municipal Cemeteries
2,824	Haigis Parkway non-current notes receivables
<u>23</u>	Food Service inventory
\$3,665	Total Governmental Fund Reserved Fund Balance

General Fund Highlights

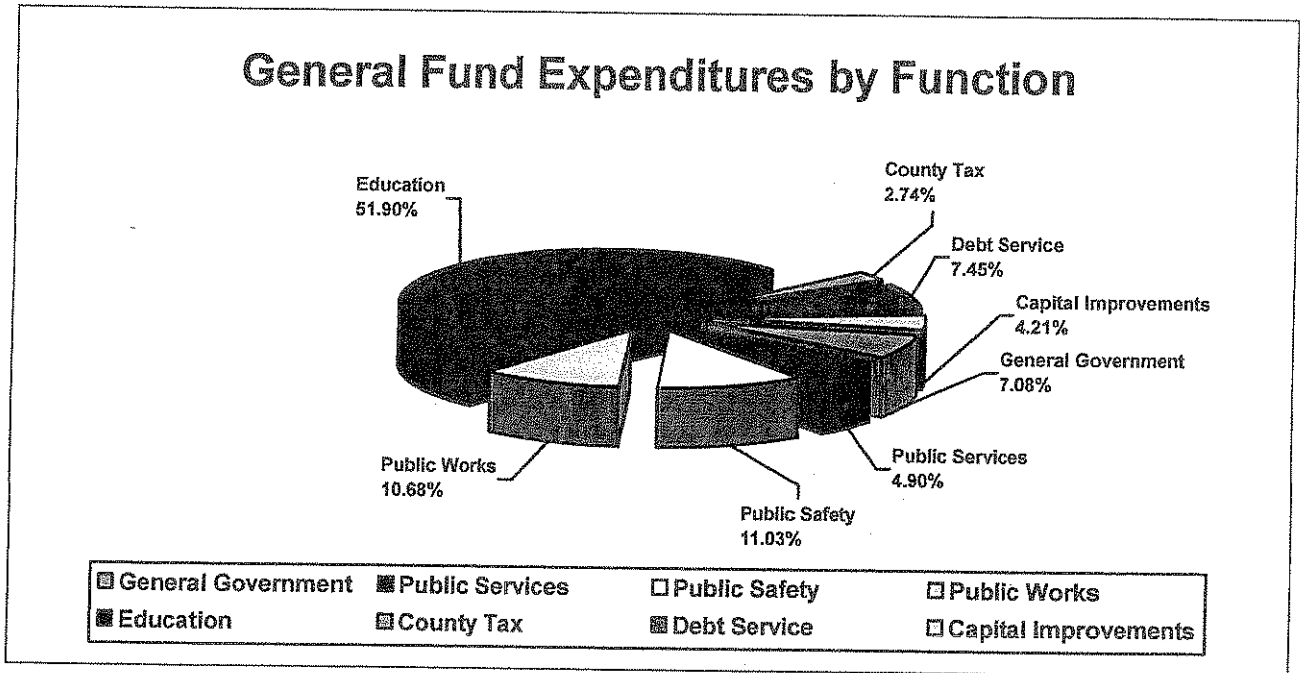
The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2008, unreserved fund balance in the General Fund was \$8,357 compared to total fund balance of \$8,974. As a measure of the General Fund's liquidity, we believe it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.37% of total general fund expenditures, while total fund balance represents 13.28% of the same amount. Thus, the year-end fund balance is in compliance with the Town's policy of maintaining a minimum fund balance of 8.33% of the total operating budget for the General Fund.

Current fiscal year revenues by source for the General Fund are as follows:



TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Property Tax revenues increased \$2,016 from 2007 to 2008 compared to the 2006 to 2007 increase of \$1,340. A comparison of the actual revenues to estimated revenues can be found on page 36 of the financial statements. Current fiscal year expenditures by function for the General Fund are as follows:



Total general fund expenditures increased \$4,808 or 8.22%. Some of the key factors in this increase are:

- Public Safety increased 5.19% due to the increase in public safety personnel.
- Public Works increased 15.72% due to the heavy winter season and increased expenditures relating to fuel, overtime, and vehicle repair costs for the town fleet.
- County Tax increased 7.47% to help offset the costs of Cumberland County.
- Capital Improvements increased 87.78% mostly due to improvements at the Library facility and the purchase of a new solid waste collection system.

Capital Projects Fund Highlights

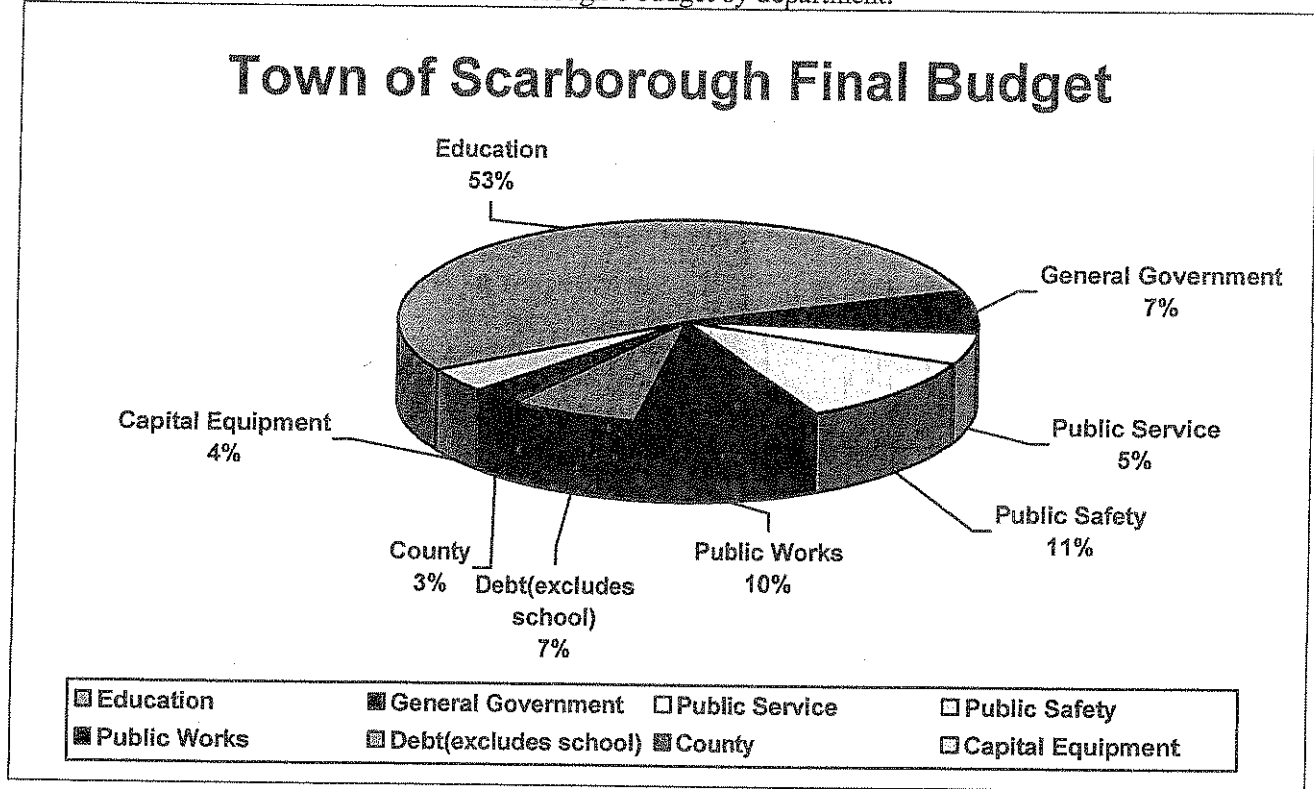
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects increased from \$2,926 in 2007 to \$4,912 in 2008. Expenditures increased from \$4,724 in 2007 to \$5,446 in 2008 mostly due to the Higgins Beach drainage project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the Town's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2008, a total of \$2,134 has been set aside for prior year encumbrances and commitments. The original operating budget and the final amended budget amounted to \$63,154.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Below is the allocation of the Town of Scarborough's budget by department:



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2008, amounts to \$97,805 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, improvements, machinery, equipment, and roads. The total decrease in the Town's investment in capital assets for the current fiscal year was 8.99%. This decrease is due to the removal of the Haigis Parkway utility installation costs. The Town incurred the cost to install the utilities along the Haigis Parkway, however once completed, the utilities became the property of the utility companies. Construction in progress also decreased due to the High School construction and renovation project that was completed in a prior year but was never removed from the construction in progress line. Both of these resulted in a prior period adjustment. The town will be improving the process for tracking Capital Assets over the next year.

Town of Scarborough's Capital Assets
(net of depreciation)

Governmental Activities

	2008	2007
Land	\$ 4,876	\$ 4,396
Buildings	56,424	33,957
Vehicles	5,540	5,650
Equipment & Furniture	2,113	1,668
Infrastructure	24,065	21,195
Construction in Progress	4,788	40,595
Total	\$ 97,806	\$ 107,461

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The Town's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34.

Additional information on the Town of Scarborough's capital assets can be found in Notes to the Basic Financial Statements on pages 47 of this report.

Long-term Debt. As of June 30, 2008, the Town had long-term bonds outstanding of \$69,328 compared to \$66,845 in the prior year. This debt is backed by the full faith and credit of the Town of Scarborough. Additional information relating to the Town's long-term debt can be found in the Notes to Financial Statements on pages 49-51 of this report.

Outstanding Debt		
General Obligation Bonds		
	<u>2008</u>	<u>2007</u>
Municipal	\$ 21,812	\$ 18,368
Education	38,006	38,418
Sewer	9,510	10,059
Total Debt	\$ 69,328	\$ 66,845

Moody's Investors Service has affirmed a bond rating of "Aa3" and an "AA" (Stable) rating was assigned from Standard and Poor's (S&P) to the Town of Scarborough, Maine's debt. Moody's prior assignment of "A1", first assigned in 1975, was upgraded in 2002 to an assignment of "Aa3". S&P's "AA- (Stable)" was an "initial" rating for the Town of Scarborough in 2003. As of June 30, 2008, the Town's rating from both rating agencies remain stable.

These ratings reflect: "Strong continuing growth in the Town's tax base, favorable wealth levels, satisfactory operations and a manageable debt position". Moody's expects the Town's affluent tax base to continue to grow at a strong pace, given recent trends and room for continued development, citing evidence of the opportunities for development within the Town. Moody' believes the Town of Scarborough will continue to maintain satisfactory financial operations, supported by increasing reserves.

Note: Definitions of above ratings

Moody's definition of "AA" ratings: Assigned for issues judged to be of high quality by all standards and, together with "AAA", comprise what are generally known as "high grade" bonds.

S&P's definition "AA" ratings: indicates a very strong capacity to pay interest and repay principal and differs from the highest rated issues ("AAA") only in a small degree.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town of Scarborough continually monitors trends and emerging policies from the State of Maine with a prudent eye to any potential impact to Scarborough's local economy. In addition, both management and elected officials are involved and serve on committees that pro-actively follow state legislative policies and work closely with the local representatives in our State's Capitol.

In adopting the budget for the ensuing fiscal year, the Town of Scarborough's officials considered may factors in making judgments and estimates about the finances of the upcoming year. A primary objective is to continue to provide level services to the citizens in the Town of Scarborough while keeping any increase in the property tax rate between three and five percent. Recognizing our aging population and a growing need for more emergency medical staff, the Council approved the addition of two new lieutenant paramedics and four new emergency medical technician positions in the 2009 budget.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The Town of Scarborough, in cooperation with its school department, has worked to develop a five-year capital budget plan to manage and plan for the long term capital needs of our community. Additionally, the Town also works collaboratively, not only within the Town's departments, but also with several neighboring communities and agencies to improve mutual operations and efficiencies and to reduce expenses where possible.

Below is a comparison of the 2008 budget with the 2009 budget.

	<u>2008</u>	<u>2009</u>
Administration	\$ 1,695,860	\$ 1,753,940
Finance Department	1,131,655	1,212,713
Information Systems	520,629	538,791
Planning Department	852,217	852,640
Community Services	1,979,625	2,070,645
Library	719,634	760,556
Economic Development	212,773	219,162
General Assistance/Affordable Hsg	12,325	24,270
Fire/Rescue/EMA Department	2,858,082	3,156,525
Public Safety Department	4,137,495	4,406,970
Public Works Department	6,305,800	6,501,204
Debt Service	4,717,767	4,935,548
Capital Equipment	1,878,746	947,360
Total Municipal Operating	27,022,608	27,380,324
Education	33,489,615	35,846,751
County Tax	1,735,302	1,836,509
Total Operating Budget	35,224,917	37,683,260
School Special Revenues	-	-
School Food Services	1,315,678	1,449,644
350 th Celebration/Wellness Initiative	40,000	40,000
Capital Improvement-Municipal	7,816,800	17,453,800
Capital Improvement-School	1,203,510	1,225,100
TIFs and Overlay	798,425	926,361
Total Budget	\$ 73,421,938	\$ 86,158,489

Additionally, the Town of Scarborough recognizes the importance of maintaining an appropriate level of undesignated fund balance. As stated earlier, the Town Council has adopted a fund balance policy. Once the fund balance level is achieved, the intent is to dedicate any excess balances towards major capital improvements and purchases.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Scarborough's finances for everyone interested in Scarborough's finances. Questions concerning any of the information provided in this report or the requests for additional financial information should be addressed to the Office of the Finance Director, Town of Scarborough, Maine P.O. Box 360, Scarborough, Maine 04070-0360, phone 207-730-4081 or e-mail rporte@ci.scarborough.me.us.

BASIC FINANCIAL STATEMENTS

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TOWN OF SCARBOROUGH, MAINE
Statement of Net Assets
June 30, 2008

	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 5,573,438	62,947
Investments	19,408,592	451,927
Receivables:		
Accounts	504,746	4,658
Intergovernmental	46,247	-
Taxes receivable	132,608	-
Tax liens	456,920	-
Tax acquired property	7,231	-
Inventory	23,419	1,317
Prepaid items	-	9,028
Notes receivable	3,111,793	
Capital assets, not being depreciated	9,663,621	-
Capital assets, net	88,141,768	826,313
Total assets	127,070,383	1,356,190
LIABILITIES		
Accounts payable and other current liabilities	4,064,953	25,618
Accrued payroll and other related liabilities	3,189,200	38,271
Taxes collected in advance	15,003	-
Accrued interest	434,015	-
Noncurrent liabilities:		
Due within one year	6,778,054	-
Due in more than one year	66,646,868	-
Total liabilities	81,128,093	63,889
NET ASSETS		
Invested in capital assets, net of related debt	35,652,357	826,313
Restricted for:		
Nonexpendable trust principal	117,178	526,871
Expendable trust - income portion	82,331	
Capital projects	4,911,951	-
Unrestricted	5,178,473	(60,883)
Total net assets	\$ 45,942,290	1,292,301

See accompanying notes to financial statements.

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

Functions/programs	Program revenues			Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary	
					governmental activities	Component unit
					Public	Library
Primary government:						
Governmental activities:						
General government	\$ 12,739,673	1,620,897	521,673	112,751	(10,484,352)	-
Public services	3,133,250	1,589,909	11,637	-	(1,531,704)	-
Public safety	7,424,751	1,648,995	92,829	-	(5,682,927)	-
Public works	7,493,947	2,023,638	369,892	-	(5,100,417)	-
Education	32,951,412	1,211,208	11,378,614	-	(20,361,590)	-
Interest on debt service	2,737,229	-	-	-	(2,737,229)	-
Total governmental activities	66,480,262	8,094,647	12,374,645	112,751	(45,898,219)	-
Total primary government	\$ 66,480,262	8,094,647	12,374,645	112,751	(45,898,219)	-
Component unit:						
Scarborough Public Library	\$ 915,070	895,450	-	-	-	(19,620)
General revenues:						
Property taxes, levied for general purposes					\$ 40,038,475	-
Excise taxes					4,318,420	-
Payments in lieu of taxes					71,697	-
Interest and costs on taxes					90,105	-
Franchise Tax					172,545	-
Grants and contributions not restricted to specific programs:						
Homestead exemption					325,653	-
Other State aid					60,783	-
State Revenue Sharing					1,409,156	-
Unrestricted investment earnings					344,371	-
Other					2,039,037	-
Total general revenues					48,870,242	-
Change in net assets					2,972,023	(19,620)
Net assets - beginning, restated					42,970,267	1,311,921
Net assets - ending					\$ 45,942,290	1,292,301

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE

Balance Sheet
Governmental Funds
June 30, 2008

	General	Performance Bonds	General Town Improvements	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,972,040		1,054,070	-	547,328	5,573,438
Investments	7,724,325	1,627,770	3,143,082	-	6,913,415	19,408,592
Receivables:						
Accounts	487,613	-	-	-	63,380	550,993
Intergovernmental	-	-	-	-	-	-
Taxes receivable	132,608	-	-	-	-	132,608
Tax liens	456,920	-	-	-	-	456,920
Interfund loans receivable	877,117	59,230	-	-	803,850	1,740,197
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	-	-	-	-	23,419	23,419
Notes receivable				3,111,793	-	3,111,793
Total assets	\$ 13,657,854	1,687,000	4,197,152	3,111,793	8,351,392	31,005,191
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	1,005,571	63,317	623,497	-	747,360	2,439,745
Accrued payroll and other related liabilities	3,189,200	-	-	-	-	3,189,200
Accrued compensated absences	65,218	-	-	-	-	65,218
Interfund loans payable	-	-	-	783,689	958,033	1,741,722
Taxes collected in advance	15,003	-	-	-	-	15,003
Deferred tax revenue	408,370	-	-	-	-	408,370
Performance bond deposits	-	1,623,683	-	-	-	1,623,683
Total liabilities	4,683,362	1,687,000	623,497	783,689	1,705,393	9,482,941
Fund balances:						
Reserved	617,834	-	-	2,823,793	222,928	3,664,555
Unreserved, reported in:						
General fund - undesignated	6,222,425	-	-	-	-	6,222,425
General fund - designated	2,134,233	-	-	-	-	2,134,233
Special revenue funds (deficit)	-	-	-	(495,689)	5,084,775	4,589,086
Capital projects funds	-	-	3,573,655	-	1,338,296	4,911,951
Permanent funds	-	-	-	-	-	-
Total fund balances	8,974,492	-	3,573,655	2,328,104	6,645,999	21,522,250
Total liabilities and fund balances	\$ 13,657,854	1,687,000	4,197,152	3,111,793	8,351,392	

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.

97,805,389

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

408,370

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds payable

(69,328,000)

Capital leases

(2,025,032)

Accrued interest

(434,015)

Landfill liability

(441,534)

Accrued compensated absences

(1,565,138)

Net assets of governmental activities

\$ 45,942,290

See accompanying notes to financial statements.

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

	General	Performance Bonds	General Town Improvements	Haigs Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 44,581,175	-	-	-	-	44,581,175
Licenses and permits	817,847	-	-	-	-	817,847
Intergovernmental	12,605,805	-	-	-	1,436,757	14,042,562
Interest earned	344,371	-	94,503	6,820	238,920	684,614
Donations	-	-	-	-	114,820	114,820
Sale of lots	-	-	-	-	4,800	4,800
Assessments and impact fees	-	-	-	-	194,018	194,018
Other	6,197,182	-	-	6,106	2,770,790	8,974,078
Total revenues	64,546,380	-	94,503	12,926	4,760,105	69,413,914
Expenditures:						
Current:						
General government	4,482,678	-	-	-	-	4,482,678
Public services	3,102,548	-	-	-	-	3,102,548
Public safety	6,986,430	-	-	-	-	6,986,430
Public works	6,765,228	-	-	-	-	6,765,228
Education	36,113,916	-	-	-	-	36,113,916
County tax	1,735,302	-	-	-	-	1,735,302
Debt service	4,720,620	-	-	-	-	4,720,620
Capital improvements	3,675,867	-	3,707,175	-	1,922,132	9,305,174
Other	-	-	-	178	3,187,454	3,187,632
Total expenditures	67,582,589	-	3,707,175	178	5,109,586	76,399,528
Excess (deficiency) of revenues over expenditures	(3,036,209)	-	(3,612,672)	12,748	(349,481)	(6,985,614)
Other financing sources (uses):						
Transfers in	2,782,635	-	168,398	133,301	611,077	3,695,411
Transfers out	(886,474)	-	(533,337)	(583,615)	(1,691,985)	(3,695,411)
Proceeds from capital leases	1,010,422	-	-	-	-	1,010,422
General obligation bonds	786,810	-	5,340,300	-	2,385,890	8,513,000
Total other financing sources (uses)	3,693,393	-	4,975,362	(450,314)	1,304,982	9,523,423
Net change in fund balances	657,184	-	1,362,690	(437,566)	955,501	2,537,809
Fund balances, beginning of year, restated	8,317,308	-	2,210,965	2,765,670	5,690,498	18,984,441
Fund balances, end of year	\$ 8,974,492	-	3,573,655	2,328,104	6,645,999	21,522,250

See accompanying notes to financial statements.

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

Net change in fund balances - total governmental funds (from Statement 4)	\$	2,537,809
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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.

Capital outlays	\$ 6,238,669	
Depreciation expense	(2,750,440)	3,488,229

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	38,370
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	45,239
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(654,624)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$8,513,000) exceeded repayments (\$6,030,000).	(2,483,000)
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Change in net assets of governmental activities (see Statement 2)	\$	2,972,023
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See accompanying notes to financial statements.

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

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 44,616,616	44,616,616	44,581,175	(35,441)
Licenses and permits	791,708	791,708	817,847	26,139
Intergovernmental	9,372,942	9,372,942	9,422,212	49,270
Interest earned	227,000	227,000	344,371	117,371
Unclassified	4,506,925	4,506,925	6,197,182	1,690,257
Total revenues	59,515,191	59,515,191	61,362,787	1,847,596
Expenditures:				
Current:				
General government	4,306,276	4,306,276	4,482,678	(176,402)
Public services	3,020,010	3,020,010	3,102,548	(82,538)
Public safety	7,117,737	7,117,737	6,986,430	131,307
Public works	6,366,119	6,366,119	6,765,228	(399,109)
Education	33,489,615	33,489,615	32,865,105	624,510
County tax	1,735,302	1,735,302	1,735,302	-
Debt service	4,717,767	4,717,767	4,720,620	(2,853)
Capital improvements	2,401,246	2,401,246	2,665,445	(264,199)
Total expenditures	63,154,072	63,154,072	63,323,356	(169,284)
Deficiency of revenues under expenditures	(3,638,881)	(3,638,881)	(1,960,569)	1,678,312
Other financing sources (uses):				
Transfers in	2,123,566	2,123,566	2,782,635	659,069
Transfers out	(644,293)	(644,293)	(886,474)	(242,181)
Utilization of surplus	1,342,103	1,342,103	-	(1,342,103)
Overlay	(99,688)	(99,688)	-	99,688
General obligation bonds	917,193	917,193	786,810	(130,383)
Total other financing sources (uses)	3,638,881	3,638,881	2,682,971	(955,910)
Net change in fund balances - budgetary basis	-	-	722,402	722,402
Reconciliation to GAAP basis:				
Current portion of accrued compensated absences			(65,218)	
Fund balance, beginning of year, restated			8,317,308	
Fund balance, end of year	\$		8,974,492	

See accompanying notes to financial statements.

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

	Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	215,730
Investments	259,009	-
Interfund loans receivable	2,525	-
Total assets	261,534	215,730
LIABILITIES		
Interfund loans payable	1,000	-
Accounts payable	-	-
Due to student groups	-	215,730
Total liabilities	1,000	215,730
NET ASSETS		
Held in trust	\$ 260,534	-

See accompanying notes to financial statements.

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

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ 2,639
Interest and dividends	9,711
Total additions	12,350
Deductions:	
School scholarships	5,300
Total deductions	5,300
Change in net assets	7,050
Net assets, beginning of year	253,484
Net assets, end of year	\$ 260,534

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Scarborough conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Reporting Entity

The Town of Scarborough was incorporated in 1658 and operates under a Council-Manager form of government adopted by charter in 1969.

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth by accounting principles generally accepted in the United States of America. 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. Based on application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Scarborough Economic Development Corporation (SEDCO) encourages and assists the development of business in the Town of Scarborough. The Town provides SEDCO a majority of its revenues and the Town directly benefits from its services. All of the financial activity of SEDCO has been reported with the Town's special revenue fund, using the blended presentation method. The town provided approximately \$215,000 to SEDCO for the year ended June 30, 2008.

Scarborough Public Library (the Library) promotes and maintains library facilities in and for the Town of Scarborough. The Town provides the Library a majority of its revenues. The Library has been included as part of these financial statements, using the discrete presentation method. The Town provided approximately \$720,000 to the library for the year ended June 30, 2008.

Both of the above had positive responses to the reporting entity inclusion criteria set forth by accounting principles generally accepted in the United States of America. Financial statements for both entities can be obtained from the Town of Scarborough Finance Department, P.O. Box 360, Scarborough, Maine 04070-0360.

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 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 the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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.

The General Town Improvements fund accounts for certain town capital improvements.

The Performance Bond Fund accounts for funds temporarily held by the Town until work is completed by developers. If the work is not completed, these funds are retained by the Town and the Town completes the required work.

The Haigis Parkway Assessments Fund accounts for assessments revenue to be used to offset debt payments for the Haigis Parkway project.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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:

Private-purpose Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. Private-purpose Trust funds use the economic resources measurement focus. The Town's private purpose trust funds are school department scholarship funds.

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 accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity. The Town's agency funds are student activity funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. 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.

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.

Accounts Receivable and Notes Receivable - Management has reviewed accounts receivable and notes receivable for collectibility and has determined that an allowance for uncollectible accounts is not necessary.

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 consists of the School Lunch Program food and supplies and is recorded at a lower of cost or market basis on a first-in, first-out basis. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment and infrastructure of the primary government are depreciated using the straight-line method over the asset's estimated useful lives as follows: buildings 25-60 years, vehicles 5-15 years, equipment and furniture 10 years and infrastructure 30 years. Capital assets not being depreciated consist of land which has an indefinite useful life and construction in progress which will be depreciated once the project has been completed and placed in service.

Compensated Absences - Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service and are accrued ratably over the year. In the fund financial statements, these amounts for accumulated vacation and vested sick leave are only recorded as a liability if they have matured, for example, as a result of paid time off or employee resignations and retirements as applicable. All accumulated leave is accrued when incurred in the government-wide financial statements.

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 statement of net assets. Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The general fund typically pays all governmental activities long-term debt service requirements.

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. 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 a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

A budget is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for capital leases, on-behalf payments and the current portion of compensated absences. The level of control (level at which expenditures may not exceed budget) is the Department. At year end, department administrators may request to carry forward certain unexpended accounts with the Town Manager's approval, otherwise unexpended budgetary accounts lapse at the close of the fiscal year. Once adopted, the budget can only be amended by the Town Council. The revised budget presented for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund (Statement 6) includes various adjustments as follows:

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2007-2008 budget as adopted	\$63,085,950	63,085,950
Budgetary adjustments:		
Subsequent authorization	10,000	10,000
Prior year encumbrances and carryforwards	802,103	802,103
Total adjusted budget	\$ 63,898,053	63,898,053

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of Expenditures over Appropriations

The over-expenditure of the General Government function was the result of the legal fees and engineering exceeding budget.

The over-expenditure of the Public Service department was partially offset by excess community services fees in excess of budgeted revenues.

The over-expenditure of the Public Works department was the result of the heavy 2007-2008 winter season and vehicle repair costs. Most of the vehicle maintenance costs are offset by an excess of salary, vehicle fuel and repair reimbursements in excess of budgeted revenues.

The Debt Service over-expenditure is the result of issuance costs on the \$8,513,000 bond issue being higher than budgeted.

Capital Improvements are over-expended, as a result of some of the improvements being spent prior to the actual issuance of the bond proceeds. These projects will be bonded in 2009.

C. Deficit Fund Balance

At June 30, 2008, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$56,294. It is expected that the deficit will be adequately funded in future years through development and user fees.

The Boat Launch Fund (a special revenue fund) had a deficit of \$41,631. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The School Lunch Program (a special revenue fund) had a deficit of \$86,986. It is expected that this deficit will be adequately funded with future year's revenues or from the general fund.

The Municipal Building Fund (a capital project fund) had a deficit of \$519,909. This deficit is expected to be adequately funded in future years with TIF revenues.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

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. The Town does not have a formal policy with respect to custodial credit risk. As of June 30, 2008, the Town reported deposits of \$5,789,168 with a bank balance of \$5,924,268. Of the Town's bank balances of \$5,924,268, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$5,573,438
Reported in fiduciary funds	215,730
Total deposits	\$5,789,168

At June 30, 2008, the Scarborough Public Library's cash balance was \$62,947 with a bank balance of \$56,317 all of which was covered by F.D.I.C. insurance.

B. Investments

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

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Money markets and repurchase agreements	18,999,195	18,999,195	-	-
Mutual funds (1)	668,406		not applicable	
Total investments	\$19,667,601	18,999,195	-	-

(1) Mutual funds are not considered securities and are exempt from credit risk disclosure noted below. Investments have been reported as follows:

Reported in governmental funds	\$19,408,592
Reported in fiduciary funds	259,009
Total investments	\$19,667,601

Interest Rate Risk: The Town does not have a policy related to interest rate risk.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town does not have a formal policy related to credit risk.

Custodial Credit Risk-Town Investments: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal policy with respect to custodial credit risk. None of the Town's investments totaling \$19,667,601 was exposed to custodial credit risk. At June 30, 2008, the Scarborough Public Library's investment balance was \$451,927, none of which was exposed to custodial credit risk.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX

Property taxes for the current year were committed on August 23, 2007, on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. These taxes were due in two installments, 50% on October 15, 2007 and 50% on March 17, 2008. Interest at the rate of 12% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the Town's Assessor at 100% of the assumed market value as of June 30, 2008 and the Town's value was 102% of the 2008 State valuation of \$3,531,150,000.

The Town is permitted by the laws of the State of Maine to levy 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 \$99,688 for the year ended June 30, 2008.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain 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 June 30 levy:

	<u>2008</u>	<u>2007</u>
Assessed value	\$ 3,397,230,200	3,317,497,800
Tax rate (per \$1,000)	11.80	11.48
Commitment	40,087,316	38,084,875
Supplemental taxes assessed	95,885	55,086
	40,183,201	38,139,961
Less - collections and abatements	39,784,997	37,852,666
Receivable at June 30	398,204	287,295
Consisting of:		
Taxes	52,572	47,609
Liens	345,632	239,686
Receivable at June 30	\$ 398,204	287,295
Collection rate	99.01%	99.30%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

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

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,396,122	496,166	16,200	4,876,088
Construction in progress	4,033,261	3,258,322	2,504,050	4,787,533
<u>Total capital assets, not being depreciated</u>	<u>8,429,383</u>	<u>3,754,488</u>	<u>2,520,250</u>	<u>9,663,621</u>
Capital assets, being depreciated:				
Buildings	66,986,879	402,884	-	67,389,763
Vehicles	10,357,004	854,359	533,729	10,677,634
Equipment and furniture	3,899,698	890,192	-	4,789,890
Infrastructure	28,595,767	3,750,197	580,902	31,765,062
<u>Total capital assets being depreciated</u>	<u>109,839,348</u>	<u>5,897,632</u>	<u>1,114,631</u>	<u>114,622,349</u>
Less accumulated depreciation for:				
Buildings	9,819,304	1,146,771	-	10,966,075
Vehicles	4,706,962	786,324	355,240	5,138,046
Equipment and furniture	2,253,507	423,133	-	2,676,640
Infrastructure	7,398,989	394,212	93,381	7,699,820
<u>Total accumulated depreciation</u>	<u>24,178,762</u>	<u>2,750,440</u>	<u>448,621</u>	<u>26,480,581</u>
<u>Total capital assets being depreciated, net</u>	<u>85,660,586</u>	<u>3,147,192</u>	<u>666,010</u>	<u>88,141,768</u>
<u>Governmental activities capital assets, net</u>	<u>\$94,089,969</u>	<u>6,901,680</u>	<u>3,186,260</u>	<u>97,805,389</u>

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

Governmental activities:	
General government	298,681
Public services	30,702
Public safety	438,321
Public works, including depreciation of general infrastructure assets	728,719
Education	1,254,017
<u>Total depreciation expense -- governmental activities</u>	<u>\$ 2,750,440</u>

Capital assets for the Scarborough Public Library discretely presented component unit are as follows:

Buildings	\$1,268,766
Equipment, artwork and software	505,161
Books	790,372
<u>Total</u>	<u>2,564,299</u>
<u>Less accumulated depreciation</u>	<u>(1,737,986)</u>
<u>Property and equipment, net</u>	<u>\$826,313</u>
<u>Depreciation expense</u>	<u>\$94,352</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES

Interfund balances result from the sharing of pooled cash and investments. Individual interfund receivables and payables at June 30, 2008, were as follows:

	Interfund receivables	Interfund payables
General Fund	\$ 877,117	-
General Town Improvements	-	-
Haigis Parkway	-	783,689
Performance Bonds	59,230	-
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Unemployment compensation	2,284	-
Hurd Park and Ferry Beach	7,271	-
Recreational development	-	184,495
Sewer expansion	217,168	-
Boat Launch	-	41,631
Scarborough Memorial improvement	-	15,600
Route 1 Sawyer Road improvement	86,515	-
Industrial Park	-	50,000
Payne Road impact fees	433,284	-
Other impact fees	18,762	-
Police asset forfeiture	29,876	-
Hunnewell House	2,010	-
Rescue equipment	-	34,312
Fire Dept Equipment	4,280	-
Departmental grants and programs	-	111,012
Total Nonmajor Special Revenue Funds	801,450	437,050
Nonmajor Capital Project Funds:		
Municipal building fund	-	519,909
Total Nonmajor Capital Project Funds	-	519,909
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	2,400	-
Dunstan Perpetual Care	-	1,074
Total Permanent Funds	2,400	1,074
Total Other Governmental Funds	803,850	958,033
Private-purpose Trust Funds	2,525	1,000
Total all funds	\$ 1,742,722	1,742,722

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES, CONTINUED

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$2,782,635	886,474
General Town Improvements	168,398	533,337
Haigis Parkway Assessments	133,301	583,615
Nonmajor Governmental Funds	611,077	1,691,985
Total	\$ 3,695,411	3,695,411

These operating transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 66,845,000	8,513,000	6,030,000	69,328,000	6,103,000
Capital leases	1,370,408	1,010,422	355,798	2,025,032	605,785
Compensated absences	1,592,213	38,143	-	1,630,356	65,218
Landfill post-closure care costs	445,584	-	4,050	441,534	4,051
Governmental activity					
Long-term liabilities	\$ 70,253,205	9,561,565	6,389,848	73,424,922	6,778,054

As of June 30, 2008, the Town had authorized, but unissued debt totaling \$3,850,630. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

BONDS PAYABLE

Bonds payable at June 30, 2008 is comprised of the following:

General Obligation Notes and Bonds	Amount originally issued	Percentage applicable to			Interest rate	Final maturity date	Balance end of year
		Town	School	Sewer			
1988 Capital improvements	6,615,000	16.80%	-	83.20%	Varies	2009	275,000
1989 Capital improvements	2,300,000	100.00%	-	-	Varies	2009	100,000
1990 Capital improvements	7,415,000	-	100.00%	-	Varies	2011	975,000
1993 Capital improvements	1,135,000	100.00%	-	-	Varies	2012	125,000
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	1,610,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	2,120,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	990,000
1999 Capital improvements	6,493,000	96.70%	3.30%	-	Varies	2019	1,095,000
2000 Capital improvements	4,770,000	70.49%	29.51%	-	Varies	2020	1,560,000
2001 Capital improvements	4,932,000	59.29%	40.71%	-	Varies	2021	1,695,000
2003 Capital improvements	24,579,000	7.78%	49.23%	42.99%	Varies	2032	20,425,000
2004 Capital improvements	14,628,000	15.15%	80.31%	4.54%	Varies	2034	11,025,000
2005 Capital improvements	10,665,000	9.54%	90.46%	-	Varies	2034	9,500,000
2006 Capital improvements	7,014,000	80.13%	19.87%	-	Varies	2036	5,870,000
2007 Capital improvements	4,000,000	68.12%	31.88%	-	Varies	2022	3,450,000
2008 Capital improvements	8,513,000	71.97%	28.03%	-	Varies	2028	8,513,000
Total							\$ 69,328,000

The annual requirements to amortize all debt outstanding as of June 30, 2008 are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	6,103,000	2,750,561	8,853,561
2010	5,440,000	2,542,579	7,982,579
2011	5,320,000	2,329,469	7,649,469
2012	4,665,000	2,132,051	6,797,051
2013	4,465,000	1,950,605	6,415,605
2014-2018	15,700,000	7,548,601	23,248,601
2019-2023	12,300,000	4,768,041	17,068,041
2024-2028	6,685,000	2,746,261	9,431,261
2029-2033	7,210,000	1,202,750	8,412,750
2034-2037	1,440,000	58,500	1,498,500
Totals	\$ 69,328,000	28,029,418	97,357,418

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

STATUTORY DEBT LIMIT

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of State valuation of such municipality. A summary of the Town's legal debt margin is as follows:

	June 30, 20088 outstanding bonds	Percent of 2008 State assessed value of \$ 3,531,150,000	<u>Amount</u>	<u>Margin</u>
For school purposes	\$ 38,006,440	10.00%	353,115,000	315,108,560
For storm or sanitary sewer	9,509,800	7.50%	264,836,250	255,326,450
For municipal airport, water and special district purposes	-	3.00%	105,934,500	105,934,500
For all other purposes	21,811,760	7.50%	264,836,250	243,024,490
Total	\$ 69,328,000	15.00%	529,672,500	

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building repairs and computer hardware and software. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The amount of assets capitalized under capital leases is \$1,509,130.

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

2009	\$ 605,785
2010	490,003
2011	358,703
2012	280,165
2013	227,908
2014-thereafter	317,690
Total minimum lease payments	2,280,254
Less: amount representing interest	255,222
Present value of future minimum lease payments	\$ 2,025,032

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES

Overlapping Debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2008, the Town's State valuation of \$3,531,150,000 was 8.50% of the County's State valuation of \$41,557,850,000. The Town's share is 8.50% or \$534,883 of Cumberland County's \$6,295,000 long-term debt outstanding as of June 30, 2008.

The Town is also served by the Portland Water District. At June 30, 2008, the Town's share of self-supporting bonded water debt is 12.99% or \$3,485,910 of total debt of \$26,840,715.

Contingencies

ecomaine, formerly Regional Waste Systems, a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town of Scarborough, 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, 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 be at least equal to the required debt service on 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. At June 30, 2008, outstanding "Incinerator Debt" of ecomaine totaled \$28,224,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.48% or \$2,393,020.

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2008, the Town's share is 6.30% or \$231,588 of ecomaine's outstanding MRF debt of \$3,676,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$23,195,375 at June 30, 2007, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.43%, or \$1,955,968.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED

Total Debt and Contingencies

Governmental Unit	As of June 30, 2008			Total debt
	Direct debt	Overlapping debt	Contingent debt	
Town of Scarborough	\$ 71,353,032	-	-	71,353,032
Cumberland County	-	534,883	-	534,883
Portland Water District - water debt	-	3,485,910	-	3,485,910
Regional Waste Systems:				
Resource recovery system	-	-	2,393,020	2,393,020
Material recovery facility	-	-	231,588	231,588
Landfill closure/postclosure costs	-	-	1,955,968	1,955,968
Totals	\$ 71,353,032	4,020,793	4,580,576	79,954,401

Arbitrage

Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. The Town has had several issues for which a rebate calculation is or has been required. As of June 30, 2008, substantially all such calculations have been performed.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

LANDFILL CLOSURE AND POSTCLOSURE COSTS

Under existing State law, Maine communities had until December 31, 1995 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 is operating a demolition debris landfill under a waiver granted by the State. The landfill is permitted to operate in its existing capacity until 2027. The estimated total current cost of landfill closure, \$441,534, is based on the amount that would be paid if equipment, facilities, and services required to close and maintain the Town's landfill were acquired as of June 30, 2008. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year. The total closure and postclosure care costs of \$441,534 have been accrued in the statement of activities. Presently, the State of Maine is providing partial funding for certain closure costs; however, future funding is based on availability of funds. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DESIGNATED FUND BALANCES

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

	<u>2008</u>
General Fund:	
State revenue sharing	\$ 99,599
Admin – Building repairs	165
Comprehensive plan	28,278
Finance – New equipment	7,566
Finance – Employee training	5,300
Public Safety – Tactical team training	7,337
Public Safety – Night vision goggles	2,040
Police Department - 2006 QED software	9,300
Police Department – Auxiliary vehicles	700
Police Department – Electrical door access	192
Police Department – Taser cams	251
Police Department – Portable Radios	396
Police Department – Traffic sign boards	(27,067)
Police Department – MRO Outboard Motor #4	(17,217)
Police Department – Traffic light pre-emptive	12,966
Fire Department – Rescue mobile data	29,036
Fire Department – Station 3 drainage/paving	30,000
Fire Department – Municipal holding tank	65,384
Fire Department – Replace Chief’s vehicle	4,338
Fire Dept – ADA/Energy improvements	24,163
Public Works – Bucket truck	40,496
Public Works – Paving	17,444
Public Works – Employee training	2,720
Library – Roof replacement	6,375
Library – Building envelope	107,000
Library system efficiency/safety	166,632
Library HVAC	(20,794)
Library equipment	63,993
Child care revenues	28,630
Cable franchise fees	28,618
Summer recreation	57,294
29 Black Point Road	1,325
Marine Resource Office – Inventory Management	7,760
Town-wide ADA projects	10,282
Town-wide computer purchases	91,159
Encumbered purchase orders	241,536
Reserve for accrued sick pay	1,001,036
Total General Fund designated fund balance	\$ 2,134,233

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

RESERVED FUND EQUITY

At June 30, 2008, the Special Revenue fund balance for Haigis Parkway included a reserve for the non-current portion of the notes receivable in the amount of \$2,823,793 and the School Lunch Program included a reserve for inventory on hand of \$23,419. Fund balance has been reserved in the permanent funds for nonexpendable principal of \$117,178 and expendable income of \$82,331. The total reserved fund balance for other governmental funds on Statement 3 was \$222,928. As of June 30, 2008, the General Fund fund balance was reserved in the amount of \$617,834, reflecting the non-current portion of the interfund loan receivable from the Municipal Building Fund in the amount of \$519,909, the Boat Launch Fund deficit of \$41,631, and the Recreation Development Fund amount of \$56,294.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan formerly known as the Maine State Retirement System Consolidated Plan. The Consolidated Plan is a cost sharing multiple-employer retirement system 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 Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 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. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan, the Town had its separate, individual existing unfunded actuarial liability calculated, which the Town fully funded in 2007. The current rate is 2.8% of annual covered payroll for School employees participating in the District Plan, 2.8% for Town employees and 4.0% for Police. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the MPERS Consolidated Plan for the year ended June 30, 2008, 2007 and 2006 were \$88,773, \$85,274, and \$63,658 respectively, and this is 100% of the amount required, that the town paid.

Teacher Group - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State 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 \$3,183,593 (18.71%) for the fiscal year 2008. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEFINED CONTRIBUTION PENSION PLAN

Defined Contribution Pension Plan - The Town, under a plan adopted and approved by the Town Council, contributes to the International City Manager's Association (ICMA) Money Purchase Plan, which is a defined contribution pension plan administered by the ICMA.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All municipal employees of the Town have the option of participating in the plan or the Maine Public Employees Retirement System. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his/her account at that time. Each employee must contribute a minimum of 6% of his or her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings. The Town Manager has a separate plan that requires the Town to contribute 24% of the Manager's gross earnings and the Manager is not required to contribute.

During the year, the Town's required and actual contributions amounted to \$360,599, which was 6% of the participating employees and 24% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,671,098, while the Town's total payroll was \$9,925,483.

Employee's required contributions amounted to \$333,457, which was 6% of the Town's current year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees.

The ICMA Money Purchase Plan held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

The Town of Scarborough offers all its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457 and authorized by the Town Council. The plan permits participating employees to defer a portion of their salary until future years.

During the year, the participating employees contributions amounted to \$389,990 and the Town contributions amounted to \$264,439. The Town contributes a match up to 4%.

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, were removed from the Town's financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

The Town has established four Tax Increment Financing Districts under the terms of applicable State laws. The districts have been established to finance certain development programs located in the Town. The expenditures from these development programs will be recouped in future years via an incremental tax levied upon the Town's so-called "captured assessed value". The tax increment will be held in the form of a sinking fund which will be used expressly for the repayment of principal and interest on any indebtedness created to fund the expenditures of the development programs.

The status of the various Tax Increment Financing Districts is summarized below:

Scarborough Town Center Development District:	
Original assessed value	\$ 6,915,000
Maximum authorized captured value	6,900,000
Amount captured as of June 30, 2008	6,900,000
Scarborough Eight Corners Development District:	
Original assessed value	4,522,700
Maximum authorized captured value	39,000,000
Amount captured as of June 30, 2008	39,000,000
Enterprise Business Park TIF:	
Original assessed value	544,800
Amount captured as of June 30, 2008	8,003,700
Haigis Parkway:	
Original assessed value	8,563,500
Amount captured as of June 30, 2008	7,556,000

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, for which the Town either carries commercial insurance, participates in a public entity pool, or is effectively self-insured. Currently, the municipal departments participate in several public entity and self-insured pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the Town is not aware of any material actual or potential claims liabilities which should be recorded at June 30, 2008. There have been no significant reductions in commercial insurance coverage from the prior year and no settlements have exceeded commercial insurance coverage in any of the past three years.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

NET ASSETS

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

	Governmental <u>Activities</u>
Capital assets	\$ 124,285,970
Accumulated depreciation	(26,480,581)
Bonds payable	(60,128,000)
Capital leases payable	(2,025,032)
<u>Total invested in capital assets net of related debt \$ 35,652,357</u>	

Bonds payable excludes \$9,200,000 of bonds payable related to the Haigis Parkway project for which the Town did not retain ownership of the improvements.

PRIOR PERIOD ADJUSTMENT TO NET ASSETS/FUND BALANCE

Restatements were made to beginning net assets and beginning fund balance as follows

Net Assets

Beginning of year as previously stated	\$56,102,181
Add: Component unit not previously reported – SEDCO	11,767
Less: Capital assets not owned by Town – Haigis Parkway	(9,697,721)
Less: Adjustment to accumulated depreciation	(2,216,226)
Less: Other capital asset adjustments	<u>(1,229,734)</u>
End of year as restated	<u>\$42,970,267</u>

Fund Balance – General Fund

Beginning of year as previously stated	\$8,692,691
Less: Accrued vacation maturing in the next year	(375,383)
End of year as restated	<u>\$8,317,308</u>

Other governmental fund balance was increased by \$11,767 for inclusion of a component unit not previously reported – SEDCO.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

RECENT ACCOUNTING PRONOUNCEMENT

Recently issued Government Accounting Standards Board No. 45, *Accounting and financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, may be applicable to the Town for the year ending June 30, 2009. Town employees are eligible to retire under the Maine Municipal Employee's Health Trust if they have met the minimum service requirements.

As defined by the Maine Municipal Employee's Health Trust, an employee shall be an individual who is enrolled for benefits under the health insurance provided the individual is:

1. a regular employee averaging 20 or more hours per week on a year-round basis;
2. an elected official of the town whose term of office is at least one year's duration working an average of less than 20 hours each week and;
3. a retired employee provided:
 - The Retiree enrolls when first eligible and continues the coverage without interruption thereafter. Any Retiree who does not enroll when first eligible or who terminates coverage for any reason shall not be eligible for subsequent enrollment and;
 - Except in the case of a group transfer into the Plan, the town is a participating employer at the time of retirement, and the Retiree was covered under the town's plan immediately prior to retirement and;
 - Such individual is receiving retirement benefits, other than Social Security benefits, from the town's retirement plans and;
 - If the employee has waived their right to participate in the town sponsored retirement plan, the Employee was employed by the town for at least five consecutive years prior to retirement, and is at least 55 years of age on the date of retirement.

The definition of employee will also cover the surviving spouse of a deceased employee, provided the spouse was a covered dependent at the time of the Employee's death.

All full time employees (excluding school department employees) are eligible to participate in the Maine Municipal Employee's Health Trust for Health Insurance Benefits. The town currently has 150 full time employees eligible to participate in the health insurance plan.

Retirees are obligated to contribute 100% of the premium costs under this plan. The current number of retirees eligible to receive health insurance benefits is 20. An actuary has been retained by the Maine Municipal Association to determine the amount of the liability, if any. Because retirees are obligated to contribute 100% of their health insurance premium costs, it is anticipated that the liability, if any, will be based on an implied subsidy. It is not known at this time the amount of the potential liability or its potential impact on these financial statements.

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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 services, public safety, public works, education, intergovernmental, debt service, and capital improvements (that are not financed through other funds).

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

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 3,972,040	7,916,097
Investments	7,724,325	3,019,928
Receivables:		
Taxes receivable	132,608	103,975
Tax liens	456,920	363,401
Accounts receivable	487,613	606,045
Interfund loans receivable	877,117	483,340
Tax acquired property	7,231	7,231
Total assets	\$ 13,657,854	12,500,017
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	1,005,571	806,517
Accrued payroll and other related liabilities	3,189,200	2,974,913
Accrued compensated absence (current)	65,218	
Taxes collected in advance	15,003	31,279
Deferred tax revenues	408,370	370,000
Total liabilities	4,683,362	4,182,709
Fund balance:		
Reserved	617,834	674,006
Unreserved:		
Designated - Town	2,134,233	1,996,947
Undesignated - Education	1,004,054	672,761
Undesignated - Town	5,218,371	4,973,594
Total fund balance	8,974,492	8,317,308
Total liabilities and fund balance	\$ 13,657,854	12,500,017

TOWN OF SCARBOROUGH, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the year ended June 30, 2008
(with comparative totals for June 30, 2007)

	2007 carryforward	2008		Actual	Variance positive (negative)	2007 Actual
		Budget	Total Available			
Revenues:						
Taxes:						
Property taxes	\$ -	39,887,316	39,887,316	40,038,475	151,159	38,021,985
Change in deferred property tax revenue	-	-	-	(38,370)	(38,370)	12,000
Excise taxes	-	4,507,000	4,507,000	4,318,420	(188,580)	4,442,571
Cable franchise tax	-	167,500	167,500	172,545	5,045	155,998
Interest and costs on taxes	-	54,800	54,800	90,105	35,305	79,599
Total taxes	-	44,616,616	44,616,616	44,581,175	(35,441)	42,712,153
Licenses and permits:						
Plumbing fees	-	22,000	22,000	25,818	3,818	17,785
Fees and Permits	-	135,408	135,408	158,615	23,207	162,675
Building permits	-	530,000	530,000	501,879	(28,121)	465,942
Electrical permits	-	20,000	20,000	25,345	5,345	19,685
Zoning Board of Appeals	-	8,000	8,000	12,601	4,601	16,575
License plate fees	-	66,300	66,300	61,564	(4,736)	63,364
Subdivision fees	-	10,000	10,000	32,025	22,025	7,000
Total licenses and permits	-	791,708	791,708	817,847	26,139	753,026
Intergovernmental:						
Education state subsidies	-	6,567,679	6,567,679	6,567,679	-	6,423,999
FEMA reimbursement	-	-	-	-	-	188,903
State Revenue Sharing	-	1,386,000	1,386,000	1,409,156	23,156	1,397,648
Homestead exemption	-	325,253	325,253	325,653	400	317,821
URIP (D.O.T. block grant)	-	364,500	364,500	369,892	5,392	364,540
ecomaine payment in lieu of taxes	-	77,148	77,148	71,697	(5,451)	71,450
Adult education State subsidies	-	30,000	30,000	25,835	(4,165)	29,264
General assistance reimbursement	-	5,462	5,462	11,637	6,175	3,634
Federal HIDTA revenues	-	95,000	95,000	92,829	(2,171)	97,326
Medicaid	-	125,000	125,000	177,965	52,965	169,780
Other Federal and State revenues - School	-	385,000	385,000	309,086	(75,914)	277,910
Other Federal and State revenues - Town	-	11,900	11,900	60,783	48,883	27,323
Total intergovernmental	-	9,372,942	9,372,942	9,422,212	49,270	9,369,598
Interest earned	-	227,000	227,000	344,371	117,371	404,622
Unclassified:						
School Department miscellaneous	-	68,500	68,500	66,452	(2,048)	58,488
Adult education	-	17,500	17,500	6,869	(10,631)	9,118
Community services	-	1,385,406	1,385,406	1,516,217	130,811	1,426,176
Police court time	-	6,000	6,000	9,642	3,642	16,918
Snow plowing service	-	10,767	10,767	10,768	1	10,768
Insurance reimbursements	-	20,000	20,000	39,301	19,301	66,734
Public Violations	-	33,500	33,500	43,512	10,012	44,009
Special duty police/fire	-	111,000	111,000	134,673	23,673	120,561
Inspection/review fees	-	140,000	140,000	219,271	79,271	252,075
Rescue donations	-	500,000	500,000	500,000	-	475,000
Rental income	-	67,568	67,568	66,600	(968)	51,793
Sale of Town-owned property	-	113,452	113,452	112,751	(701)	162,305
Salary reimbursement	-	448,994	448,994	498,510	49,516	420,739
Vehicle fuel reimbursement	-	394,957	394,957	537,302	142,345	355,621
Vehicle maintenance reimbursement	-	270,250	270,250	396,278	126,028	296,495
Lease revenue	-	829,053	829,053	1,909,208	1,080,155	72,097
Miscellaneous	-	89,978	89,978	129,828	39,850	116,276
Total unclassified	-	4,506,925	4,506,925	6,197,182	1,690,257	3,955,173
Total revenues	-	59,515,191	59,515,191	61,362,787	1,847,596	57,194,572

TOWN OF SCARBOROUGH, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis), Continued

	2007 carryforward	2008		Actual	Variance positive (negative)	2007 Actual
		Budget	Total available			
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	10,765	808	11,572
Administration	3,816	241,230	245,046	249,138	(4,092)	234,569
Town Clerk	1,425	197,022	198,447	180,714	17,733	174,568
Planning	37,422	792,217	829,639	773,878	55,761	766,989
Assessing	5,000	235,936	240,936	233,162	7,774	212,970
Human resources	1,102	189,950	191,052	195,498	(4,446)	174,683
Personnel benefits	-	37,380	37,380	159,550	(122,170)	255,407
Management information systems	9,829	520,629	530,458	530,353	105	546,438
Municipal building	14,375	280,967	295,342	295,177	165	257,186
General government	-	80,370	80,370	74,035	6,335	78,515
Finance	22,157	368,214	390,371	359,124	31,247	344,853
Purchasing	-	108,062	108,062	106,742	1,320	77,422
Taxation/Treasury	789	424,171	424,960	442,653	(17,693)	407,472
Legal	-	84,000	84,000	119,261	(35,261)	122,360
Risk management	-	479,500	479,500	521,684	(42,184)	480,898
Public information	-	7,000	7,000	5,894	1,106	5,825
Engineering	-	77,500	77,500	173,035	(95,535)	211,799
Outside agencies	-	74,640	74,640	52,015	22,625	62,532
Total general government	95,915	4,210,361	4,306,276	4,482,678	(176,402)	4,426,058
Public services:						
Library	-	719,634	719,634	719,634	-	695,299
Public health and welfare	-	12,325	12,325	17,818	(5,493)	12,163
Enterprise Park tax rebate	-	94,444	94,444	94,444	-	61,934
Economic Development Corporation	-	212,773	212,773	211,686	1,087	204,885
Community services	1,209	1,979,625	1,980,834	2,058,966	(78,132)	2,095,757
Total public services	1,209	3,018,801	3,020,010	3,102,548	(82,538)	3,070,038
Public safety:						
Fire Department	8,762	1,652,965	1,661,727	1,646,822	14,905	1,566,381
Police Department	105,678	4,050,154	4,155,832	4,073,164	82,668	3,881,578
Emergency Management	950	34,850	35,800	33,461	2,339	31,361
Marine resources	6,770	87,341	94,111	83,645	10,466	83,144
Emergency Medical Services	-	1,170,267	1,170,267	1,149,338	20,929	1,079,509
Total public safety	122,160	6,995,577	7,117,737	6,986,430	131,307	6,641,973
Public works:						
Public Works Department	43,287	2,442,713	2,486,000	2,590,754	(104,754)	2,223,908
Vehicle maintenance	-	1,383,882	1,383,882	1,688,418	(304,536)	1,351,183
Water charges	-	172,093	172,093	161,671	10,422	159,756
Street lighting	-	138,020	138,020	163,962	(25,942)	158,198
Traffic signals	-	122,224	122,224	105,485	16,739	97,019
Cemetery care	-	38,959	38,959	27,213	11,746	31,685
Memorials	-	9,401	9,401	11,137	(1,736)	10,570
Shade trees	400	25,092	25,492	10,548	14,944	16,920
Engineering services	16,632	111,196	127,828	120,809	7,019	90,597
Solid waste program	-	1,862,220	1,862,220	1,885,231	(23,011)	1,706,220
Total public works	60,319	6,305,800	6,366,119	6,765,228	(399,109)	5,846,056
Education:						
Regular instruction	-	18,724,259	18,724,259	18,512,336	211,923	17,313,651
Improvement of instruction	-	552,670	552,670	520,647	32,023	298,661
Special services	-	2,383,774	2,383,774	2,354,774	29,000	2,218,692
General & special administration	-	206,903	206,903	206,769	134	319,976
Board of education	-	47,675	47,675	33,182	14,493	34,156
Office of the superintendent	-	722,027	722,027	612,609	109,418	636,731
Business administration	-	1,217,689	1,217,689	1,229,095	(11,406)	1,121,783
Transportation	-	1,491,533	1,491,533	1,478,530	13,003	1,360,166
Operation and maintenance of plant	-	3,728,430	3,728,430	3,498,313	230,117	3,339,160
Debt service	-	4,414,655	4,414,655	4,418,850	(4,195)	4,457,690
Total education	-	33,489,615	33,489,615	32,865,105	624,510	31,100,666

TOWN OF SCARBOROUGH, MAINE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis), Continued

	2007 carryforward	2008		Actual	Variance positive (negative)	2007 Actual
		Budget	Total available			
Expenditures, continued:						
Current, continued:						
County tax	\$ -	1,735,302	1,735,302	1,735,302	-	1,614,651
Debt service (excluding education):						
Principal	-	3,232,170	3,232,170	3,232,386	(216)	3,219,135
Interest and other costs	-	1,485,597	1,485,597	1,488,234	(2,637)	1,176,872
Total debt service	-	4,717,767	4,717,767	4,720,620	(2,853)	4,396,007
Capital improvements	522,500	1,878,746	2,401,246	2,665,445	(264,199)	1,419,445
Total expenditures	802,103	62,351,969	63,154,072	63,323,356	(169,284)	58,514,894
Excess (deficiency) of revenues over (under) expenditures	(802,103)	(2,836,778)	(3,638,881)	(1,960,569)	1,678,312	(1,320,322)
Other financing sources (uses):						
Transfers in	-	2,123,566	2,123,566	2,782,635	659,069	1,855,084
Transfers out	-	(644,293)	(644,293)	(886,474)	(242,181)	(602,222)
General obligation bonds	-	917,193	917,193	786,810	(130,383)	634,750
Utilization of prior year surplus and carryforward balance	802,103	540,000	1,342,103	-	(1,342,103)	-
Overlay	-	(99,688)	(99,688)	-	99,688	-
Total other financing sources (uses)	802,103	2,836,778	3,638,881	2,682,971	(955,910)	1,887,612
Net change in fund balances - budgetary basis	-	-	-	722,402	722,402	567,290
Reconciliation to GAAP basis:						
Current portion of accrued compensated absences				(65,218)		(126,257)
Fund balances, beginning of year restated				8,317,308		7,876,275
Fund balances, end of year				\$ 8,974,492		8,317,308

OTHER GOVERNMENTAL FUNDS

TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 250,603	296,725	-	547,328
Investments	4,694,303	2,020,929	198,183	6,913,415
Accounts receivable	63,380	-	-	63,380
Due from State of Maine	-	-	-	-
Interfund loans	801,450	-	2,400	803,850
Inventory	23,419	-	-	23,419
Notes receivable	-	-	-	-
Total assets	\$ 5,833,155	2,317,654	200,583	8,351,392
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	287,911	459,449	-	747,360
Interfund loans	437,050	519,909	1,074	958,033
Total liabilities	724,961	979,358	1,074	1,705,393
Fund balances (deficit):				
Reserved for:				
Inventory	23,419	-	-	23,419
Nonexpendable trust principal	-	-	117,178	117,178
Expendable trust - income portion	-	-	82,331	82,331
Long-term notes receivable	-	-	-	-
Unreserved, undesignated	5,084,775	1,338,296	-	6,423,071
Total fund balances (deficit)	5,108,194	1,338,296	199,509	6,645,999
Total liabilities and fund balances	\$ 5,833,155	2,317,654	200,583	8,351,392

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

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,405,344	31,413	-	1,436,757
Contributions	114,820	-	-	114,820
Assessments and impact fees	194,018	-	-	194,018
Sale of lots	2,400	-	2,400	4,800
Other revenue	2,770,790	-	-	2,770,790
Interest revenue	183,409	50,380	5,131	238,920
Total revenues	4,670,781	81,793	7,531	4,760,105
Expenditures:				
Current:				
Capital expenditures	183,640	1,738,492	-	1,922,132
Other	3,186,380	-	1,074	3,187,454
Total expenditures	3,370,020	1,738,492	1,074	5,109,586
Excess of revenues over (under) expenditures	1,300,761	(1,656,699)	6,457	(349,481)
Other financing sources (uses):				
Transfers in	520,873	90,204	-	611,077
Transfers out	(1,495,370)	(196,615)	-	(1,691,985)
General Obligation Bonds	-	2,385,890	-	2,385,890
Total other financing sources (uses)	(974,497)	2,279,479	-	1,304,982
Net change in fund balances	326,264	622,780	6,457	955,501
Fund balances, beginning of year	4,781,930	715,516	193,052	5,690,498
Fund balances, end of year	\$ 5,108,194	1,338,296	199,509	6,645,999

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

Unemployment Compensation

The Unemployment Compensation fund represents money set aside to be expended for unemployment compensation coverage (reimbursed to the State of Maine, Department of Manpower Affairs) for all municipal and school employees.

Ferry Beach/Hurd Park

To account for all fees collected from the sale of resident and non-resident parking stickers, and day-to-day parking fees at Ferry Beach and Hurd Park at Pine Point Beach. The funds are used for the maintenance and improvement of the beach parking areas.

Recreation Development

To account for contributions from the developers of sub-divisions for the development of recreation facilities.

Sewer Expansion

The purpose of this fund is to collect user and impact fees as well as tax increment financing district revenues to fund the related debt service.

New England Expedition Credit Enhancement Agreement

This is a credit enhancement agreement set up between the Town and NE Expedition. A Credit Enhancement Agreement or contract between the municipality and company is a mechanism to assist the development project by using all, or a percentage of, the tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the company. The credit enhancement agreement is for a ten year period not to exceed \$8,250,000.

Boat Launch Facility

To account for all resident and non-resident fees collected from the use of the boat launch facility. The funds are to be used for the improvement of the boat launch facility at Pine Point.

Scarborough Memorial Cemetery Improvement

To account for 50% of the funds accumulated by the sale of lots in the Scarborough Memorial Cemetery. These funds are used to maintain the grounds of the Cemetery.

Dunstan Cemetery Improvement

To account for funds accumulated by the sale of lots in the Dunstan Cemetery. These funds are used to maintain the grounds.

Route 1 Sawyer Road Improvements

To account for bond funds to improve the intersection of Route One and Sawyer Road in connection with the Orion Center project.

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Industrial Park

To account for the sale of property lots in the Scarborough Industrial Park.

Prouts Landing Conservation

To account for monies spent in the upkeep of a 62 acre parcel of land given to the Town by the Linwood Companies/Prout's Landing. This land is to remain in its natural state and is not for recreational purposes.

Payne Road Improvements

To account for all fees collected in connection with the improvement of Payne Road.

Payne Road Impact Fees

To account for fees collected in connection with the Town's road impact ordinance.

Other Impact Fees:

The purpose of this fund is to account for all "Impact Fees" that are collected pursuant to the *Development Impact Fee Ordinance* adopted by the Town Council. The Ordinance requires the Town Treasurer to maintain all of these fees in a separate impact fee account and that the account is segregated from the Town's general revenues. The Ordinance requires the Town treasurer to deposit impact fees collected pursuant to this Ordinance in special non-lapsing accounts dedicated for funding of the improvements for which the fee is collected. Impact fees collected by the Town under this ordinance may be used only for financing facility improvements which the Town Council has determined are made necessary by new development. Included in this impact fees are:

School Development Impact Fees to help fund the improvements to the Scarborough High School.

Dunstan Corner Impact Fee to help fund the improvements to the Dunstan Corner area of town. Route One, Pine Point Road, Payne Road and Broadturn Road all connect at Dunstan Corner.

Police Asset Forfeiture

To account for funds awarded to the Scarborough Police Department for drug related convictions. These funds are to be used for law enforcement purposes only. (Pursuant to Title 15 M.R.S.A. Section 5824(3)).

Hunnewell House

To account for monies spent in the upkeep of the plot of land on the corner of the Black Point and Winnocks Neck roads, which was purchased by the Town on May 2, 1973. The Hunnewell House (built in 1638) was set on the plot and is used as a Town Park. Donations and appropriations are also accounted for in this fund.

Rescue Equipment

To account for fees collected in connection with the Town's Rescue billing program. These funds are used for the purpose of acquiring and maintaining rescue equipment.

Fire Department

This fund accounts for various grant awards and donations. These funds are to be used for the purchase of fire equipment.

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Departmental Grants and Programs

To account for various federal and state grants and non-budget programs.

Friends of the Scarborough Marsh

The Friends of the Scarborough Marsh is a coalition of private citizens dedicated to conserve, protect, restore and enhance the Scarborough Marsh watershed. In an agreement with the Scarborough Planning Board and the Friends of the Scarborough Marsh, \$10,000 was donated to the Town and dedicated for Water Quality Improvement Projects. Use of the funds will require approval, by majority vote, of the Board of Directors of the Friends of the Scarborough Marsh and by the Town Manager. Approved, June 29, 2004.

Pleasant Hill Area Drainage

This fund accounts for monies received to improve the drainage in the Pleasant Hill area of the Town of Scarborough.

School Categorical Programs

This fund accounts for various federal, states, and other programs administrated by the School Department.

School Lunch Program

This fund accounts for revenues and expenditures for the School Lunch program.

Computer Replacement Fund

This fund is used for the replacement of municipal computers.

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

	Unemploy- ment Compen- sation	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	Sewer Expansion	New England Expedition Credit Agreement	Boat Launch	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Industrial Park	Prouts Landing Conserva- tion	Payne Road Improvements
ASSETS											
Cash and cash equivalents	\$ -	-	128,201	-	-	-	-	-	-	-	-
Investments	185,242	418,309	-	-	42,312	-	62,941	492,389	24,202	-	68,828
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from State of Maine	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	2,284	7,271	-	217,168	-	-	-	86,515	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 187,526	425,580	128,201	217,168	42,312	-	62,941	86,515	492,389	24,202	68,828
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	7,685	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	184,495	-	-	41,631	15,600	-	50,000	-	-
Total liabilities	-	7,685	184,495	-	-	41,631	15,600	-	50,000	-	-
Fund balances:											
Reserved	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Undesignated	187,526	417,895	(56,294)	217,168	42,312	(41,631)	47,341	86,515	442,389	24,202	68,828
Total fund balances (deficit)	187,526	417,895	(56,294)	217,168	42,312	(41,631)	47,341	86,515	442,389	24,202	68,828
Total liabilities and fund balances	\$ 187,526	425,580	128,201	217,168	42,312	-	62,941	86,515	492,389	24,202	68,828

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Special Revenue Funds, Continued

Payee		Combining Balance Sheet										Totals	
		Scarborough					Friends of the						
		Other Impact Fees	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Economic Development Corporation	Departmental Grants & Programs	Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund
1,875,731	759,250	-	105,187	1,766	444,022	10,056	22,412	81,859	-	16,655	82,706	(81,230)	-
-	-	-	-	-	444,022	10,056	-	144,386	775	-	-	-	58,907
433,284	18,762	-	29,876	2,010	-	4,280	-	2,701	-	-	46,247	14,432	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	23,419	-
2,309,015	778,012	135,063	3,776	444,022	14,336	22,412	228,946	775	16,655	128,953	(43,379)	58,907	5,833,155
205,131	-	-	-	-	-	-	12,445	2,863	-	-	16,270	43,517	-
-	-	-	-	34,312	-	-	-	111,012	-	-	-	-	-
205,131	-	-	-	34,312	-	-	12,445	113,875	-	-	16,270	43,517	-
-	-	-	-	-	-	-	-	-	-	-	-	23,419	-
2,103,884	778,012	135,063	3,776	409,710	14,336	9,967	9,967	115,071	775	16,655	112,683	(110,315)	58,907
2,103,884	778,012	135,063	3,776	409,710	14,336	9,967	9,967	115,071	775	16,655	112,683	(86,896)	58,907
2,309,015	778,012	135,063	3,776	444,022	14,336	22,412	228,946	775	16,655	128,953	(43,379)	58,907	5,833,155

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

	Unemploy- ment	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	Sewer Expansion	New England Expedition Credit Agreement	Boat Launch	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Industrial Park	Prouts Landing Conser- va- tion	Payne Road Improve- ments
Revenues:											
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Interest earned	7,907	13,014	-	-	634	-	-	-	-	-	-
Contributions	4,000	54,634	-	-	-	3,980	3,261	24,374	1,030	-	3,733
Sale of Lots/Land/Equip	-	-	-	-	-	-	2,400	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Assessments and impact fees	-	-	10,025	183,993	-	-	-	86,515	-	-	-
Total revenues	11,907	67,648	10,025	183,993	634	3,980	5,661	86,515	24,374	1,030	3,733
Expenditures:											
Construction and acquisitions	-	52,218	-	-	-	4,744	-	-	-	-	-
Benefits paid	1,716	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,716	52,218	-	-	-	4,744	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	10,191	15,430	10,025	183,993	634	(764)	5,661	86,515	24,374	1,030	3,733
Other financing sources (uses):											
Transfers in	-	-	-	472,000	41,678	-	-	-	-	-	-
Transfers out	-	-	(15,614)	(985,545)	-	(5,719)	(18,000)	-	(50,000)	-	-
Total other financing sources (uses)	-	-	(15,614)	(513,545)	41,678	(5,719)	(18,000)	-	(50,000)	-	-
Net change in fund balances	10,191	15,430	(5,589)	(329,552)	42,312	(6,483)	(12,339)	86,515	(25,626)	1,030	3,733
Fund balances (deficit), beginning of year	177,335	402,465	(50,705)	546,720	-	(35,148)	59,680	-	468,015	23,172	65,095
Fund balances (deficit), end of year	\$ 187,526	\$ 417,895	(56,294)	217,168	42,312	(41,631)	47,341	86,515	442,389	24,202	68,828

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

Payee	Scarborough										Totals		
	Other Impact Fees	Police Asset Forfeiture	Humwell House	Rescue Equipment	Fire Department	Economic Development Corporation	Departmental Grants & Programs	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs		School Lunch Program	Computer Replacement Fund
-	-	52,381	-	-	-	214,686	23,821	-	-	909,544	204,912	-	1,405,344
73,212	25,792	787	44	21,773	181	-	4,623	21	-	-	-	3,023	183,409
-	-	-	-	-	8,870	3,336	40,000	-	-	-	-	-	114,820
228,153	423,103	-	2,020	657,905	-	47	235,160	-	-	69,797	1,068,090	-	2,400
301,365	448,895	53,168	2,064	679,678	9,051	218,069	303,604	21	-	979,341	1,273,002	3,023	194,018
-	355	30,000	-	-	5,000	-	91,323	-	-	-	-	-	183,640
-	-	-	-	-	-	219,869	50,931	-	-	929,110	1,359,511	-	1,716
-	355	30,000	-	625,243	-	219,869	142,254	-	-	929,110	1,359,511	-	3,184,664
301,365	448,540	23,168	2,064	54,435	4,051	(1,800)	161,350	21	-	50,231	(86,509)	3,023	1,300,761
-	(341,180)	-	-	(79,312)	-	-	7,195	-	-	-	-	-	520,873
-	(341,180)	-	-	(79,312)	-	-	7,195	-	-	-	-	-	(1,495,370)
301,365	107,360	23,168	2,064	(24,877)	4,051	(1,800)	168,545	21	-	50,231	(86,509)	3,023	326,264
1,802,519	670,652	111,895	1,712	434,587	10,285	11,767	(53,474)	754	16,655	62,452	(387)	55,884	4,781,930
2,103,884	778,012	135,063	3,776	409,710	14,336	9,967	115,071	775	16,655	112,683	(86,896)	58,907	5,108,194

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

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ 3,795	125,899	-	142,977	(13,283)
NCLB/Title IIA	(6,592)	71,802	-	28,530	36,680
NCLB/Title IID	4,018	-	-	180	3,838
NCLB/Title IVA	4,505	10,481	-	9,615	5,371
NCLB/Title VA	12,960	5,378	-	16,201	2,137
Refugee Resettlement	5,111	7,250	-	1,046	11,315
Local Entitlement	8,774	630,661	-	600,541	38,894
Preschool handicapped	-	6,404	-	-	6,404
Goals 2000	48	-	-	-	48
Total federal education grant programs	32,619	857,875	-	799,090	91,404
Other State grant programs:					
State Agency Clients	15,197	51,669	-	66,865	1
Professional Development Grant	9,050	-	-	757	8,293
Total other state grant programs	24,247	51,669	-	67,622	8,294
Co-curricular programs:					
Red Storm Football	-	-	-	-	-
Ice Hockey	-	-	-	-	-
HS Girls Ice Hockey	-	-	-	-	-
HS Lacrosse	(2,445)	-	4,729	2,284	-
Girl's Lacrosse	(2,799)	-	2,799	-	-
Gym Dandies	410	-	21,888	21,814	484
MS Baseball	(1,769)	-	-	1,550	(3,319)
Freshman Baseball	(92)	-	-	-	(92)
Softball Expansion	1,221	-	-	-	1,221
High/Middle school swim	1,500	-	6,143	7,107	536
HS /MS Field Hockey	1,374	-	-	-	1,374
Foreign Language Club	(59)	-	-	-	(59)
HS Volleyball	(193)	-	193	-	-
HS Wrestling	1,176	-	-	-	1,176
Maine Nutrition Program	500	-	-	-	500
Community Services transportation	-	-	22,516	22,298	218
Community Foundation Grant	157	-	-	-	157
Beacon Learning Center	6,745	-	-	382	6,363
Band	(204)	-	204	-	-
Math	2	-	-	-	2
Wal-Mart	1,000	-	-	-	1,000
MS Health Grant/other	(1,516)	-	-	-	(1,516)
Total co-curricular programs	5,008	-	58,472	55,435	8,045
Other special programs:					
Wellness Activities	46	-	-	-	46
Winslow Homer Auditorium	532	-	11,325	6,963	4,894
Total other special programs	578	-	11,325	6,963	4,940
Total school categorical programs	\$ 62,452	909,544	69,797	929,110	112,683

NONMAJOR CAPITAL PROJECT FUNDS

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

Municipal Building Fund

To account for grants, awards, and money appropriated by the Town Council for a study, development, and the related tax increment financing district for the construction of new Town center improvements.

School General Improvements

To account for money appropriated by the Town Council for capital improvements to school facilities and grounds.

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Capital Project Fund
 Balance Sheet
 June 30, 2008

	General School Improvements	Municipal Building Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 296,725		296,725
Investments	2,020,929	-	2,020,929
Total assets	\$ 2,317,654	-	2,317,654
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	459,449	-	459,449
Interfund loans payable	-	519,909	519,909
Total liabilities	459,449	519,909	979,358
Fund balance (deficit):			
Unreserved:			
Undesignated	1,858,205	(519,909)	1,338,296
Total fund deficit	1,858,205	(519,909)	1,338,296
Total liabilities and fund balance	\$ 2,317,654	-	2,317,654

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

	General School Improvements	Municipal Building Fund	Totals
Revenues:			
Intergovernmental	\$ 31,413	-	31,413
Interest earned	50,380	-	50,380
Total revenues	81,793	-	81,793
Expenditures:			
Capital Improvements	1,738,492	-	1,738,492
Total expenditures	1,738,492	-	1,738,492
Excess (deficiency) of revenues over (under) expenditures	(1,656,699)	-	(1,656,699)
Other financing sources (uses):			
Transfers in	20,584	69,620	90,204
Transfers out	(141,765)	(54,850)	(196,615)
Proceeds of general obligation bonds	2,385,890	-	2,385,890
Total other financing sources (uses)	2,264,709	14,770	2,279,479
Net change in fund balances	608,010	14,770	622,780
Fund deficit, beginning of year	1,250,195	(534,679)	715,516
Fund deficit, end of year	\$ 1,858,205	(519,909)	1,338,296

NONMAJOR PERMANENT FUNDS

Permanent funds are established to account for assets held by the Town in a fiduciary capacity as trustee. These funds are legally restricted to the extent that only the earnings, not principal, may be used for purposes that support the reporting government's programs.

Permanent funds are established by the Town for the following purposes:

Scarborough Memorial Cemetery

This fund accounts for funds received for the perpetual care of various lots in the Scarborough Memorial Cemetery. The money from the sale of lots is split between this trust and the Scarborough Memorial Improvement Fund (a Special Revenue Fund).

Dunstan Perpetual Care

This fund was established in 1893 at an annual Town Meeting. It was approved that unexpended income be allotted as necessary by the selectmen for the upkeep of the cemetery.

Mary A. Tucker Fund

Mary A. Tucker donated \$500 through a provision in her will to be used under the direction of the Town Council for the perpetual care of the lots of James W., Emma E., Clara, Sadie, and Mary A. Tucker. All lots are located in the Dunstan Cemetery.

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Permanent Funds
 Combining Balance Sheet
 June 30, 2008

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 169,419	25,899	2,865	198,183
Interfund loans receivable	2,400	-	-	2,400
Total assets	\$ 171,819	25,899	2,865	200,583
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	1,074	-	1,074
Total liabilities	-	1,074	-	1,074
Fund balances:				
Principal	103,311	13,367	500	117,178
Unexpended income	68,508	11,458	2,365	82,331
Total fund balances	171,819	24,825	2,865	199,509
Total liabilities and fund balances	\$ 171,819	25,899	2,865	200,583

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Permanent Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2008

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 4,034	1,074	.23	5,131
Sale of lots/perpetual care deposits	2,400	-	-	2,400
Total revenues	6,434	1,074	23	7,531
Expenditures:				
Earnings retained by General Fund	-	1,074	-	1,074
Other	-	-	-	-
Total expenditures	-	1,074	-	1,074
Net change in fund balances	6,434	-	23	6,457
Fund balances, beginning of year	165,385	24,825	2,842	193,052
Fund balances, end of year	\$ 171,819	24,825	2,865	199,509

PRIVATE-PURPOSE TRUST FUNDS

Shirley Grover Fund

This scholarship fund was established to provide a scholarship to students graduating from Scarborough High School, who have demonstrated good school/community citizenship, and received honor roll grades for at least two years.

Mary Campbell Peterson Fund

This scholarship fund was established as the result of funds bequeathed to the School Department. Each year interest earned by the fund will be used to award scholarships to deserving students. The criteria are that the student should be an average student who may have overcome some adversity.

Edith Warga Art Scholarship

This scholarship began in 1990 as a 10-year program by Edith Warga. Each year a student who was pursuing a career in Art was awarded a \$1,000 scholarship. Following her demise, her husband, James Warga, agreed to continue the original program, and then in September 1998, donated \$100,000 to the School Department in order to continue the program. The amount awarded annually will not exceed the interest earned by the fund. A committee will award the scholarship to one or more students that meet the criteria, which continues the original intent.

Packy McFarland Scholarship Fund

This athletic scholarship was established to provide a yearly \$200 scholarship to a senior boy and girl planning to continue their education, as selected by the School's coaches.

Roy Nelson Scholarship Fund

A scholarship fund established to provide a \$300 scholarship to a senior who plans to attend a post-secondary technical or vocational school. The fund was established in memory of Roy Nelsen, who was the transportation supervisor and School Department employee for over 30 years.

Daniel Tranchemontagne Scholarship Fund

A scholarship fund established to provide scholarships to a graduating high school wrestler continuing his or her education. The scholarship will be paid out each year as funds are available and can come from both principal and interest.

Virginia Jackson Scholarship Fund

A scholarship fund established to provide scholarships to a Scarborough High School senior continuing his or her education. This fund was established in memory of Virginia Jackson and established by her family.

PRIVATE-PURPOSE TRUST FUNDS, CONTINUED

Evelyn J. Chaddon Memorial Scholarship Fund

A scholarship fund established to provide a yearly \$100 scholarship to a senior planning to continue his or her education in teaching.

S. Dwight Howard Memorial Scholarship Fund

A scholarship fund established to provide a yearly \$150 scholarship to a senior planning to continue his or her education, major consideration being given to those considering math, art, or the field of audio-visual aids.

Bertha Libby-Lary Scholarship Fund

A scholarship fund established to provide a yearly \$250 scholarship to a senior planning to continue his or her education.

Academic Decathlon Scholarship Fund

A scholarship fund established to provide scholarships to students planning to continue their education.

Kathy Pearson Scholarship Fund

A scholarship fund established to provide a scholarship in memoriam of Kathy Pearson to any student planning to continue his or her education.

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Fiduciary Net Assets
June 30, 2008

	Shirley Grover Fund	Mary Campbell Pederson Fund	Edith Warga Art Scholarship Fund	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Trachemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kally Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 1,568	98,545	109,561	4,042	12	76	23,815	304	3,259	12,251	1,199	4,377	259,009
Interfund loans	-	-	-	25	-	1,000	1,500	-	-	-	-	-	2,525
Total assets	\$ 1,568	98,545	109,561	4,067	12	1,076	25,315	304	3,259	12,251	1,199	4,377	261,534
LIABILITIES AND NET ASSETS													
Liabilities:													
Interfund loans	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Net assets:													
Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Undesignated	328	9,865	9,561	4,067	12	1,076	25,315	(196)	1,233	8,751	1,199	567	61,778
Total net assets	\$ 1,568	97,545	109,561	4,067	12	1,076	25,315	304	3,259	12,251	1,199	4,377	260,534
Total liabilities and net assets	\$ 1,568	98,545	109,561	4,067	12	1,076	25,315	304	3,259	12,251	1,199	4,377	261,534

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds

Combining Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2008

	Mary Campbell Pederson Fund	Shirley Grover Fund	Edith Wurga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Trachemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions													
Donations	\$ -	-	-	600	-	-	89	200	-	1,500	-	250	2,639
Interest and dividends	56	3,844	4,123	159	-	-	1,108	12	85	137	59	128	9,711
Total additions	56	3,844	4,123	759	-	-	1,197	212	85	1,637	59	378	12,350
Deductions:													
School scholarships	-	3,000	-	800	-	-	1,500	-	-	-	-	-	5,300
Total deductions	-	3,000	-	800	-	-	1,500	-	-	-	-	-	5,300
Changes in net assets	56	844	4,123	(41)	-	-	(303)	212	85	1,637	59	378	7,050
Net assets, beginning of year	1,512	96,701	105,438	4,108	12	1,076	25,618	92	3,174	10,614	1,140	3,999	253,484
Net assets, end of year	\$ 1,568	97,545	109,561	4,067	12	1,076	25,315	304	3,259	12,251	1,199	4,377	260,534

TOWN OF SCARBOROUGH, MAINE
 Agency Funds
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
STUDENT ACTIVITIES:				
ASSETS				
Cash	\$ 198,330	524,393	506,993	215,730
LIABILITIES				
Payable to student groups	\$ 198,330	524,393	506,993	215,730

GENERAL LONG-TERM DEBT

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

	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
					Issued	Retired	
<u>General Obligation Bonds</u>							
1987 Capital Improvements	8.60%	2008	\$ 125,000 to 2008	125,000		125,000	-
1988 Capital Improvements	7.65%	2009	275,000 to 2009	550,000		275,000	275,000
1989 Capital Improvements	6.75%	2009	110,000 to 2008 100,000 in 2009	210,000		110,000	100,000
1990 Capital Improvements	7.10%	2011	325,000 to 2011	1,300,000		325,000	975,000
1993 Capital Improvements	5.70%	2013	25,000 to 2013	150,000		25,000	125,000
1994 Capital Improvements	Varies	2015	230,000 to 2015	1,840,000		230,000	1,610,000
1995 Capital Improvements	Varies	2016	265,000 to 2016	2,385,000		265,000	2,120,000
1997 Capital Improvements	Varies	2017	110,000 to 2017	1,100,000		110,000	990,000
1998 Capital Improvements	Varies	2008	85,000 in 2008	85,000		85,000	-
1999 Capital Improvements	Varies	2019	395,000 to 2009 70,000 to 2019	1,490,000		395,000	1,095,000
2000 Capital Improvements	Varies	2020	210,000 to 2008 205,000 to 2010 115,000 to 2020	1,770,000		210,000	1,560,000
2001 Capital Improvements	Varies	2021	190,000 in 2007 180,000 to 2011 120,000 in 2012 115,000 to 2021	1,875,000		180,000	1,695,000
2003 Capital Improvements	Varies	2033	995,000 in 2008 655,000 in 2009 685,000 in 2010 750,000 in 2011 840,000 in 2012 925,000 in 2013 595,000 in 2014 685,000 in 2015 780,000 in 2016 885,000 in 2017 1,005,000 in 2018 1,135,000 in 2019 1,280,000 in 2020 1,435,000 in 2021 1,610,000 in 2022 1,800,000 in 2023 430,000 in 2024 450,000 in 2025 475,000 in 2026 495,000 in 2027 520,000 in 2028 545,000 in 2029 570,000 in 2030 595,000 in 2031 625,000 in 2032 655,000 in 2033	21,420,000		995,000	20,425,000
2004 Capital Improvements	2.250%	2034	975,000 to 2008 985,000 in 2009 665,000 in 2010 680,000 to 2012 690,000 in 2013 555,000 in 2014 215,000 in 2015 225,000 in 2016 235,000 in 2017 245,000 in 2018 255,000 in 2019 265,000 in 2020 280,000 in 2021 290,000 in 2022 305,000 in 2023 320,000 in 2024 335,000 in 2025 350,000 in 2026 365,000 in 2027 385,000 in 2028 400,000 in 2029 420,000 in 2030				

TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt, Continued

	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
					Issued	Retired	
<u>General Obligation Bonds</u>							
2004 Capital Improvements	con'td	2034	440,000 in 2031 460,000 in 2032 480,000 in 2033 500,000 in 2034	12,000,000	-	975,000	11,025,000
2005 Capital Improvements	Varies	2034	510,000 in 2008 520,000 in 2009 525,000 in 2010 385,000 in 2011 390,000 in 2012 395,000 in 2013 305,000 in 2014 315,000 in 2015 250,000 in 2016 230,000 in 2017 240,000 in 2018 250,000 in 2019 260,000 in 2020 270,000 in 2021 280,000 in 2022 290,000 in 2023 300,000 in 2024 315,000 in 2025 325,000 in 2026 340,000 in 2027 355,000 in 2028 370,000 in 2029 385,000 in 2030 405,000 in 2031 420,000 in 2032 440,000 in 2033 460,000 in 2034				
2006 Capital Improvements	Varies	2021	480,000 in 2035 479,000 in 2007 665,000 in 2008 690,000 in 2009 805,000 in 2010 835,000 in 2011 480,000 in 2012 510,000 in 2013 515,000 in 2014 530,000 in 2015 505,000 in 2016 185,000 in 2017 190,000 in 2018 195,000 in 2019 210,000 in 2020 220,000 in 2021 550,000 to 2012 225,000 to 2017 25,000 to 2022	10,010,000	-	510,000	9,500,000
2007 Capital Improvements	4.00%	2023	593,000 in 2009 800,000 to 2011 790,000 to 2013 595,000 in 2014 580,000 in 2015 570,000 to 2017 575,000 in 2018 185,000 to 2028	6,535,000		665,000	5,870,000
2008 Capital Improvements	3.00%	2028		4,000,000	-	550,000	3,450,000
					8,513,000		8,513,000
Total bonds				66,845,000	8,513,000	6,030,000	69,328,000
Total long-term debt		\$		66,845,000	8,513,000	6,030,000	69,328,000

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STATISTICAL SECTION



ELISHA ~ HILLEN ~ PROUT ~ FINE ~ HANCOCK ~ DUFPOURHS ~ KING ~ HULLTON ~ COLTHOS WESTERBROOK ~ JANE
 CAMMOCK ~ JOCELYN ~ FOXWELL ~ EOADEN ~ ALGER ~ LUTY ~ JOTTOW ~ WICKWARR ~ WASLE

MACHIAS ~ SNOW ~ PINE ~ MINNICK ~ BAILEY ~ SQUINN ~ HUBBELL ~ FOSTER ~ LARRABEE ~ SOUTHWELL

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STATISTICAL SECTION

This part of the Town of Scarborough's comprehensive annual report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents

Table

Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	1-6
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	7-11
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	12-14
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	15-17
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the government provides and the activities it performs.</i>	18-20

Note: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

TOWN OF SCARBOROUGH, MAINE
 Net Assets by Component
 Last Six Fiscal Years (1)
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 6893	\$ 6689	\$ 29885	\$ 36,323	44,077	35,652
Restricted	21040	19332	7629	4,210	3,053	5,111
Unrestricted	10187	9709	9874	13,952	8,971	5,179
Total governmental activities net assets	\$ 38,120	\$ 35,730	\$ 47,388	\$ 54,485	56,101	45,942

(1) Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

Table 2

TOWN OF SCARBOROUGH, MAINE

Changes in Net Assets
Last Six Fiscal Years (1)
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Program revenues:						
Charges for services						
General government	\$ 203	\$ 1,554	\$ 1,727	\$ 2,314	\$ 1,632	\$ 1,621
Public services	1,143	1,297	1,386	1,425	1,506	1,590
Public safety	481	677	1,490	1,374	1,667	1,649
Public works	531	491	605	655	1,755	2,024
Education	202	1,344	1,280	1,256	1,198	1,211
Interest on debt services	168	-	-	-	-	-
Operating grants and activities	6,992	8,744	9,297	10,706	11,403	12,374
Capital grants and contributions	312	-	-	4,681	(559)	113
General revenues:						
Property and excise taxes, levies for general purposes	34,472	37,182	40,075	41,406	42,772	44,691
Grants and contributions not restricted to specific programs	6,667	2,096	1,952	2,062	1,931	3,835
Unrestricted investment earnings	209	105	159	261	404	344
Total revenues	51,380	53,490	57,971	66,140	63,709	69,452
Expenses:						
General government	9,902	8,622	9,996	8,783	12,641	12,740
Public services	2,701	2,597	2,658	2,871	3,092	3,133
Public safety	5,552	6,127	6,153	6,552	7,080	7,425
Public works	5,175	5,266	5,882	6,276	6,425	7,494
Education	23,444	25,442	28,695	33,491	31,531	32,951
Interest on debt service	895	2,610	1,168	1,069	1,142	2,737
Total expenses	47,669	50,664	54,552	59,042	61,911	66,480
Change in Net Assets	\$ 3,711	\$ 2,826	\$ 3,419	\$ 7,098	\$ 1,798	\$ 2,972

(1) Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

Table 3

TOWN OF SCARBOROUGH, MAINE
Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 991	\$ 936	\$ 889	\$ 800	\$ 752	\$ 710	\$ 697	\$ 771	\$ 674	\$ 618
Unreserved	1,735	2,778	3,669	5,753	6,211	5,919	7,063	7,455	8,019	8,357
Total general fund	\$ 2,726	\$ 3,714	\$ 4,558	\$ 6,553	\$ 6,963	\$ 6,629	\$ 7,760	\$ 8,226	\$ 8,693	\$ 8,975
All Other Governmental Funds										
Reserved	374	469	753	140	132	123	117	125	127	3,047
Unreserved, reported in:										
Special revenue funds	1,878	3,040	3,756	4,288	5,010	5,011	4,403	8,180	7,523	4,589
Capital projects funds	(201)	207	864	239	20,278	18,611	6,963	4,085	2,926	4,912
Permanent funds	47	50	54	67	68	69	70	73	78	-
Total all other governmental funds	\$ 2,098	\$ 3,766	\$ 5,427	\$ 4,734	\$ 25,488	\$ 23,814	\$ 11,553	\$ 12,463	\$ 10,654	\$ 12,548

TOWN OF SCARBOROUGH, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Years Ending									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 25,260	\$ 27,560	\$ 29,311	\$ 32,380	\$ 34,582	\$ 37,191	\$ 40,066	\$ 41,377	\$ 42,712	\$ 44,581
Licenses and permits	419	653	433	413	429	480	567	611	753	818
Intergovernmental	8,700	10,186	11,006	11,212	11,600	10,823	11,219	12,604	13,204	14,042
Interest earned	327	392	533	272	209	348	442	644	805	684
Other	3,031	3,310	3,266	3,640	4,877	4,648	5,677	10,921	6,247	9,288
Total revenues	37,737	42,101	44,549	47,917	51,697	53,490	57,971	66,157	63,721	69,413
Expenditures										
General government	2,538	2,756	2,923	3,041	3,425	3,568	3,727	4,340	4,401	4,483
Public services	1,996	2,305	2,504	2,325	2,653	2,572	2,643	2,849	3,070	3,103
Public safety	3,850	4,271	4,465	4,706	5,275	5,934	5,962	6,180	6,642	6,986
Public works	3,642	3,585	4,103	4,108	4,767	4,877	5,370	5,702	5,846	6,765
Education (Excludes School Debt)	16,938	18,340	19,885	21,639	23,446	25,009	26,647	28,064	29,194	31,695
Education Debt (Prin & Int)	2,530	2,790	3,016	3,452	3,434	3,853	4,272	4,728	4,458	4,419
County tax	902	842	933	1,062	1,307	1,442	1,520	1,584	1,615	1,735
Debt service (Principal-Town Only)	1,711	2,023	2,171	2,206	2,423	3,918	3,176	2,957	3,219	3,232
Debt service (Interest-Town Only)	741	796	875	834	769	1,128	1,128	1,108	1,177	1,488
Capital improvements	5,797	4,882	4,256	4,643	983	1,402	1,770	1,773	3,621	3,066
Capital Outlays	-	-	-	-	3,925	14,418	21,604	9,694	4,378	6,239
Other	2,051	1,631	1,857	2,612	2,704	2,003	2,323	2,816	2,641	3,188
Total expenditures	42,696	44,221	46,988	50,628	55,111	70,124	80,142	71,795	70,262	76,399
Excess (deficiency) of revenues over (under) expenditures	(4,959)	(2,120)	(2,439)	(2,711)	(3,414)	(16,634)	(22,171)	(5,638)	(6,541)	(6,986)
Other financing sources (uses)										
Transfers in	1,711	2,144	2,040	2,402	1,538	2,115	2,923	2,780	2,794	3,695
Transfers out	(1,711)	(2,144)	(2,040)	(2,402)	(1,538)	(2,115)	(2,923)	(2,780)	(2,794)	(3,695)
Capital Lease proceeds	-	-	-	-	-	-	-	-	1,200	1,010
General obligation bonds and capital leases	6,493	4,770	4,932	4,000	24,579	14,628	10,665	7,014	4,000	8,513
Total other financing sources (uses)	6,493	4,770	4,932	4,000	24,579	14,628	10,665	7,014	5,200	9,523
Net change in fund balances	\$ 1,534	\$ 2,650	\$ 2,493	\$ 1,289	\$ 21,165	\$ (2,006)	\$ (11,506)	\$ 1,376	\$ (1,341)	\$ 2,537
Debt Service as a percentage of non-capital expenditures	13.50%	14.26%	14.19%	14.12%	12.95%	15.98%	7.35%	6.55%	6.67%	6.73%

Capital Outlay amounts available from 2003 on with the implementation of GASE 34.

Table 5

TOWN OF SCARBOROUGH, MAINE
General Governmental Expenditures by Function
Last Ten Fiscal Years

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Other	Capital expenditures	Total
1999	\$ 2,538	\$ 1,996	\$ 3,850	\$ 3,642	\$ 17,403	\$ 902	\$ 2,452	\$ 47	\$ -	\$ 32,830
2000	2,756	2,305	4,271	3,585	19,138	842	2,819	50	-	35,766
2001	2,923	2,504	4,465	4,103	20,721	933	3,046	57	-	38,752
2002**	3,041	2,325	4,706	4,108	22,688	1,062	3,040	102	1,234	42,306
2003	3,425	2,653	5,275	4,767	24,172	1,307	3,192	148	1,209	46,148
2004	3,568	2,572	5,934	4,877	26,281	1,442	5,046	-	653	50,373
2005	3,727	2,643	5,962	5,370	28,288	1,520	4,304	-	1,120	52,934
2006	4,340	2,849	6,180	5,702	30,348	1,584	4,065	280	835	56,183
2007	4,401	3,070	6,642	5,846	31,101	1,615	4,396	-	1,419	58,490
2008	4,483	3,103	6,986	6,765	32,865	1,735	4,721	-	2,666	63,324

Note: The Table above includes only those expenditures and transfers recorded in the General Fund.

** Effective June 30, 2002, the Town is accounting for Capital Equipment expenditures in the General Fund. Prior to that, these expenditures were reported in a budgeted capital project fund.

Table 6

TOWN OF SCARBOROUGH, MAINE
General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollar amounts expressed in thousands)

Fiscal Year	Property tax		Interest and Costs on taxes		Vehicle Excise tax		Boat Excise tax		Franchise tax fees		Total
1999	\$	22,184	\$	120	\$	2,929	\$	27	\$	-	\$ 25,260
2000		24,145		120		3,269		26		-	27,560
2001		25,778		102		3,412		19		-	29,311
2002		28,611		105		3,637		27		-	32,380
2003		30,547		179		3,828		27		-	34,581
2004		32,862		72		4,143		27		-	37,104
2005		35,549		58		4,228		26		143	40,004
2006		36,700		61		4,409		29		146	41,345
2007		38,034		80		4,416		26		156	42,712
2008		40,000		90		4,291		27		173	44,581

Table 7

TOWN OF SCARBOROUGH, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Real property		Personal property		Totals		Ratio of total assessed value to total estimated actual value
	Assessed property	Estimated actual value	Assessed property	Estimated actual value	Assessed property	Estimated actual value	
1999	\$ 1,138,292	\$ 1,138,292	\$ 67,852	\$ 67,852	\$ 1,206,144	\$ 1,206,144	100%
2000	1,180,279	1,180,279	79,051	79,051	1,259,330	1,259,330	100%
2001	1,230,378	1,230,378	83,306	83,306	1,313,684	1,313,684	100%
2002	1,764,041	1,764,041	94,304	94,304	1,858,345	1,858,345	100%
2003	1,831,117	1,831,117	99,459	99,459	1,930,576	1,930,576	100%
2004	1,903,869	1,903,869	99,118	99,118	2,002,987	2,002,987	100%
2005	1,951,952	1,951,952	105,637	105,637	2,057,589	2,057,589	100%
2006	3,143,853	3,143,853	112,989	112,989	3,256,842	3,256,842	100%
2007	3,207,720	3,207,720	109,778	109,778	3,317,498	3,317,498	100%
2008	3,272,789	3,272,789	124,442	124,442	3,397,231	3,397,231	100%

TOWN OF SCARBOROUGH, MAINE
 Property Tax Rates
 Direct and Overlapping Governments
 Last Ten fiscal Years

Fiscal Year	Town		School	Community Services	County Tax	Tax Increment Financing District		Overlay	State Revenue Sharing (1)	Total Property Tax Rates by Year
	Town	School				Financing District	District			
1999	6.826	11.107		0.349	0.748	0.702	0.702	0.103	(1.435)	18.40
2000	7.169	11.640		0.356	0.668	0.701	0.701	0.141	(1.476)	19.20
2001	7.250	12.168		0.327	0.710	0.686	0.686	0.106	(1.649)	19.60
2002	5.507	9.393		0.231	0.571	0.378	0.378	0.210	(0.991)	15.30
2003	5.487	9.871		0.201	0.677	0.373	0.373	0.051	(0.960)	15.70
2004	5.501	10.522		0.133	0.720	0.377	0.377	0.060	(0.853)	16.46
2005	5.535	11.332		0.110	0.739	0.387	0.387	0.036	(0.798)	17.34
2006	3.618	7.366		0.065	0.486	0.181	0.181	0.113	(0.529)	11.30
2007	3.835	7.392		0.077	0.487	0.192	0.192	0.031	(0.533)	11.48
2008	3.802	7.643		0.112	0.511	0.206	0.206	0.029	(0.504)	11.80

1 State Revenue Sharing for the State of Maine is to be used solely to reduce each municipalities property taxes.

TOWN OF SCARBOROUGH, MAINE
Principal Property Taxpayers
Current Year and Ten Years Ago
(amounts expressed in thousands)

1998					2008				
<u>Taxpayer</u>	Taxable		Percentage of		<u>Taxpayer</u>	Taxable		Percentage of	
	Assessed		Total Taxable			Assessed		Total Taxable	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Value</u>		<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Value</u>
James McBrady	\$ 19,964,200	1	1.68%		Maine Life Care	\$ 61,147,700	1	1.80%	
Wal-Mart	15,619,000	2	1.32%		Hannaford Brothers	34,147,400	2	1.01%	
Hannaford Brothers	13,612,400	3	1.15%		Wal-Mart/Sam's Club	29,455,600	3	0.87%	
Konica Quality Photo	9,927,600	4	0.84%		Shaws Supermarket	18,593,200	4	0.55%	
Gavin Ruotolo	9,698,100	5	0.82%		RPI Partners, LLC	16,939,300	5	0.50%	
Shaw's Supermarket	7,415,100	6	0.63%		Gavin Ruotolo	16,096,000	6	0.47%	
Central Maine Power	6,684,200	7	0.56%		MMC Realty	16,074,000	7	0.47%	
Ram Trust 2 & 3	6,077,900	8	0.51%		Scarborough Gallery	15,025,600	8	0.44%	
Davric Maine Corp.	5,462,000	9	0.46%		ERP Operating LP	11,922,700	9	0.35%	
Black Point Inn	4,508,300	10	0.38%		Davric Maine Corp.	10,047,500	10	0.30%	
Total Principal Taxpayers	<u>98,968,800</u>		<u>8.34%</u>			<u>229,449,000</u>		<u>6.75%</u>	
Total Assessed Value:	<u>\$ 1,186,155,300</u>					<u>\$ 3,397,230,200</u>			

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Within Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 22,202,538	\$ 21,745,877	97.9%	\$ 453,909	\$ 22,199,786	100.0%
2000	24,185,214	23,716,155	98.1%	466,189	24,182,344	100.0%
2001	25,765,523	25,339,458	98.3%	423,111	25,762,569	100.0%
2002	28,450,220	28,120,508	98.8%	324,293	28,444,801	100.0%
2003	30,348,015	30,103,820	99.2%	238,970	30,342,790	100.0%
2004	32,969,169	32,747,993	99.3%	211,751	32,959,744	100.0%
2005	35,735,569	35,422,791	99.1%	304,768	35,727,559	100.0%
2006	36,824,648	36,527,411	99.2%	281,761	36,809,172	100.0%
2007	38,139,961	37,852,666	99.2%	193,601	38,046,267	99.8%
2008	40,183,201	39,784,997	99.0%	-	39,784,997	99.0%

TOWN OF SCARBOROUGH, MAINE
Assessed Valuations and Tax Levies
Last Ten Fiscal Years
(dollar amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Personal Property Valuation</u>	<u>Total Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>
1999	\$ 1,138,292	\$ 67,851	\$ 1,206,143	\$ 18.40	\$ 22,193
2000	1,180,279	79,051	1,259,330	19.20	24,179
2001	1,230,378	83,306	1,313,684	19.60	25,748
2002	1,764,013	94,303	1,858,316	15.30	28,433
2003	1,831,117	99,459	1,930,576	15.70	30,310
2004	1,903,869	99,118	2,002,987	16.46	32,969
2005	1,951,952	105,637	2,057,589	17.34	35,679
2006	3,143,853	112,989	3,256,842	11.30	36,802
2007	3,207,720	109,778	3,317,498	11.48	38,085
2008	3,272,789	124,442	3,397,231	11.80	40,087

TOWN OF SCARBOROUGH, MAINE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Assessed Value</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Population*</u>	<u>Ratio of debt service to personal income</u>	<u>Debt Per Capita</u>
1999	\$34,071,571	\$1,206,143,900	2.82%	12,518	15.25%	2,722
2000	35,059,806	1,259,330,100	2.78%	16,970	11.57%	2,066
2001	35,787,515	1,313,684,200	2.72%	16,970	11.82%	2,109
2002	35,095,667	1,858,344,800	1.89%	16,970	11.59%	2,068
2003	54,759,228	1,930,576,300	2.84%	16,970	12.26%	3,227
2004	62,952,163	2,002,987,200	3.14%	16,970	14.09%	3,710
2005	67,737,433	2,057,589,000	3.29%	18,812	13.68%	3,601
2006	68,844,000	3,256,841,900	2.11%	18,812	13.90%	3,660
2007	66,845,000	3,317,497,800	2.01%	18,812	13.50%	3,553
2008	69,328,000	3,397,230,200	2.04%	18,812	13.95%	3,685

Table 12A

TOWN OF SCARBOROUGH, MAINE
Ratios of Capital Leases Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Assessed Value</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Population*</u>	<u>Ratio of debt service to personal income</u>	<u>Debt Per Capita</u>
1999	40,603	\$1,206,143,900	0.00%	12,518	0.02%	3
2000	321,863	1,259,330,100	0.03%	16,970	0.11%	19
2001	271,790	1,313,684,200	0.02%	16,970	0.09%	16
2002	331,372	1,858,344,800	0.02%	16,970	0.11%	20
2003	277,222	1,930,576,300	0.01%	16,970	0.06%	16
2004	208,444	2,002,987,200	0.01%	16,970	0.05%	12
2005	141,974	2,057,589,000	0.01%	18,812	0.03%	8
2006	72,541	3,256,841,900	0.00%	18,812	0.01%	4
2007	1,370,408	3,317,497,800	0.04%	18,812	0.28%	73
2008	2,025,032	3,397,230,200	0.06%	18,812	0.41%	108

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

See the Demographic and Economic Statistics on schedule 15 for personal income and population data.

* Source: U.S. Department of Commerce Bureau of the Census

TOWN OF SCARBOROUGH, MAINE
Ratio of Annual Debt Service Expenditures
for General Obligation Bonded Debt
to Total General Governmental Expenditures
Last Ten Fiscal Years
(dollar amounts expressed in thousands)

Fiscal year	Principal	Interest	Total debt service	Total general fund expenditures	Ratio of debt service to general fund expenditures
1999	\$ 3,203	\$ 1,927	\$ 5,130	\$ 32,829	15.63%
2000	3,782	1,905	5,687	35,766	15.90%
2001	4,204	1,858	6,062	38,752	15.64%
2002	4,692	1,895	6,587	42,305	15.57%
2003	4,915	1,634	6,549	46,463	14.10%
2004	6,435	2,358	8,793	50,373	17.46%
2005	5,880	2,634	8,514	52,934	16.08%
2006	5,907	2,846	8,753	56,185	15.58%
2007	5,999	2,821	8,820	59,017	14.94%
2008	6,030	2,739	8,769	64,806	13.53%

TOWN OF SCARBOROUGH, MAINE
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 173,295	\$ 188,018	\$ 206,243	\$ 235,755	\$ 279,720	\$ 323,745	\$ 380,820	\$ 430,980	\$ 488,370	\$ 529,673
Total net debt applicable to limit	34,072	35,060	35,788	35,096	54,759	62,952	67,737	68,844	66,845	69,328
Legal debt margin	139,223	152,958	170,455	200,659	224,961	260,793	313,083	362,136	421,525	460,345
Total net debt applicable to the limit as a percentage of debt limit	19.66%	18.65%	17.35%	14.89%	19.58%	19.44%	17.79%	15.97%	13.69%	13.09%

Note: Under state finance law, the Town of Scarborough's outstanding general obligation debt should not exceed 15 percent of total assessed property value.
 By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 15

TOWN OF SCARBOROUGH, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Per Capita				Median Age (a)	School Enrollment (c)	Unemployment Rate (d)
	Population (a)	Personal Income (b)	Personal Income (a)	Personal Income (a)			
1999	12,518	\$ 223,433,782	\$ 17,849	35.20	2,785	1.80%	
2000	16,970	302,897,530	17,849	35.20	2,893	1.40%	
2001	16,970	302,897,530	17,849	35.20	3,037	1.80%	
2002	16,970	302,897,530	17,849	35.20	3,137	2.00%	
2003	16,970	446,667,370	26,321	38.80	3,210	2.20%	
2004	16,970	446,667,370	26,321	38.80	3,234	2.90%	
2005	18,812	495,150,652	26,321	38.80	3,308	3.00%	
2006	18,812	495,150,652	26,321	38.80	3,324	3.00%	
2007	18,812	495,150,652	26,321	38.80	3,361	3.40%	
2008	18,880	496,940,480	26,321	38.80	3,347	4.00%	

(a) For years 1999 through 2000, 1990 Census, U.S. Department of Commerce, Bureau of Census and for years 2001 through 2008, 2000 Census, U.S. Department of Commerce, Bureau of Census.

(b) Personal income equals per capita income times the population.

(c) State of Maine Department of Education, April 1 Census, 2006 data is from October 1, 2005 Census data.

(d) State of Maine Department of Labor, Division of Economic Analysis and Research.

TOWN OF SCARBOROUGH, MAINE
Principal Employers
Current Year and Ten Years Ago

1998			2008			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	<u>Percentage of total Town Employment</u>
Town of Scarborough	1,139	1	Town of Scarborough	1,346	1	9.58%
Hannaford Brothers	790	2	Hannaford Brothers	1,169	2	8.32%
Konica Quality Photo	300	3	Postal Service Distribution Ctr	632	3	4.50%
UNUM	180	4	Cabela's	292	4	2.08%
Wal-Mart	161	5	NorDX	256	5	1.82%
Humpty Dumpty	155	6	Johnson & Jordan	250	6	1.78%
Sam's Wholesale Club	135	7	Wal-Mart	223	7	1.59%
RTS Packaging	110	8	Sam's Wholesale Club	173	8	1.23%
Rich Tool & Die Co.	105	9	Piper Shores	150	9	1.07%
R.C. Moore Trucking	103	10	Scarborough Downs	150	10	1.07%

* Source: Scarborough Economic Development Corporation

Note: 1998 employment data unavailable

2008 Total town employment estimate: 14,054

TOWN OF SCARBOROUGH, MAINE
Unemployment Data
Last Nine Fiscal Years

Fiscal Year ending June 30,	Portland Metropolitan Statistical Area (PMSA)*	State of Maine
2000	2.3%	3.0%
2001	2.7%	3.5%
2002	3.3%	4.2%
2003	3.7%	4.9%
2004	3.4%	4.3%
2005	3.6%	4.6%
2006	3.5%	4.4%
2007	3.4%	4.2%
2008	4.0%	5.0%

* The Maine Department of Labor provides unemployment data for various regions of the State of Maine. While data is not specifically provided for the Town of Scarborough, we are included in the region known as the Portland Metropolitan Statistical Area (PMSA).

Data can be found at: www.state.me.us/labor/lmis/laus.html

TOWN OF SCARBOROUGH, MAINE
Operating Indicators by Function
Last Ten Fiscal Years
 (amounts expressed in thousands)

Function:	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Govt:										
Town Clerk										
Certified Copies	1,063	1,063	1,063	1,565	1,750	1,462	1,185	1,462	1,187	2,098
Licenses & Permits	3,614	3,707	3,724	4,045	3,937	2,524	360	296	365	432
Passports Applications							379	548	882	792
Tax Office										
Beach Passes	2,189	2,277	2,512	1,999	2,282	2,714	1,886	2,003	2,192	3,436
Licenses & Permits							1,847	1,643	1,298	1,166
Planning:										
Permits	1,704	1,682	1,728	1,688	1,576	1,649	1,501	1,561	1,438	1,346
Certificates of Occupancy	302	342	287	302	309	321	340	353	242	207
Public Safety:										
Police:										
Physical arrests	273	349	429	587	634	401	332	822	719	906
Traffic violations	1,754	2,892	2,263	2,637	2,455	1,976	1,077	1,337	975	792
Fire:										
Number of calls answered	1,890	1,836	1,894	2,035	2,200	2,251	2,450	2,356	2,300	1,303
Number of Inspections		364	392	388	455	445	472	642	884	1,825
Rescue:										
Number of calls answered	1,652	1,665	1,796	1,962	2,159	2,407	2,506	2,247	2,673	2,069
Public Works:										
Street resurfacing (miles)	4.02	4.71	3.37	3.71	4.19	1.94	5.26	6.03	7.32	3.90
Pot holes repaired (qty used in tons)	21	20	22	19	30	43	82	71	61	42
No. times plows dispatched	45	46	51	42	20	19	24	53	15	33

Source: Town of Scarborough

TOWN OF SCARBOROUGH, MAINE
Department Listings by Division, Department and Function

Division	Department	Function	Division	Department	Function
General Government:	Legislative	Town Council	Public Works:	Public Works:	Road/Highway Maint.
	Administration:	Administration		Vehicle Maint.	
	Town Clerk	Traffic Signals			
	Elections	Engineering/GIS			
	Human Resources	Solid Waste			
	Legal	Water Charges			
	Municipal Insurance	Street Lighting			
	Municipal Building	Cemetery Care			
	Public Information	Memorials			
	Outside Agency Requests	Shade Trees			
	Finance:	Accounting		Education:	Kindergarten
	Tax/Treasury	Purchasing			Elementary
	Assessing	Planning			Secondary
	Planning:	Code Enforcement	Instruction Improvement		
	Zoning & Planning Boards	Information Syst.	Special Services		
	Information Syst.		General & Special Administration		
Public Service:	Community Serv:	Recreation	Board of Education		
		Senior's Programs	Office of the Superintendent		
		Parks	Business Administration		
		Child Care	Transportation		
		Beach Care	Operation & Maintenance of Plant		
		Grounds Maintenance	Debt Service		
		Local Access Cable TV			
		Public Assistance	Welfare/Health Assist.		
		Economic Develop.			
		Library			
Public Safety:	Fire:	Fire Suppression			
		Fire Prevention			
		Rescue			
		Emergency Preparedness			
	Police:	Patrol			
		Dispatch			
		Marine Resources			

Source: Town of Scarborough

Table 20

TOWN OF SCARBOROUGH, MAINE
Town Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Govt:										
Full time			34	35	35	35	35	35	37	37
Pt Time			47	52	36	58	19	59		
Public Services:										
Full time			13	13	13	14	14	15		
Pt Time			106	89	77	99	103	130		
Public Safety:										
Police										
Full time			46	46	47	48	51	52		
Pt Time			37	35	28	33	27	27		
Fire										
Full time			4	4	4	4	4	4		
Pt Time			177	155	159	144	152	167		
Rescue										
Full time			9	9	9	9	12	12		
Pt Time			14	21	16	18	15	14		
Public Works:										
Full time	32	30	30	31	31	32	32	32	33	36
Pt Time	0	0	0	0	2	1	3	2	2	3
Education:										
Total:					N/A	886	881	891	842	824
Total:			520	1378	1340	1387	1311	1380		

Source: Town of Scarborough

Comment: Not All data for Fiscal Years 1999 through 2002 available.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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BERNSTEIN SHUR

C O U N S E L O R S A T L A W

100 Middle Street
PO Box 9729
Portland, ME 04104-5029

(Date of Closing)

(Purchaser)

We have examined the law and certified proceedings submitted in connection with the issuance and sale of \$4,560,000 aggregate principal amount of 2009 General Obligation Bonds (the "Bonds") of the Town of Scarborough, Maine (the "Issuer"), a public municipal corporation in the State of Maine organized and existing under and pursuant to the Charter of the Town of Scarborough, Maine (the "Charter").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The Bonds are issued under and pursuant to the Charter and the provisions of Title 30-A, Section 5772 of the Maine Revised Statutes, as amended and supplemented to date.

The Bonds are dated May 1, 2009, and will mature on the dates and in the respective principal amounts and will bear interest from their date, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2009, at the respective rates per annum, as follows:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2009	\$305,000	%	2019	\$110,000	%
2010	400,000	%	2020	100,000	%
2011	400,000	%	2021	100,000	%
2012	400,000	%	2022	100,000	%
2013	400,000	%	2023	100,000	%
2014	400,000	%	2024	100,000	%
2015	315,000	%	2025	100,000	%
2016	310,000	%	2026	100,000	%
2017	310,000	%	2027	100,000	%
2018	310,000	%	2028	100,000	%

The Bonds maturing on and before November 1, 2018 are not subject to redemption prior to their respective dates of maturity. The Bonds maturing after November 1, 2018 are subject to redemption prior to maturity, at the option of the Issuer, on and after November 1, 2018.

The Bonds will be issued in fully registered form without coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. The Bonds are lettered R and shall be numbered from one (1) upwards.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from the gross income of the owners thereof 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 of the Bonds, regardless of when such noncompliance occurs. The Issuer, in executing its Arbitrage and Tax Certificate, has certified to the effect that the Issuer 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, for purposes of federal income tax, be excluded from the gross income of the owners thereof. In rendering this opinion, we have assumed that the Issuer will comply with the provisions and procedures set forth in its Arbitrage Certificate and Tax Certificate.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer has been duly created and validly exists as a public municipal corporation under and pursuant to the laws of the State of Maine.

2. The Issuer is duly authorized to issue the Bonds which have been duly and validly authorized and issued in accordance with law and constitute valid general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied, subject to certain procedural limitations under Section 5721-A of Title 30-A of the Maine Revised Statutes as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it, except to any extent that the Issuer may enter into an agreement under Title 30-A, Chapter 223, Subchapter V, of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality and except to the extent that the Issuer may establish municipal development districts or affordable housing districts pursuant to Title 30-A, Chapters 206 and 207 of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.

3. Under existing statutes and court decisions (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. Under existing statutes, interest of the Bonds is exempt from the State of Maine Income Tax imposed on individuals. The opinions set forth in the preceding sentences are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

4. The Bonds will constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined an executed Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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**TOWN OF SCARBOROUGH, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

In connection with the issuance by the Town of Scarborough, Maine (the "Issuer") of its \$4,560,000 2009 General Obligation Bonds, dated as of May 1, 2009 (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 May ___, 2009 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 (A) prior to July 1, 2009 to each nationally recognized municipal securities information repository ("NRMSIR") and the appropriate state information depository for the State of Maine ("SID"), if any (as of the date hereof there is no SID for Maine), and (B) on and after July 1, 2009, 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, 2009, 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) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension 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. Any filing under this certificate prior to July 1, 2009 may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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 (A) prior to July 1, 2009 to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and the SID, if any, and (B) on and after July 1, 2009, to the Municipal Securities Rulemaking Board ("MSRB") established under the Securities and Exchange Act of 1934, as amended, or any successor thereto, notice of the occurrence of any of the following events with respect to the Bonds, if material:
 - Principal and interest payment delinquencies;
 - Non-payment related defaults;
 - Unscheduled draws on debt service reserves reflecting financial difficulties;
 - Unscheduled draws on credit enhancements reflecting financial difficulties;
 - Substitution of credit or liquidity providers, or their failure to perform;
 - Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - Modifications to the rights of securities holders;
 - Bond calls;
 - Defeasances;
 - The release, substitution, or sale of property securing repayment of the Bonds; or
 - Rating changes.

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 each NRMSIR or to the MSRB and to the SID, if any, 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 provisions of state legislation establishing the SID or otherwise responding to 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. The NRMSIRs as of the date of this Continuing Disclosure Certificate are set forth in EXHIBIT A hereto.
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. Except for a late filing for fiscal year ended June 30, 2003, due to its initial compliance with GASB Rule 34, 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.
9. The Issuer's Finance Director, 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: Ruth D. Porter, Finance Director, Town of Scarborough, 259 U.S. Route 1, P.O. Box 360, Scarborough, ME 04070-0360; Telephone: (207) 883-4301.

Dated: _____, 2008

TOWN OF SCARBOROUGH, MAINE
By: _____
Its: _____

EXHIBIT A

NRMSIRs:

Bloomberg Financial Markets

Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
PHONE: (609) 279-3225
FAX: (609) 279-5962
www.MUNIS@bloomberg.com

DPC Data, Inc.

One Executive Drive
Fort Lee, NJ 07024
PHONE: (201) 346-0701
FAX: (201) 947-0107
www.nrmsir@dpdata.com

Standard & Poor's Securities Evaluations, Inc.

Attention: Repository
55 Water Street, 45th Floor
New York, NY 10041
PHONE: (212) 438-4595
FAX: (212) 438-3975
www.nrmsir-repository@sandp.com

FT Interactive Data

Attn: NRMSIR
100 William Street
New York, NY 10038
PHONE: (212) 771-6999
FAX: (212) 771-7390
www.nrmsir@FTID.com

OR TO THE CPO:

Disclosure USA

600 W. 8th Street (78701)
P.O. Box 684667 (78768-4667)
Austin, TX
PHONE: (512) 476-6947
FAX: (512) 476-6403 (FAX)
www.disclosureusa.org

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