



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

NEW ISSUE

**Moody's: Aa3
S&P: AA**

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. Such interest is not includable in the adjusted current earnings of a corporation for purposes of computing the alternative minimum 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
\$6,002,000
2010 GENERAL OBLIGATION BONDS**

Dated: April 15, 2010

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>
2011	\$482,000	2.00%	0.75	2021	\$280,000	3.75%	3.50
2012	485,000	2.00	1.15	2022	280,000	4.00	3.60
2013	470,000	2.00	1.45	2023	280,000	4.00	3.68
2014	470,000	2.50	1.80	2024	280,000	4.00	3.75
2015	470,000	2.50	2.15	2025	280,000	4.00	NRO
2016	345,000	3.00	2.55	2026	100,000	4.00	NRO
2017	345,000	3.25	2.80	2027	100,000	4.00	NRO
2018	345,000	3.50	3.00	2028	100,000	4.00	NRO
2019	345,000	3.50	3.15	2029	100,000	4.00	NRO
2020	345,000	3.75	3.35	2030	100,000	4.00	NRO

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 and with one denomination of \$2,000 Bonds that will mature in 2011. 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, 2010 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 \$1,067,600 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, 2020 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after November 1, 2020 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2020 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 April 29, 2010.

Eastern Bank

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
\$6,002,000
2010 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 2010 General Obligation Bonds (the "Bonds" or the "2010 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 and with one denomination of \$2,000 Bonds that will mature in 2011. The Bonds will be dated April 15, 2010 and will bear interest, payable on November 1, 2010, 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>
\$482,000	2011	806075UZ8	\$280,000	2021	806075VK0
485,000	2012	806075VA2	280,000	2022	806075VL8
470,000	2013	806075VB0	280,000	2023	806075VM6
470,000	2014	806075VC8	280,000	2024	806075VN4
470,000	2015	806075VD6	280,000	2025	806075VP9
345,000	2016	806075VE4	100,000	2026	806075VQ7
345,000	2017	806075VF1	100,000	2027	806075VR5
345,000	2018	806075VG9	100,000	2028	806075VS3
345,000	2019	806075VH7	100,000	2029	806075VT1
345,000	2020	806075VJ3	100,000	2030	806075VU8

It is expected that the Bonds will be available for delivery at DTC on or about April 29, 2010.

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, 2020 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after November 1, 2020 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2020, 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

Payment of principal of and 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; and 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 final readings of the Town Council at its meetings held on September 17, 2003 (Order No. 03-116), July 20, 2005 (Order No. 05-79), September 17, 2008 (Orders No. 08-122 and 08-123), February 17, 2010 (a portion of Order No. 10-11 and Order No. 10-12 in its entirety), March 3, 2010 (the Town's Capital Equipment portion of Order No. 10-11) and March 17, 2010 (Orders No. 10-30 and 10-31) (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>Dates of</u> <u>Final Rdg.</u>	<u>Bond</u> <u>Order</u>	<u>Project</u> <u>Description</u>	<u>Auth.</u>	<u>Prev.</u> <u>Fin.</u>	<u>Unissued</u>	<u>2010</u> <u>Bonds</u>	<u>Yrs</u>	<u>Totals</u>
2/17/2010	10-12	New Tech. Equip	\$18,500	\$0	\$18,500	\$18,500	2	
2/17/2010	10-12	WWI Fencing	25,000	0	25,000	9,000	2	
		Sub-total School (2 years)						\$27,500
2/17/2010	10-12	DW Move Equip-Mach	75,000	0	75,000	20,000	5	
2/17/2010	10-12	DW Pave Maint.	30,000	0	30,000	29,000	5	
2/17/2010	10-12	HS Dumpster Pad	30,000	0	30,000	29,100	5	
9/17/2008	08-123	WI Interior Finishes	50,000	(30,000)	20,000	20,000	5	
9/17/2008	08-123	IS Equip Replac	210,460	0	210,460	100,000	5	
9/17/2008	08-123	Bldg Envelope	65,000	0	65,000	30,000	5	
		Sub-total School (5 years)						228,100
3/3/2010	10-11	PD Aux Veh Replac Prog	32,000	0	32,000	27,000	5	
3/3/2010	10-11	Motorola Radio Comp	147,626	0	147,626	142,000	5	
3/3/2010	10-11	Traffic Mstr Sys Equip	25,000	0	25,000	25,000	5	
3/3/2010	10-11	Traffic Signl Gen Con	15,000	0	15,000	15,000	5	
3/3/2010	10-11	Lib Shelving/Fixtures/Comp	12,000	0	12,000	12,000	5	
3/3/2010	10-11	Lib Mat Handling Hardware	28,700	0	28,700	28,700	5	
2/17/2010	10-11	Old Millbrook Drain Stdy & Improv	35,000	0	35,000	35,000	5	
9/17/2008	08-122	Lib Street Side Sign Replac	40,000	0	40,000	40,000	5	
9/17/2008	08-122	Lib Brick Wall Clean/Repair	45,000	0	45,000	45,000	5	
9/17/2008	08-122	Lib Restroom Renov	20,000	0	20,000	20,000	5	
		Sub-total Town (5 years)						389,700
2/17/2010	10-12	WWI Mech & Plumb	235,000	0	235,000	235,000	10	
2/17/2010	10-12	MS HVAC	50,000	0	50,000	50,000	10	
2/17/2010	10-12	DW Flr'g	150,000	0	150,000	100,000	10	
9/17/2008	08-123	Gym Renov	45,000	0	45,000	42,000	10	
9/17/2008	08-123	DW Flr'g Prop	170,000	(130,000)	40,000	40,000	10	
9/17/2008	08-123	DW Move Equip	75,000	(30,000)	45,000	45,000	10	
		Sub-total School (10 years)						512,000
2/17/2010	10-11	Dunstan Corner Trans Improv	90,000	0	90,000	90,000	10	
2/17/2010	10-11	Running Hill Rd Trans Improv	50,000	0	50,000	50,000	10	
2/17/2010	10-11	FD Fire Sta Roofs	12,700	0	12,700	12,700	10	
		Sub-total Town (10 years)						152,700
2/17/2010	10-12	DW Roofing	425,000	0	425,000	300,000	15	
		Sub-total School (15 years)						300,000
3/3/2010	10-11	PW Sweeper #4200	238,000	0	238,000	238,000	15	
3/3/2010	10-11	PW Plow Truck #4026	175,000	0	175,000	160,505	15	
2/17/2010	10-11	ADA/Engy Improv	85,000	0	85,000	85,000	15	
2/17/2010	10-11	Pub Sfty/Eng 7 Roof	92,145	0	92,145	92,145	15	
2/17/2010	10-11	Mid-Level Rd Rehab	420,000	0	420,000	420,000	15	
2/17/2010	10-11	Pine Point Rd Improv	170,000	0	170,000	170,000	15	
2/17/2010	10-11	Running Hill Rd Improv	591,000	0	591,000	591,000	15	
2/17/2010	10-11	Burnham Rd	421,000	0	421,000	421,000	15	
3/17/2010	10-30	Lib Cap Budg Amend	273,000	0	273,000	273,000	15	
		Sub-total Town (15 years)						2,450,650
2/17/2010	10-11	Old County Rd Drain Stdy & Improv	1,350,000	0	1,350,000	1,150,000	20	
		Parks/Land Conservation:	2,500,000	(47,400)	2,452,600			
7/20/2005	03-116	Whitten Prop	0	0	0	156,950	20	
3/17/2010	10-31	Higgins Beach Prop	0	0	0	634,400	20	
		Sub-total Town (20 years)						1,941,350
		Totals	\$8,522,131	(\$237,400)	\$8,284,731	\$6,002,000		\$6,002,000

AMORTIZATION OF THE BONDS

Due Nov. 1,	School Projects					Town Projects					Total Projects
	2 yr	5 yr	10 yr	15 yr	Total	5 yr	10 yr	15 yr	20 yr	Total	
2011	\$13,750	\$45,620	\$51,200	\$20,000	\$130,570	\$77,940	\$15,270	\$163,380	\$94,840	\$351,430	\$482,000
2012	13,750	45,620	51,200	20,000	130,570	77,940	15,270	163,380	97,840	354,430	485,000
2013		45,620	51,200	20,000	116,820	77,940	15,270	163,380	96,590	353,180	470,000
2014		45,620	51,200	20,000	116,820	77,940	15,270	163,380	96,590	353,180	470,000
2015		45,620	51,200	20,000	116,820	77,940	15,270	163,380	96,590	353,180	470,000
2016			51,200	20,000	71,200		15,270	163,375	95,155	273,800	345,000
2017			51,200	20,000	71,200		15,270	163,375	95,155	273,800	345,000
2018			51,200	20,000	71,200		15,270	163,375	95,155	273,800	345,000
2019			51,200	20,000	71,200		15,270	163,375	95,155	273,800	345,000
2020			51,200	20,000	71,200		15,270	163,375	95,155	273,800	345,000
2021				20,000	20,000			163,375	96,625	260,000	280,000
2022				20,000	20,000			163,375	96,625	260,000	280,000
2023				20,000	20,000			163,375	96,625	260,000	280,000
2024				20,000	20,000			163,375	96,625	260,000	280,000
2025				20,000	20,000			163,375	96,625	260,000	280,000
2026					0				100,000	100,000	100,000
2027					0				100,000	100,000	100,000
2028					0				100,000	100,000	100,000
2029					0				100,000	100,000	100,000
2030					0				100,000	100,000	100,000
	\$27,500	\$228,100	\$512,000	\$300,000	\$1,067,600	\$389,700	\$152,700	\$2,450,650	\$1,941,350	\$4,934,400	\$6,002,000

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 \$1,067,600 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

There are two basic forms of local government in Maine: the “Direct” form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* Form of Government, the most common in Maine currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (37 cities or towns) and *Council/Mayor/Administrator* (four cities in Maine).

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 17 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 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

Reorganization of School Administrative Units

The School Consolidation Law (Public Law 2007, Chapter. 240 (subsequently amended by Public Law 2007, Chapter 668) was enacted with the goal of reorganizing and consolidating existing School Administrative Units (“SAU”) into Regional School Units (“RSUs”). 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.

Department of 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.

Portland Arts and Technology High School

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

The law regarding the funding of Portland Arts and Technology High School (“PATHS”) was changed by Private and Special Laws of Maine for its 2000/2001 school year such that Scarborough no longer pays per student tuition to Portland but pays for attendance through a cost sharing agreement. State subsidy for PATHS no longer goes entirely to Portland; rather each sending school receives some subsidy for CTE based on their costs for student enrollment at PATHS. For the school year 2009/2010, the Scarborough School Department’s assessment is 4.02% of the total of the 2007/2008 Part I cost and the 2009/2010 Part II cost for PATHS. This represents the enrollment average for October 1, 2006 and October 1, 2007, being 24.5 FTE students from Scarborough of the 608.5 student total enrollment average for PATHS.

Enrollment Trends

April 1,	Grades					Total Enrollment
	K-2	3-5	6-8	9-12	Other	
2009	750	728	810	1,048	7	3,343
2008	714	772	828	1,024	9	3,347
2007	718	790	797	993	8	3,306
2006	724	790	803	1,007	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

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 such that the Scarborough Public Library Corporation was organized and recorded. On December 6, 1899, it was voted to build a library building and 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 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 and, following her death, in 1921, a trust fund was left 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.

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. A one-floor 12,000 square feet library building, located in the central Oak Hill area, opened in 1990.

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 with a Library Director who oversees a staff of five full-time and 16 part-time employees and various volunteers.

LABOR RELATIONS

The Town employs approximately 562 full-time and various part-time personnel, and approximately 807 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:

Union ⁽¹⁾	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	30	July 1, 2008	June 30, 2011
SPA	Dispatchers	8	July 1, 2008	June 30, 2011
SPA	Paramedics	15	July 1, 2009	June 30, 2010
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; "SPA" includes Scarborough Paramedics Association or the Scarborough Public Safety Dispatchers Association, affiliated with the International Association of Firefighters ("IAFF") affiliate of the American Federation of Labor & Congress of Industrial Organizations ("AFL/CIO") as separate bargaining units; "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.

EMPLOYMENT

Representative Employer	Type of Business	Approximate Number of Employees
Hannaford Brothers	Supermarket Chain & Corporate Office	1,109
Postal Service Distribution Ctr	Distribution	635
NorDX	Medical Laboratory	286
Wal-Mart	Retail Department Store	275
Cabela's	Sports Equipment	270
Shaw's	Supermarket Chain	250
Piper Shores	Nursing Home	192
Sam's Wholesale Club	Wholesale Department Store	186
Johnson & Jordan	Mechanical Contractors	167
Stantec	Engineering Services	153

SOURCE: Scarborough Economic Development Corporation.

COMMUTER TRENDS

People who work in Scarborough, but live in:	Number of Workers	% Scarborough Workforce
Scarborough	2,387	24.52%
Portland	1,061	10.90
South Portland	649	6.67
Saco	525	5.39
Biddeford	448	4.60
Old Orchard Beach	414	4.25
Westbrook	389	4.00
Gorham	338	3.47
Buxton	311	3.20
Windham	246	2.53
All Other	2,965	30.46
	<u>9,733</u>	<u>100.00%</u>

People who live in Scarborough, but work in:	Number of Workers	% Scarborough Workers
Portland	2,709	31.05%
Scarborough	2,387	27.36
South Portland	1,410	16.16
Westbrook	380	4.36
Gorham	223	2.56
Saco	220	2.52
Freeport	119	1.36
Falmouth	116	1.33
Biddeford	115	1.32
Cape Elizabeth	106	1.22
All Other	939	10.76
	<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.

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
2009	47,539	41,354	21,975	129,390	71,500	26,774	54,332	392,864	345,325
2008	59,956	53,132	21,863	119,227	61,808	26,598	50,260	392,844	332,887
2007	64,616	38,068	21,611	121,064	20,874	28,526	43,314	338,073	273,457
2006	74,371	31,443	19,950	126,021	19,906	27,932	42,248	341,872	267,501
2005	68,042	27,163	18,554	126,485	15,767	29,575	40,514	326,100	258,057
2004	62,306	23,339	17,834	132,589	14,957	28,798	39,129	318,951	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

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		
2009	16	\$30,286.2	53	\$21,820.3	47	\$62,154.1	268	\$61,243.5	384	\$175,504.1
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

ECONOMIC CHARACTERISTICS

	-----% Change-----			
Population	Town of Scarborough	Town	State	USA
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 Scarborough	Cumberland County	State of Maine	USA
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 Scarborough	Cumberland County	State of Maine	USA
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 Scarborough	Cumberland County	State of Maine	USA
% 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 Scarborough	Cumberland County	State of Maine	USA
2009	5.6%	6.4%	8.0%	9.3%
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
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,

	2006	2007	2008	2009	2010
EXPENDITURES					
General government	\$3,759,665	\$4,093,567	\$4,250,361	\$4,358,084	\$4,598,652
Public services	2,685,032	2,869,959	2,924,357	3,134,633	3,175,563
Public safety	6,361,045	6,755,786	6,995,577	7,563,495	7,840,302
Public works	5,683,601	6,135,470	6,305,800	6,501,204	6,539,503
Education	30,745,456	32,033,553	33,489,615	33,145,994	35,199,614
County Tax	1,584,344	1,614,651	1,735,302	1,836,509	1,885,984
Debt service	4,098,398	4,409,714	4,717,767	4,935,548	4,750,145
CIP	596,200	1,368,569	1,878,746	947,360	1,055,426
TOTAL EXPENDITURES	55,513,741	59,281,269	62,297,525	62,422,827	65,045,189
REVENUES					
Taxes	41,182,213	42,800,875	44,611,816	46,929,139	47,279,994
Licenses and permits	536,235	713,008	667,115	602,140	406,890
Intergovernmental	8,562,141	9,368,710	9,372,942	9,908,963	9,937,412
Interest earned	130,000	182,000	227,000	227,000	100,000
Other	3,035,745	3,957,635	3,807,265	4,629,952	4,536,004
TOTAL REVENUES	53,446,334	57,022,228	58,686,138	62,297,194	62,260,300
OTHER SOURCES					
Operating transfers	1,580,562	1,149,718	2,253,882	1,399,606	532,747
Prior year fund balance	475,000	475,000	540,000	799,770	1,700,000
Overlay	(369,155)	(101,427)	(99,688)	(73,743)	(274,184)
Bond and note proceeds	381,000	735,750	917,193	0	826,326
TOTAL OTHER	2,067,407	2,259,041	3,611,387	2,125,633	2,784,889
TOTAL BUDGET	\$55,513,741	\$59,281,269	\$62,297,525	\$64,422,827	\$65,045,189

CAPITAL IMPROVEMENT PLAN

The Town's Capital Improvement Program ("CIP") is an integral part of the annual budget process. A complete list of near term improvements is included as part of the Town Manager's budget submission for all Town functions. The plan includes projects anticipated within the coming one-to-two year period with an indication of how the Town anticipates funding the improvement(s). Certain CIP items are longer term in nature and while the near term projects are specified within the budget submission, the longer term goals are updated, reviewed and approved via the Town on a regular basis. The issuance of debt, however, is subject to the review and approval of the Town Council and, pursuant to Section 901.3 of the Town's Charter is subject to a petition for overrule of Council action of orders authorizing bond issues of \$100,000 or more for a single capital improvement or equipment, by the initiative and referendum provisions of the Town's Charter, providing that the procedure is within 20 days following the enactment of such ordinance; and Section 905 of the Town's Charter which requires voter referendum approval for bond issues of \$400,000 or more for a single capital improvement or capital equipment.

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>	<u>2009/2010</u>
State Personal Income Factor:	2.58%	2.62%	2.47%	2.24%	2.28%
Town Prop Growth Factor:	<u>2.73</u>	<u>1.83</u>	<u>2.34</u>	<u>2.57</u>	<u>2.64</u>
Growth Limitation Factor:	5.31%	4.45%	4.81%	4.81%	4.92%
Property Tax Levy Limit:	\$10,831,236	\$11,297,115	\$11,857,392	\$12,437,733	\$13,211,025
Property Tax Levy:	<u>10,564,959</u>	<u>11,210,876</u>	<u>11,587,653</u>	<u>12,567,077</u>	<u>13,426,693</u>
Over/(below) Property Tax Levy Limit:	(\$266,277)	(\$86,239)	(\$269,739)	\$129,344	\$215,668

INVESTMENT POLICY

While the Town has not established a formal Investment Policy, however, 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.

FUND BALANCE POLICY

The Town has established, and follows, a formal Fund Balance Policy that recognizes the importance of maintaining an appropriate level of unrestricted 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 unrestricted fund balances of the General Fund of the Town.

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 but not to fall below 5.0%. Once the Town achieves an unrestricted fund balance equal to 8.3% of the Town's Operating Budget, any excess above 10.0% is to be assigned for capital needs or property tax stabilization. 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. To the extent that the fund balance is not maintained to the level of its goal, the unrestricted fund balance target, achieved through savings or through appropriations, should be realized in a period not to exceed five years.

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Unreserved General Fund Balance	\$7,760,008	\$8,226,275	\$8,317,308	\$8,974,492	\$8,173,847
Total Revenues (Current Year)	51,583,396	54,291,753	57,194,572	61,362,787	65,367,223
Fund Bal as % Revenues	15.04%	15.15%	14.54%	14.63%	12.50%
Undesignated General Fund Balance	\$4,366,474	\$5,519,830	\$5,646,355	\$6,222,425	\$6,355,529
Total Revenues (Current Year)	51,583,396	54,291,753	57,194,572	61,362,787	65,367,223
Fund Bal as % Revenues	8.46%	10.17%	9.87%	10.14%	9.72%

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 2009 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, 2008. This is the fourth 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,)**

	2009	2008	2007	2006	2005
ASSETS					
Cash and cash equivalents	\$4,691,357	\$3,972,040	\$7,916,097	\$6,551,527	\$9,421,858
Investments	4,803,188	7,724,325	3,019,928	3,307,048	533,400
Receivables:					
Accounts receivable	617,828	487,613	606,045	403,966	472,345
Taxes receivable	136,958	132,608	103,975	59,797	60,561
Tax liens	559,400	456,920	363,401	407,661	421,274
Interfund receivable	3,152,886	877,117	483,340	1,041,875	265,420
Tax acquired property	7,231	7,231	7,231	7,231	7,231
TOTAL ASSETS	13,968,848	13,657,854	12,500,017	11,779,105	11,182,089
LIABILITIES					
Accounts payable	1,057,383	1,005,571	806,517	695,103	586,549
Accrued payroll	3,459,260	3,189,200	2,599,530	2,457,799	2,419,588
Accrued absences	22,425	65,218	0	0	
Taxes collected in advance	69,250	15,003	31,279	17,928	15,944
Deferred tax revenue	556,721	408,370	370,000	382,000	400,000
TOTAL LIABILITIES	5,165,039	4,683,362	3,807,326	3,552,830	3,422,081
EQUITY					
Fund balances:					
Reserved	629,962	617,834	674,006	771,193	697,126
Unreserved:					
Undesignated	6,355,529	6,222,425	6,021,738	5,519,830	4,366,474
Designated	1,818,318	2,134,233	1,996,947	1,935,252	2,696,408
TOTAL EQUITY	8,803,809	8,974,492	8,692,691	8,226,275	7,760,008
TOTAL LIABILITIES AND EQUITY	\$13,968,848	\$13,657,854	\$12,500,017	\$11,779,105	\$11,182,089

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,)

	2009	2008	2007	2006	2005
REVENUES					
Taxes	\$46,401,191	\$44,581,175	\$42,712,153	\$41,345,663	\$40,003,836
Licenses and permits	482,314	817,847	753,026	611,420	566,483
Intergovernmental	13,526,908	12,605,805	11,794,756	10,828,778	10,242,806
Interest earned	137,533	344,371	404,622	260,661	159,450
Other	4,819,277	6,197,182	3,955,173	3,553,702	3,186,023
TOTAL REVENUES	65,367,223	64,546,380	59,619,730	56,600,224	54,158,598
EXPENDITURES					
General government	4,533,475	4,482,678	4,400,675	4,340,348	3,727,031
Public services	3,703,541	3,102,548	3,070,038	2,849,393	2,642,914
Public safety	7,399,328	6,986,430	6,641,973	6,179,751	5,921,309
Public works	6,259,412	6,765,228	5,846,056	5,702,033	5,370,322
Education	37,551,686	36,113,916	33,652,081	32,791,793	30,919,216
County tax	1,836,509	1,735,302	1,614,651	1,584,344	1,519,714
Other	0	0	0	0	40,638
Debt service	5,070,061	4,720,620	4,396,007	4,065,377	4,304,201
Capital improvements	2,177,893	3,675,867	2,618,995	1,114,864	1,119,917
TOTAL EXPENDITURES	68,531,905	67,582,589	62,240,476	58,627,903	55,565,262
EXCESS OF REVENUES OVER EXPENDITURES	(3,164,682)	(3,036,209)	(2,620,746)	(2,027,679)	(1,406,664)
OTHER FINANCING SOURCES:					
Operating transfers in	2,570,284	2,782,635	1,855,084	2,166,015	2,086,828
Operating transfers out	(395,967)	(886,474)	(602,222)	(608,069)	(795,906)
Proceeds from Capital Lease	819,682	1,010,422	1,199,550	0	0
Bond or note proceeds	0	786,810	634,750	936,000	870,175
TOTAL OTHER FINANCING:	2,993,999	3,693,393	3,087,162	2,493,946	2,161,097
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(170,683)	657,184	466,416	466,267	754,433
FUND BALANCE, BEGINNING OF YEAR	8,974,492	8,317,308	8,226,275	7,760,008	7,005,575
FUND BALANCE, END OF YEAR	\$8,803,809	\$8,974,492	\$8,692,691	\$8,226,275	\$7,760,008

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2009/2010 due dates are October 15, 2009 and March 15, 2010. All taxes paid after the due dates are subject to interest, at the rate of 9.0% per annum.

Real Estate Taxes

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

Business Personal Property Taxes

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 and 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 any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

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

The value of all property made exempt by this 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 property in a tax increment financing district.

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.

Tax Levy and Collections

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 3/19/10
2010	\$3,620,450	\$3,524,771	\$12.15	\$42,826	--- In Process ---		
2009	3,563,250	3,487,005	12.15	42,367	\$41,891	98.88%	99.40%
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01	99.90
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.30	99.90
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.92	100.00
2005	2,538,800	2,057,589	17.34	35,678	35,423	99.13	100.00
2004	2,158,300	2,002,987	16.46	32,969	32,747	99.33	100.00
2003	1,864,800	1,930,576	15.70	30,311	30,104	99.20	100.00
2002	1,571,700	1,858,345	15.30	28,433	28,121	98.84	100.00
2001	1,374,950	1,313,684	19.60	25,748	25,339	98.35	100.00
2000	1,253,450	1,259,330	19.20	24,179	23,716	98.06	100.00
1999	1,155,300	1,206,144	18.40	22,193	21,746	97.68	100.00

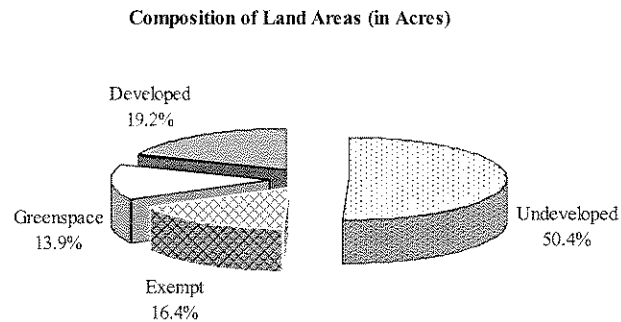
LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2009 (\$/000)				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Senior Housing	59,963.0	1,606.5	61,569.5	\$748,069	1.75%
Walmart/Sam's Club	Wholesale/Retail	43,208.6	3,310.2	46,518.8	565,203	1.32%
Hannaford Brothers	Supermarket, Corp Offices	16,931.3	19,208.2	36,139.5	439,095	1.03%
New England Exp	Retail/Restaurants	35,045.9	0.0	35,045.9	425,808	0.99%
MMC Realty	Medical	18,744.2	3,633.9	22,378.1	271,894	0.63%
Scarborough Gallery	Retail/Restaurants	21,492.5	0.0	21,492.5	261,134	0.61%
Gavin Ruotolo	Commercial Leases	17,253.1	123.0	17,376.1	211,120	0.49%
Shaw's	Supermarket	8,911.6	5,879.8	14,791.4	179,716	0.42%
RRE Foxcroft	Apartments	13,009.8	179.0	13,188.8	160,244	0.37%
BPI LLC	Black Point Inn	11,052.5	700.0	11,752.5	142,793	0.33%
Top Ten Taxpayers as % of Total		245,612.5	34,640.6	280,253.1	\$3,405,075	7.95%

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 City in a number of areas including education, welfare assistance, road maintenance, homestead exemption 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 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. 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
2009	\$1,358,911	\$7,069,802	\$399,355	\$8,264	\$592,084	\$9,428,416
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

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, 2010 the Town's equalized state valuation ("equalized State Valuation") was \$3,620,450,000. The 15% debt limit is \$543,067,500. On June 30, 2009 the Town's long-term debt was \$67,785,000 or 1.87% 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

Series	Date of Issue	Issue Amount	Date of Final Mat	As of 06/30/09	Payments 2009/2010	Projected 06/30/10
1990	11/01/90	7,415,000	11/01/10	\$650,000	(\$325,000)	\$325,000
1993	05/01/93	1,135,000	11/01/12	100,000	(25,000)	75,000
1994	10/15/94	6,775,000	10/15/14	1,380,000	(230,000)	1,150,000
1995	12/15/95	6,160,000	11/01/15	1,855,000	(265,000)	1,590,000
1997	04/15/97	4,230,000	11/01/16	880,000	(110,000)	770,000
1999	06/15/99	6,493,000	11/01/18	700,000	(700,000)	0
2000	06/15/00	4,770,000	12/15/19	1,355,000	(1,355,000)	0
2001	06/15/01	4,932,000	11/01/20	1,515,000	(180,000)	1,335,000
2003	06/01/03	24,579,000	06/01/34	19,770,000	(685,000)	19,085,000
2004	03/15/04	14,628,000	11/01/33	10,040,000	(665,000)	9,375,000
2005	03/15/05	10,665,000	11/01/34	8,980,000	(525,000)	8,455,000
2006	05/15/06	7,014,000	11/01/20	5,180,000	(805,000)	4,375,000
2007	05/15/07	4,000,000	11/01/21	2,900,000	(550,000)	2,350,000
2008	06/01/08	8,513,000	11/01/27	7,920,000	(800,000)	7,120,000
2009	05/01/09	4,560,000	11/01/28	4,560,000	(305,000)	4,255,000
2009	10/01/09	1,780,000	11/01/19	0	0	1,780,000
				67,785,000	(7,525,000)	62,040,000
2010	04/15/10	6,002,000	11/01/30	0	0	6,002,000
				\$67,785,000	(\$7,525,000)	\$68,042,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2005	2006	2007	2008	2009	2010
Total Current Year Debt Service:	\$8,513,265	\$8,753,803	\$8,819,923	\$8,768,869	\$8,853,561	\$8,360,715
Budgeted Operating Expense:	54,054,833	55,513,741	59,281,269	62,297,525	62,422,827	65,045,189
Debt Service as % Oper. Expense:	15.75%	15.77%	14.88%	14.08%	14.18%	12.85%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2010	18,812	\$3,620,450	\$3,524,771	\$68,042,000	1.88%	\$3,616.95
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		
2010	\$5,745,000	\$2,615,716	\$8,360,716	\$0	\$0	\$0	\$8,360,716
2011	5,720,000	2,389,910	8,109,910	0	194,465	194,465	8,304,375
2012	5,065,000	2,190,085	7,255,085	482,000	181,370	663,370	7,918,455
2013	4,865,000	2,006,445	6,871,445	485,000	171,700	656,700	7,528,145
2014	4,095,000	1,838,466	5,933,466	470,000	162,150	632,150	6,565,616
2015	3,855,000	1,685,456	5,540,456	470,000	151,575	621,575	6,162,031
2016	3,545,000	1,541,794	5,086,794	470,000	139,825	609,825	5,696,619
2017	3,050,000	1,415,960	4,465,960	345,000	128,775	473,775	4,939,735
2018	2,890,000	1,303,719	4,193,719	345,000	117,994	462,994	4,656,713
2019	2,655,000	1,197,084	3,852,084	345,000	106,350	451,350	4,303,434
2020	2,565,000	1,092,765	3,657,765	345,000	94,275	439,275	4,097,040
2021	2,630,000	986,061	3,616,061	345,000	81,769	426,769	4,042,830
2022	2,490,000	879,591	3,369,591	280,000	70,050	350,050	3,719,641
2023	2,680,000	770,437	3,450,437	280,000	59,200	339,200	3,789,637
2024	1,335,000	685,158	2,020,158	280,000	48,000	328,000	2,348,158
2025	1,385,000	627,211	2,012,211	280,000	36,800	316,800	2,329,011
2026	1,435,000	566,094	2,001,094	280,000	25,600	305,600	2,306,694
2027	1,485,000	502,534	1,987,534	100,000	18,000	118,000	2,105,534
2028	1,545,000	436,389	1,981,389	100,000	14,000	114,000	2,095,389
2029	1,415,000	370,883	1,785,883	100,000	10,000	110,000	1,895,883
2030	1,375,000	308,265	1,683,265	100,000	6,000	106,000	1,789,265
2031	1,440,000	244,153	1,684,153	100,000	2,000	102,000	1,786,153
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	\$67,785,000	\$25,994,249	\$93,779,249	\$6,002,000	\$1,819,898	\$7,821,898	\$101,601,147

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

Yr. End June 30,	1990	1993	1994	1995B	1997	1999	2000	2001	2003	2004	2005	2006	2007	2008	2009	Ref'd'g 2009	2010	Total Debt
2010	325	25	230	265	110	70	205	180	685	665	525	805	550	800	305	0	0	5,745
2011	325	25	230	265	110			180	750	680	385	835	550	800	400	185	0	5,720
2012		25	230	265	110			120	840	680	390	480	550	790	400	185	482	5,547
2013		25	230	265	110			115	925	690	395	510	225	790	400	185	485	5,350
2014			230	265	110			115	595	555	305	515	225	595	400	185	470	4,565
2015			230	265	110			115	685	215	315	530	225	580	400	185	470	4,325
2016				265	110			115	780	225	250	505	225	570	315	185	470	4,015
2017					110			115	885	235	230	185	225	570	310	185	345	3,395
2018								115	1,005	245	240	190	25	575	310	185	345	3,235
2019								115	1,135	255	250	195	25	185	310	185	345	3,000
2020								115	1,280	265	260	210	25	185	110	115	345	2,910
2021								115	1,435	280	270	220	25	185	100		345	2,975
2022									1,610	290	280	280	25	185	100		280	2,770
2023									1,800	305	290	290		185	100		280	2,960
2024									430	320	300	430		185	100		280	1,615
2025									450	335	315	450		185	100		280	1,665
2026									475	350	325	475		185	100		280	1,715
2027									495	365	340	495		185	100		100	1,585
2028									520	385	355	520		185	100		100	1,645
2029									545	400	370	545					100	1,515
2030									570	420	385	570					100	1,475
2031									595	440	405	595					100	1,540
2032									625	460	420	625						1,505
2033									655	480	440	655						1,575
2034									500	500	460	500						960
2035									480	480	480	480						480
Totals	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	1,780	6,002	73,787
pd 2010	(325)	(25)	(230)	(265)	(110)	(1,095)	(1,560)	(180)	(685)	(665)	(525)	(805)	(550)	(800)	(305)	0	0	(5,745)
7/1/2010	325	75	1,150	1,590	770	0	0	1,335	19,085	9,375	8,455	4,375	2,350	7,120	4,255	1,780	6,002	68,042

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, 2010 the Town's equalized State Valuation of \$3,620,450,000 was 8.50% of the County's equalized State Valuation of \$41,772,500,000. The Town's share is 8.50%, or \$486,225, of the County's \$5,720,000 long-term debt outstanding as of December 31, 2009.

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 June 30, 2009 the Town was contingently responsible for approximately 13.14%, or \$4,099,484, of the PWD's \$31,202,072 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, 2009, outstanding RRS Debt of ecomaine totaled \$18,795,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 8.54% or \$1,601,312.

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, 2009 the Town's share is 6.30% or \$181,503 of ecomaine's outstanding MRF debt of \$2,881,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$14,645,291 at June 30, 2008. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.48% or \$1,241,726.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$67,785,000			\$67,785,000
County of Cumberland ⁽¹⁾		\$486,225		486,225
Portland Water District ⁽¹⁾		4,099,484		4,099,484
ecomaine (RRS)			\$1,601,312	1,601,312
ecomaine (MRF)			181,503	181,503
ecomaine (Landfill)			1,241,726	1,241,726
Total A/O June 30, 2009	\$67,785,000	\$4,585,709	\$3,024,541	\$75,395,250

NOTE: ⁽¹⁾ As of fiscal year ended December 31, 2009.

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 Council Order #03-116, enacted on September 17, 2003, and referendum vote on November 4, 2003, the voters of the Town authorized the issue of bonds in an amount not to exceed \$2,500,000 to provide funds to finance purchase of parks and conservation lands. 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. The Town has \$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>2010 Bonds</u>	<u>Authorized Unissued</u>
2003/2004	03-116	Purchase Parks & Land Cons	\$2,500,000	(\$47,400)	(\$792,950)	\$1,659,650
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	MuniBldg 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	08-27	Syst Wide Asbestos Fl Abat	225,000	(215,300)	0	9,700
2007/2008	08-28	Pleasant Hill/Blue Point Ltg	70,000	(55,000)	0	15,000
2007/2008	08-29	Blue Point Fence	25,000	(7,500)	0	17,500
2007/2008	08-30	Long Range Planning	160,000	(80,000)	0	80,000
2008/2009	08-08	Dunston Sidewalk	550,000	(375,340)	0	174,660
2008/2009	08-122	Pub Safety Bldg Site Study	100,000	(25,000)	0	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	(100,000)	110,460
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	Security Systems	35,000	0	0	35,000
2008/2009	08-123	DW & WI Bldg Envelope	65,000	0	(30,000)	35,000
2008/2009	08-123	Bleacher Safety	45,000	0	(42,000)	3,000
2008/2009	08-123	Auditorium Wall & Stage	25,000	0	0	25,000
2008/2009	08-123	HS Café AC	125,000	(100,000)	0	25,000
2008/2009	08-123	MS & WI Bldg Modif.	100,000	(40,000)	0	60,000
2009/2010	10-11	Old County Rd Drain	1,350,000	0	(1,150,000)	200,000
2009/2010	10-11	Running Hill Swr	1,450,000	0	0	1,450,000
2009/2010	10-12	DW Equip	75,000	0	(20,000)	55,000
2009/2010	10-12	DW Flooring	150,000	0	(100,000)	50,000
2009/2010	10-12	DW Roofing	425,000	0	(300,000)	125,000
2009/2010	10-12	DW VVAC Mech	90,000	0	0	90,000
2009/2010	10-12	IS Equip	260,610	0	0	260,610
Totals			\$8,975,270	(\$1,342,010)	(\$2,534,950)	\$5,098,310

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 Consolidated Plan for Participating Local Districts (“CPPLD”), a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (“MainePERS”), established and administered under the Maine State Retirement System Laws. A CPPLD provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433-0046 or by calling (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 (“CRP”), non-teaching school personnel or other qualified educators not participating in the MainePERS’s teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooled unfunded liability (“IUUAL”) on a scheduled basis, in addition to making the normal contribution to the plan. The Town’s IUUAL with MainePERS was fully paid in 2007. The current employer 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 and 6.5% for Fire and Rescue. 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 MainePERS-CRP for the year ended June 30, 2009, 2008 and 2007 was \$124,178, \$88,773 and \$85,274, respectively. The Town has paid its 100% CRP requirement.

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

All schoolteachers, plus other qualified educators, participate in the MainePERS’s teacher group. The teacher’s group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. MainePERS provides retirement and disability benefits, annual cost-or-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher’s Group. That report may be obtained by writing to Maine Public Employees 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 \$3,348,816 (18.76%) for the fiscal year 2009. 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 \$342,871, which was 6% of the participating employees and 12% of the Town's Manager's current year covered payroll. The covered payroll amounted to \$5,680,650 while the Town's total payroll was \$10,595,709. Employee's required contributions amounted to \$336,774, 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.

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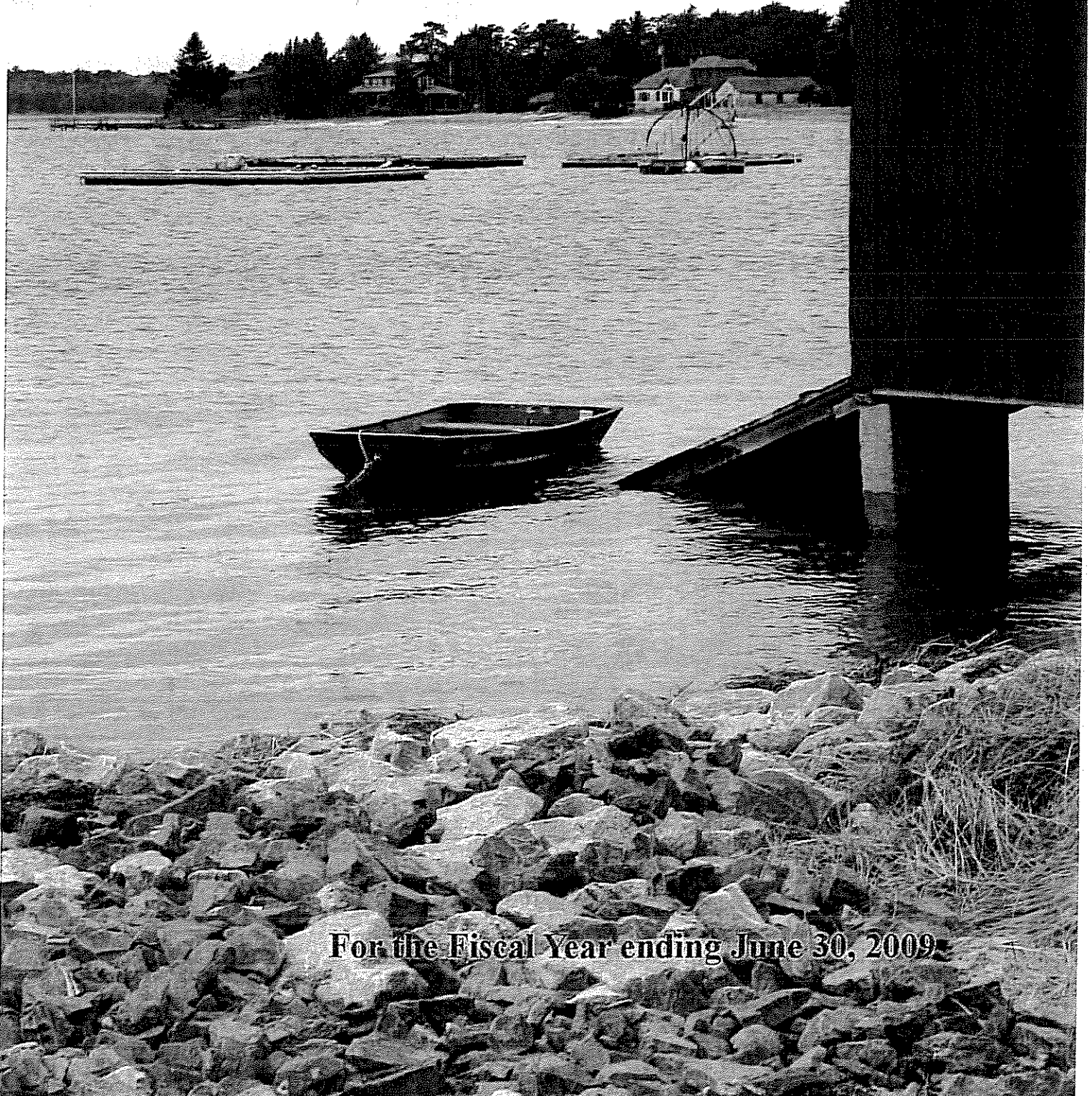
APPENDIX A

**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2009**

(With Report of Independent Auditors' Thereon)

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Town of Scarborough, Maine Comprehensive Annual Financial Report



For the Fiscal Year ending June 30, 2009

**Town of Scarborough, Maine
Comprehensive Annual Financial Report
For Fiscal Year Ending June 30, 2009**



**Prepared by:
Town of Scarborough
Finance Department**

TOWN OF SCARBOROUGH, MAINE
 Comprehensive Annual Financial Report
 Year ended June 30, 2009

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2009

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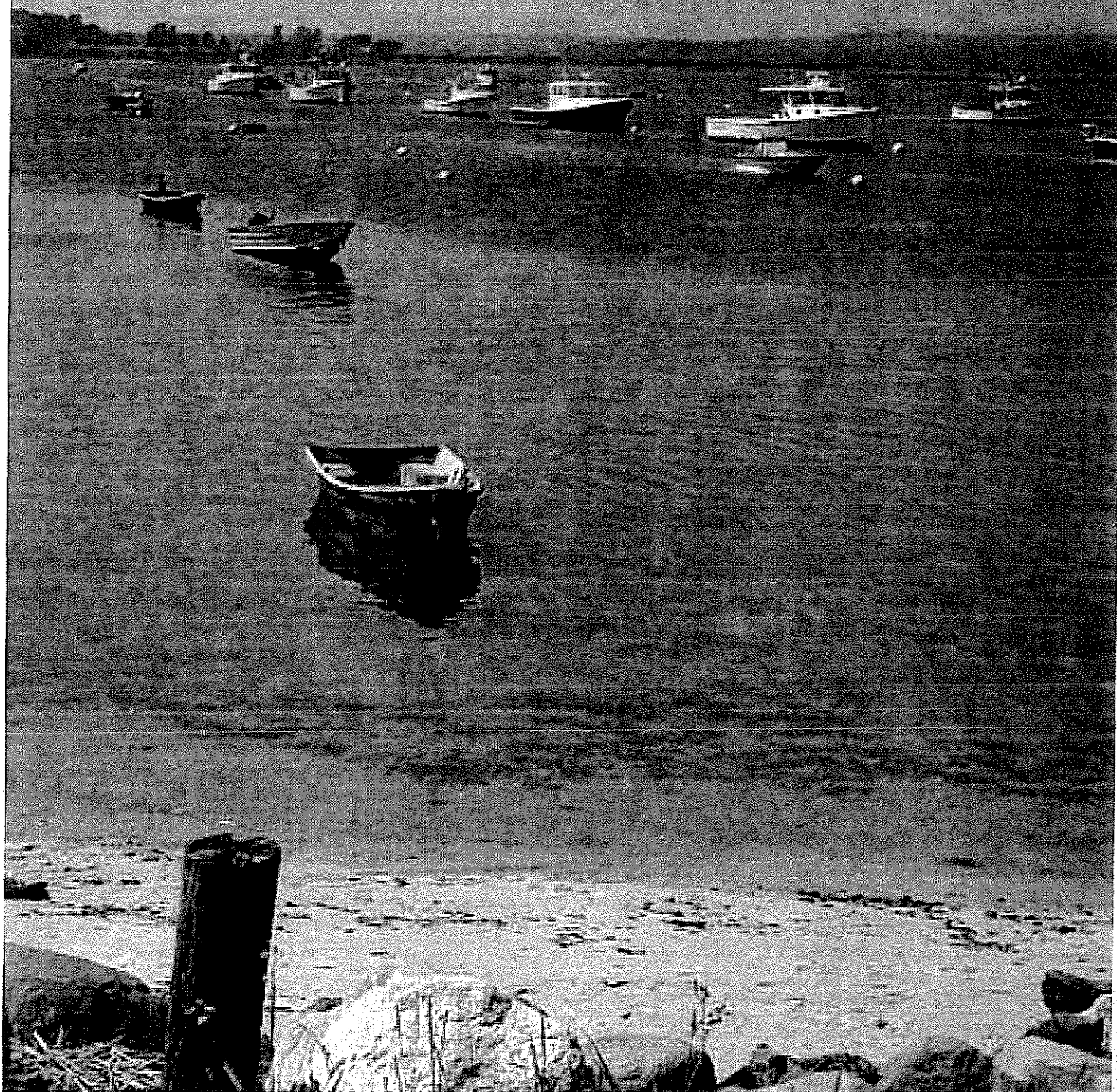
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Introduction





Town of Scarborough, Maine

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

December 28, 2009

Carol S. Rancourt, 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, 2009.

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, introductory, is unaudited 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 past year we proudly 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 (SEDCO) assists both current and prospective businesses. SEDCO is a discretely presented component unit in a separate column in the government wide financial statements.

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. The recession has caused the economy in Maine to grow slowly in 2009. Gasoline and energy prices affected growth, and the unemployment rate increased, as it did nationally. Maine's unemployment rate has been below the national average for nearly ten years. In 2009, employment decreased by 3.36% or 22,451 jobs. As in past years, the major industry groups creating the most jobs were education and health services, leisure and hospitality, and the trade-transportation-utilities group. The largest declines were in manufacturing and financial services. Maine retail sales were down 8.30% from last year. Housing permits for the state were down 28% in keeping with the general trend across the country. Interest rates continued to decline over the past year, however, they appear to have leveled. A turnaround in the housing industry may still take time. The closing of the Brunswick Naval Air Station is not likely to have as much of a negative effect as previously thought.

Local Economy. The Town of Scarborough is primarily a suburban residential community that has enjoyed a favorable economic environment. Local indicators point to continued stability with slower growth. Approximately 1,500 businesses are located within Scarborough reflecting a 7.14% 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, especially when compared to the state and national 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, the Pleasant Hill Road area, and off the Mussey Road area. 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 and has continued to grow, albeit slowly, since then.

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 and it continues to be so. 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, to retain growth with existing businesses and to assist the community in its long-term economic development planning.

Comprehensive Plan. Over the course of fiscal year 2009, one of the major initiatives of the Town has been the ongoing implementation of the 2006 Updated Comprehensive Plan. The Town's accomplishments included establishment of new mixed use zoning districts in the Running Hill area, which offer new areas for commercial and higher density residential development in close proximity to South Portland and the Maine Mall. In addition, the Town rezoned the area along Sawyer Road and the west side of Gorham Road to a new residential zone that will allow village-style residential development in an area that is close to the Oak Hill center, the School Campus, and the Town Hall. Lastly, the Town also updated the zoning in the Eight Corners area to promote small-scale commercial and residential development. The development at these two busy crossroads will compliment the retail and commercial growth that is occurring along Payne Road, Spring Street and Gallery Boulevard.

Major Initiatives

For the year. During fiscal year 2009, there was a range of commercial, residential and institutional construction projects that occurred. The Scarborough Gallery project continued to build out with the completion and grand opening of the Super Wal-Mart Store as well as two new restaurant establishments, Kentucky Fried Chicken and Taco Bell. These two businesses join the Lowe's Home Improvement store and the Texas Roadhouse restaurant to add more draw and activity on Gallery Boulevard. Nearby, the construction of the Sebago Brewing Co. restaurant took place, which opened for business at the corner of Payne Road and Southborough Drive. At the Scarborough Gateway Shoppes, the new Famous Dave's restaurant opened and finish work on other retail buildings is occurring as additional tenants lease space. In Oak Hill and along Route One, an addition to the Maine Medical Center research building occurred, a new office building in Oak Hill Plaza was constructed, a new building for OrthoEast in the Enterprise Business Park went up, and a building in Dunstan was renovated to house the new Hobbs Funeral Home.

In addition to these commercial projects, a range of residential development occurred, including new dwellings in Dunstan Crossing, Eastern Village, and the Bittersweet Banks subdivision. Lastly, the Morrison Development Center finished construction of a new school facility at the corner of Highland Avenue and Chamberlain Road.

The Town completed the Black Point Community Park and in the summer of 2010, we will have the grand opening. This park was under construction in 2009. It consists of an open space area, a fifty-car gravel parking lot, a small storage building, and a community garden and irrigation system for the community garden. The landscaping around the Black Point Community Park is finished and this will help to provide proper buffering between the park and neighbors.

The Eastern Trail is part of the East Coast Greenway Trail System. The 1.5 miles of construction and design work from Pine Point Road to Old Orchard Beach was completed and the trail is open for all to enjoy. This trail corridor allows for off-road and on-road trail connections through some of Scarborough's most beautiful marshes and pristine open space areas.

The Fire Department received an award from the Greater Portland Council of Governments called their ReCOGNition award for Scarborough's collaboration with seven other greater Portland fire departments to form the Metro Fire Chief's Coalition. Over the past few years, the coalition tackled a variety of issues and found opportunities for collaboration including the awarding of two significant grants. The first project, spearheaded by the City of Portland on behalf of our coalition, was for a sophisticated driver-training simulator. The Town of Scarborough spearheaded the second project which involves the purchase of a sprinkler and fire alarm system's trailer that will be used to travel from department to department to provide hands-on firefighter training and public education. This grant totaled \$310,257.

From a safety perspective, the fire, police, public works and community service's departments, participated in the Maine Municipal Association (MMA) *Leader's Program*. The risk management staff from our worker's compensation and liability insurance company came in to review our work practices, record keeping, and safety programs. MMA invited us into their Leader's Program after a careful review and evaluation. Now we are focusing on the Maine Bureau of Labor *SHAPE* award that involves a similar process and will potentially yield a discount on our insurance premiums.

The Town of Scarborough Emergency Management Agency (EMA) was also very active this past year as we completed work on three natural disasters that rose to the level of a Presidential declaration, and processed the reimbursement request for federal and state funding through FEMA and MEMA. We completed work on the Eastern Trail and the Higgins Beach Seawall projects due to the damage sustained during the Patriot's Day storm of 2007. This resulted in a total federal and state reimbursement of \$501,461. We received similar reimbursements of \$17,381 for a series of severe storms and flooding that occurred in July and August 2008. For the Ice storm of 2008, we received a total of \$527,851, which also included the costs of the extensive debris removal project this past spring.

Finally, the EMA office was successful in obtaining a new grant called the *Emergency Management Performance Grant*. This program reimburses the town for up to 50% of the cost of qualified EMA expenses that we incur throughout the year. Through fiscal 2009, we received \$21,325 for this program.

The Public Works Department completed work on drainage and reconstruction for Green Acres Project (Phase II). This project was a follow-up to Phase I which was finished in 2006. Another major initiative for fiscal year 2009 was the Higgins Beach Sea Wall Reconstruction. We financed this project with funds from FEMA and the Town.

The second full year of the automated curbside recycling and trash collection system program was very successful with a recycling rate of 33%. We diverted approximately 2,649 tons of material from the waste stream for a savings to the town of \$233,135.

The Police Department's major initiative for this fiscal year was providing the highest level of service to our community by continuing to look at new technologies and practices to assist us in serving an ever-increasing population and business community. Although this growth has put a strain on our abilities to provide pro-active solutions, our patrol officers and detectives work diligently to address the issues created by increased calls for service, higher volumes of traffic and an increased number of neighborhoods and businesses.

The Scarborough Communications Center continues to operate as the State designated Public Safety Answering Point (PSAP) for Buxton, Hollis, and Old Orchard Beach. We have continued our involvement in the Federal, State, and Local drug task force (HIDTA). We have also continued to participate in the Southern Maine Violent Crimes Task Force (SMVCTF), a highly successful cooperative effort between federal, state, and local law enforcement. The Scarborough Police Department has also worked with the City of South Portland and the Town of Cape Elizabeth on a collaborative effort to create a regional SWAT team. Our team has worked and trained with those from the other two communities for some time now. Through the collective efforts of all three communities, we have worked on establishing an agreement that would formalize our mutual aid by creating a unified regional team consisting of members from each of the three communities.

For the future. In addition to the development and rezoning that occurred in 2009, there were also new applications and approvals that will lead to growth and redevelopment in 2010 and beyond. Along the Haigis Parkway, the Town approved the Haigis Parkway Professional Center subdivision that will offer twelve new lots for commercial development. In Oak Hill, the Town reviewed and approved a new Walgreen's Pharmacy that will anchor Oak Hill Plaza. Also in Oak Hill, Maine Health was approved to redevelop the currently vacant Orion Center into a multi-tenant medical campus that will include NorDx Laboratories. In addition, new residential development was reviewed, including the Timbersands ten-lot subdivision and a three-lot subdivision off Ward Street. Lastly, a self-storage facility was approved and slated for construction near Running Hill Road.

The construction and design work for the Eastern Trail from Pine Point Road to Old Orchard Beach is extending to the future connection of the bridge over the Nonesuch River which will allow our residents a chance to go north to South Portland Bug Light (lighthouse) and south to the Saco line very soon.

The Commercial Fishing Pier Project has been a long process, and we are in the final stages of permitting and construction documents. Bid documents should go out late in the fall of 2009 and construction should take place sometime in the winter of 2010 with a completion date of late summer 2011.

Currently, a WebGIS program is in the development stage for use by town employees to support their daily work. In the upcoming year, we hope to make this valuable resource available to the public through Town of Scarborough's website.

Public Works plans to focus on the infrastructure repair and replacement for the Old Millbrook neighborhood. A drainage study and improvement project will be conducted to study and correct drainage problems in this neighborhood.

Acquisition and preservation of open space and environmentally sensitive areas continue as priorities for the citizens of Scarborough. In 2000, the citizens approved a \$1.5 million bond for open space preservation. These funds allowed us to acquire the Meserve Farm (\$1,197,400), in partnership with the Scarborough Land Trust, purchase of land at 77 Broadturn Road from the Maine Turnpike Authority (\$100,000) and purchase of property from Cora Gervais (\$202,600). This last property was donated to the State of Maine and will become part of the Rachel Carson wildlife refuge. The Meserve Farm continues as a working farm with an agricultural easement.

The voters also approved an additional \$2.5 million for open space preservation in 2003, of which \$47,400 went toward the purchase of the Cora Gervais property.

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 purposes; to preserve open space and existing farmland. Annually, this plan is updated.

The Town of Scarborough is one of twenty-one (21) communities that own and operate a waste to energy facility incorporated as ecomaine. Recently, 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. Additionally, the Board initiated a strategic planning program to help prepare for future challenges and to develop strategies to cope with a decreasing waste stream. Ecomaine also has seven associate municipal members as wells as ten contract members.

Public Works long term planning includes continuing with drainage projects to maintain the health of our roadway systems. In order to reduce maintenance and repair costs, we are maintaining and updating our 'Vehicle Replacement Schedule' as a way to increase the residual value as well as a way to justify the vehicle maintenance program.

Looking at the future, the Police Department is faced with two major challenges. The first of our challenges is with respect to staffing. A multi-year staffing plan would allow us to begin to introduce a fourth patrol area. This area would encompass the Payne Road corridor to include the Eight Corners area, Gallery Boulevard, Green Acres, and Haigis Parkway. This area has seen tremendous growth over the past few years and is projected to see significant additional growth in the next few years. This area is quickly becoming one of the busiest areas of our community and needs the attention of its own patrol.

The second major challenge for the department is with respect to the current public safety facility. For the past several years, we are seeing the need for an updated facility that includes the police, dispatch, fire and rescue services and will encompass the new technologies that have evolved since 1987 when the police facility was first added. A public safety building committee was formed comprised of members of the fire and police departments as well as town councilors, planning department staff and citizens at large. The work of the building committee is to create the specifications, identify the common areas and resources that we could share to reduce costs and to identify potential sites for a new facility. Although we clearly recognize that the current state of the economy will not support a referendum for a new facility, the need is very real and very significant. In the long term, our goal will be to continue to work toward the completion of this very necessary project.

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 Town of Scarborough added an average of more than \$76 million each year in new valuation in the past three years. For the 2009 tax year, the valuation was \$3,487,005,500 compared to the 2004 valuation of \$2,002,987,200.

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

<u>As of June 30, 20xx</u>	<u>As of June 30, 2009</u>
\$311,646 in 2005	\$1,601
\$297,237 in 2006	\$10,174
\$287,295 in 2007	\$24,131
\$398,204 in 2008	\$114,947
\$506,883 in 2009.	

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 1.22%. Total investment income during the year for all funds amounted to \$283,906 compared to \$686,432 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 LLC was engaged to perform the annual audit for the Scarborough Town Council for the fiscal year 2009. 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, 2008. This was the fourth-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.

The Fire Department received an award from the Greater Portland Council of Governments called their ReCOGNition award for our collaboration with seven other greater Portland departments to form the Metro Fire Chief's Coalition.

Acknowledgements. I would like to extend my appreciation to the Scarborough Town Council and the Town Manager, Thomas Hall, 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, especially Jon Reed who donated his time and talent by providing the photographs depicted in this report. The preparation of the comprehensive annual financial report is possible due to the dedicated service of each member of the Scarborough Finance Department. 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 LLC for their efforts and guidance during the engagement.

Respectfully Submitted,

Ruth D. Porter
Finance Director

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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, 2008

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.

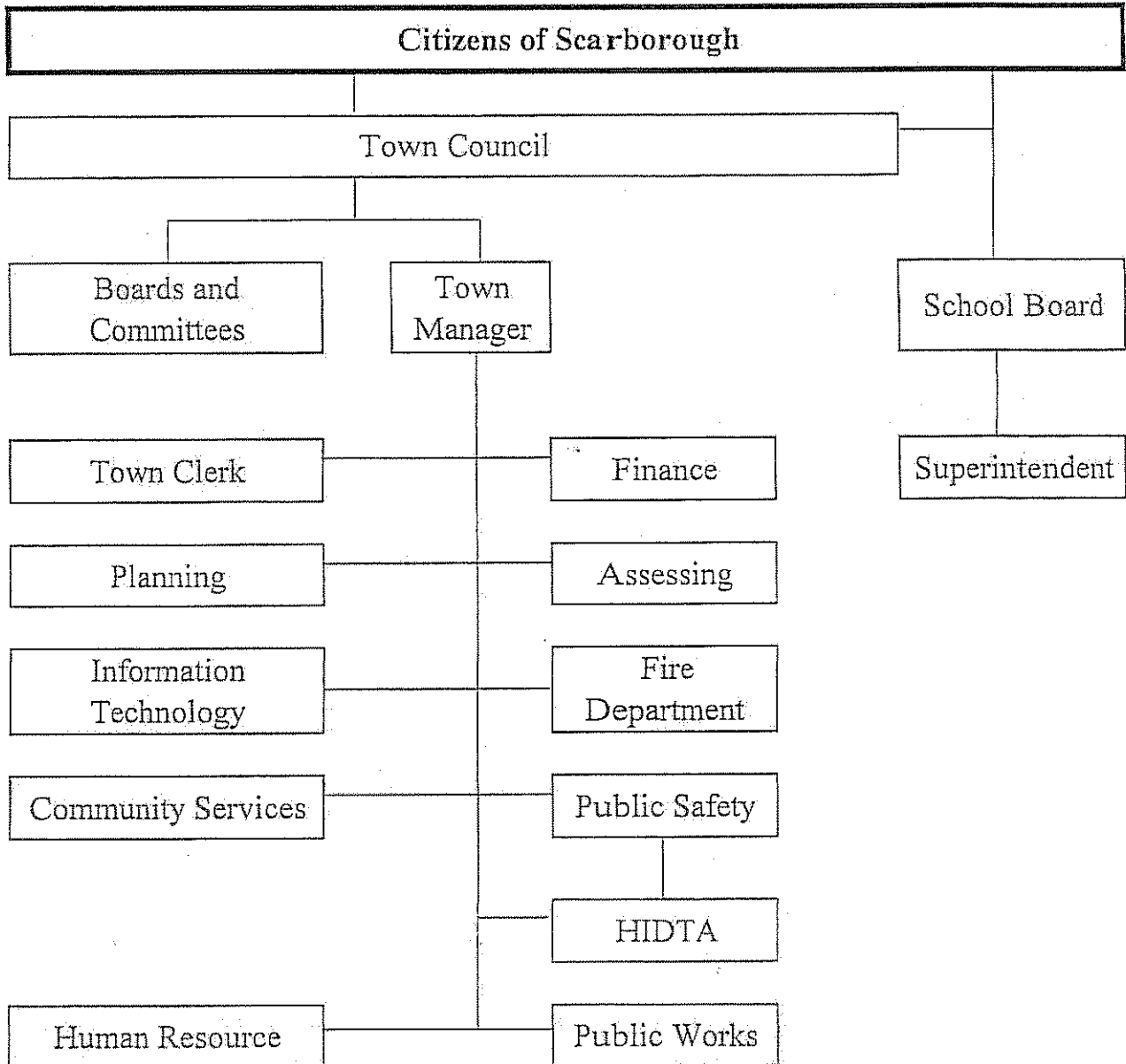


President

Executive Director

Town of Scarborough, Maine

Organizational Chart



TOWN OF SCARBOROUGH

Principal Executive Officers

As of June 30, 2009

Elected Town Council

Michael J. Wood, Chairman

Ronald D. Ahlquist

Judith L. Roy

Karen D'Andrea

Carol S. Rancourt

Richard J. Sullivan, Jr.

Shawn A. Babine

Appointed Municipal Staff

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

Financial Section



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 units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2009, 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 units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2009, 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 28, 2009 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.

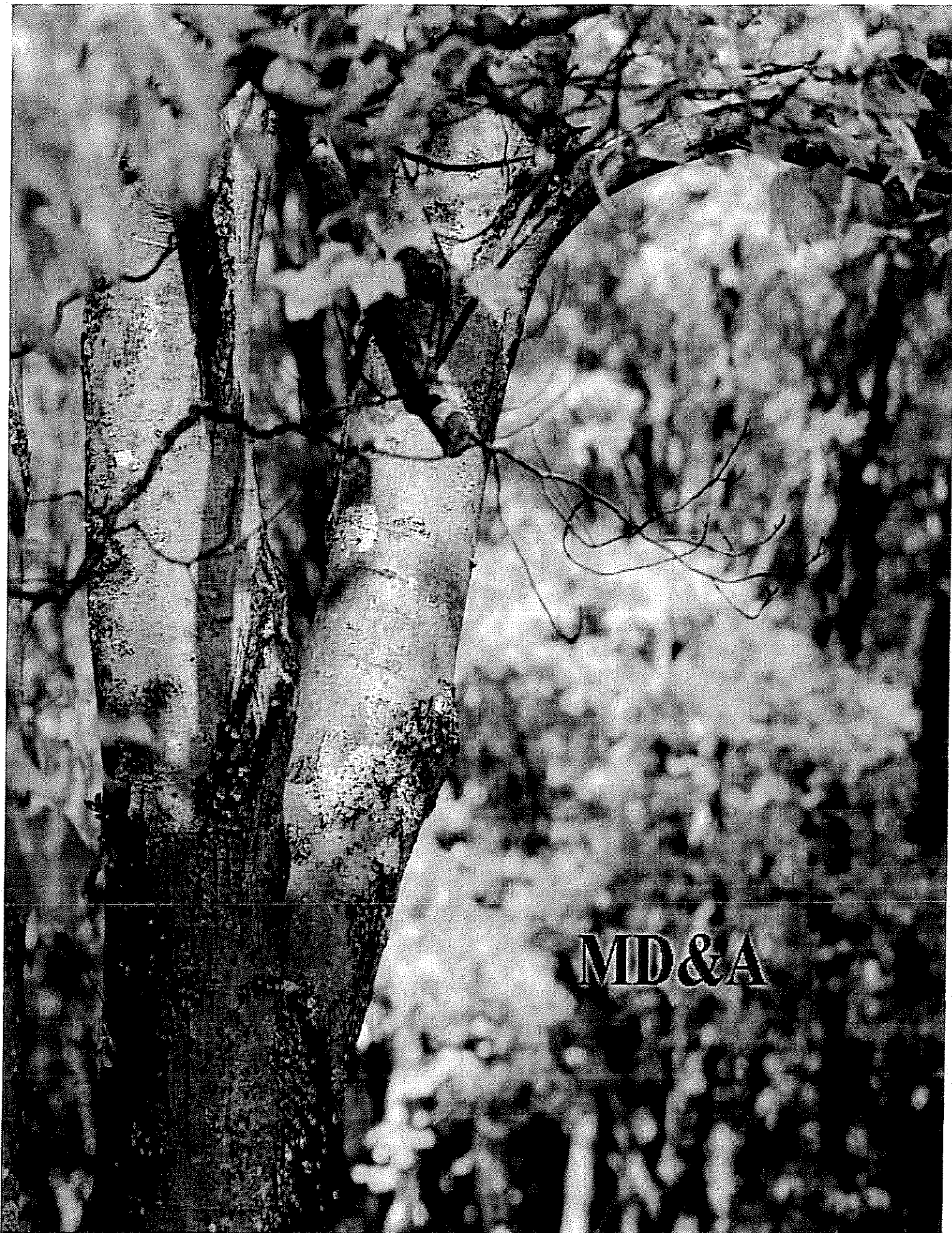
The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the discretely presented component units, 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 (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the combining statements for the General Fund Balance Sheet, Exhibit A-1, and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, Exhibit A-2, as of and for the year ended June 30, 2008 are fairly stated in all material respects, in relation to the basic financial statements from which it has been derived.

Maddonella Page & Co LLC

South Portland, Maine
December 28, 2009



MD&A

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2009

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, 2009. 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 2009 fiscal year by \$48,552 (net assets).
- The Town's total net assets increased \$2,620, from \$45,932 to \$48,552.
- As of June 30, 2009, the Town's governmental funds reported combined fund balances of \$17,989, a decrease of \$3,523 compared with the prior year. Of the approximately \$14,297 reported as unreserved fund balance, \$5,039 are special revenue funds authorized for specific projects and \$1,084 are for major capital construction projects. The remaining amount of \$8,174 is available for the discrete purposes for which these funds are collected.
- As of June 30, 2009, unreserved undesignated fund balance for the general fund was \$6,356 or 9.27% of the total general fund expenditures of \$68,532. The Town of Scarborough's Fund Balance policy calls for 8.33% of the total operating budget or \$5,709.
- Total debt decreased by \$1,543 from the prior year. Total debt retired was \$6,103. Total debt issued was \$4,560 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 solid waste disposal) and education.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The government-wide financial statements include not only the Town of Scarborough (known as the *primary government*), but also the legally separate public library and Scarborough Economic Development Corporation for which the Town of Scarborough is financially accountable. Financial information for these component units are reported separately from the financial information presented for the Town of Scarborough itself. The government-wide financial statements can be found on pages 35-36 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 governmental-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 24 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 20 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 37-38 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 89-90 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 93-94 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 97-99 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 43-64.

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 69-104 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 \$48,552 as of June 30, 2009.

By far the largest portion of the Town of Scarborough's net assets (86.14%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The 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>2009</u>	<u>2008</u>
Assets:		
Current and other assets	\$ 22,343	\$ 26,153
Long term assets	2,894	3,112
Capital Assets not depreciated	8,219	9,663
Capital assets	<u>94,530</u>	<u>88,142</u>
Total Assets	127,986	127,070
Liabilities:		
Long term liabilities outstanding	65,919	66,647
Other liabilities	<u>13,514</u>	<u>14,481</u>
Total Liabilities	79,433	81,128
Net assets:		
Invested in capital assets, net of related debt	41,821	35,652
Restricted	1,289	5,111
Unrestricted	<u>5,442</u>	<u>5,179</u>
Total Net Assets	\$ 48,552	\$ 45,942

2.66% 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 \$5,442, 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 a decrease of \$3,822 in restricted net assets due to the completion of various paving and other capital projects.

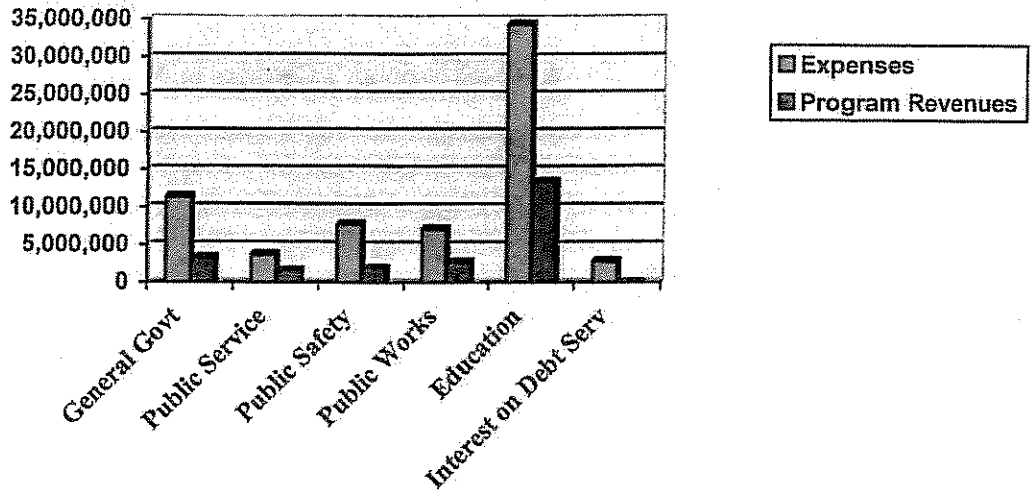
TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

GOVERNMENTAL ACTIVITIES. All of the increase pertaining to the Town of Scarborough's net assets, of \$2,620, is due to the governmental activities of the Town. Key components of this increase are shown below:

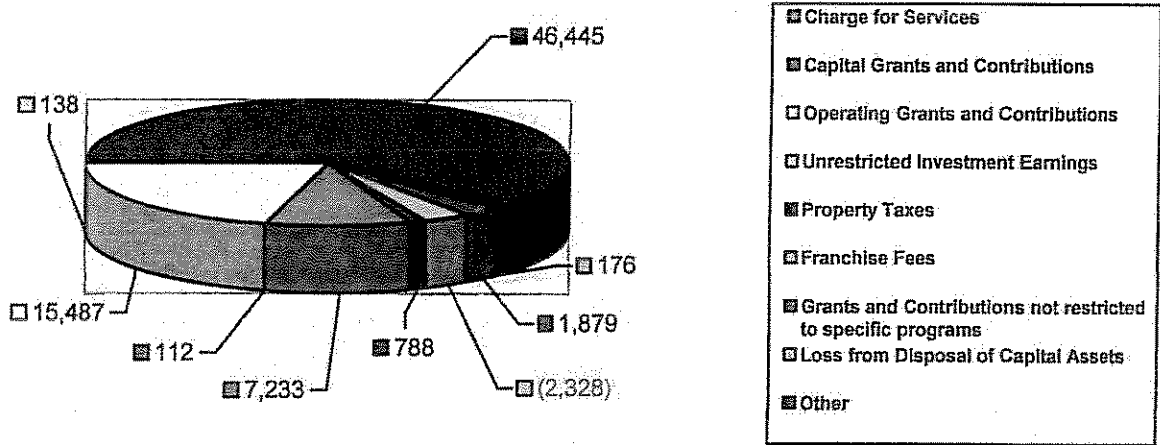
Town of Scarborough's Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 7,233	\$ 8,095
Operating grants and contributions	15,487	12,375
Capital grants and contributions	112	113
General Revenues:		
Property and excise taxes, levied for general purposes	46,445	44,519
Franchise Tax	176	172
Grants and contributions not restricted to specific programs	1,879	1,795
Loss from disposal of capital assets	(2,328)	-
Unrestricted investment earnings	138	344
Other	788	2,039
Total revenues	69,930	69,452
Expenses:		
General government	11,408	12,740
Public Services	3,742	3,133
Public Safety	7,813	7,425
Public Works	7,156	7,494
Education	34,364	32,951
Interest on Debt Service	2,827	2,737
Total expenses	67,310	66,480
Increase in net assets	2,620	2,972
Net assets beginning, restated	45,932	42,970
Net assets ending	\$ 48,552	\$ 45,942

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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

At June 30, 2009, the Town of Scarborough's governmental funds reported combined ending fund balances of \$17,989, a decrease of \$3,523 in comparison with the prior year's fund balances. This decrease is primarily the result of the completion of various capital project programs.

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

	2009	2008
General Fund	\$ 8,804	\$ 8,974
Haigis Parkway	1,399	2,328
General Town Improvements	998	3,574
Other Governmental Funds	6,788	6,636
Total	\$ 17,989	\$ 21,512

As noted earlier, governmental funds reported combined fund balances of \$17,989, a decrease of \$3,523 compared with the prior year restated fund balances of \$21,512. Of the \$14,297 reported as unreserved fund balance, \$5,039 are special revenue funds authorized for specific projects and \$1,084 are for major capital construction projects. The remaining amount of \$8,174 is available for general fund designated and undesignated purposes for which these funds are collected.

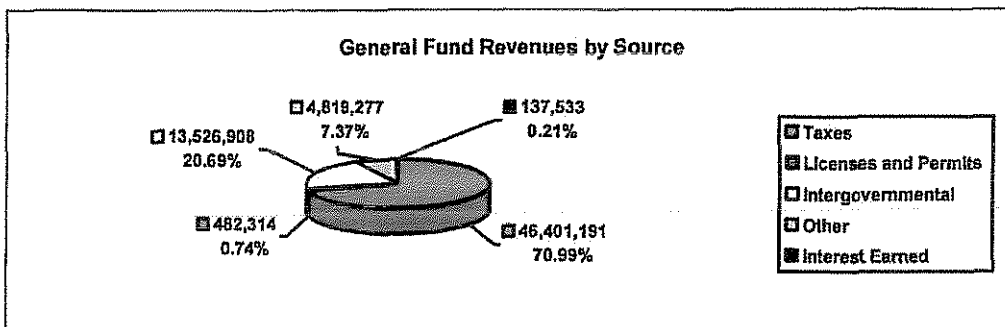
The remaining \$3,692 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed towards the following:

- \$ 630 Deficit Fund Balances in the Special Revenue and Capital Projects Fund
- 205 Perpetual Care of Municipal Cemeteries
- 15 Special Revenue Fund Encumbrances
- 2,824 Haigis Parkway non-current notes receivables
- 18 Food Service inventory
- \$3,692 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, 2009, unreserved fund balance in the General Fund was \$8,174 compared to total fund balance of \$8,804. 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 11.93% of total general fund expenditures, while total fund balance represents 12.85% of the same amount. Thus, the year-end fund balance complies with the Town's policy of maintaining a minimum fund balance of 8.33% of the total operating budget for the General Fund.

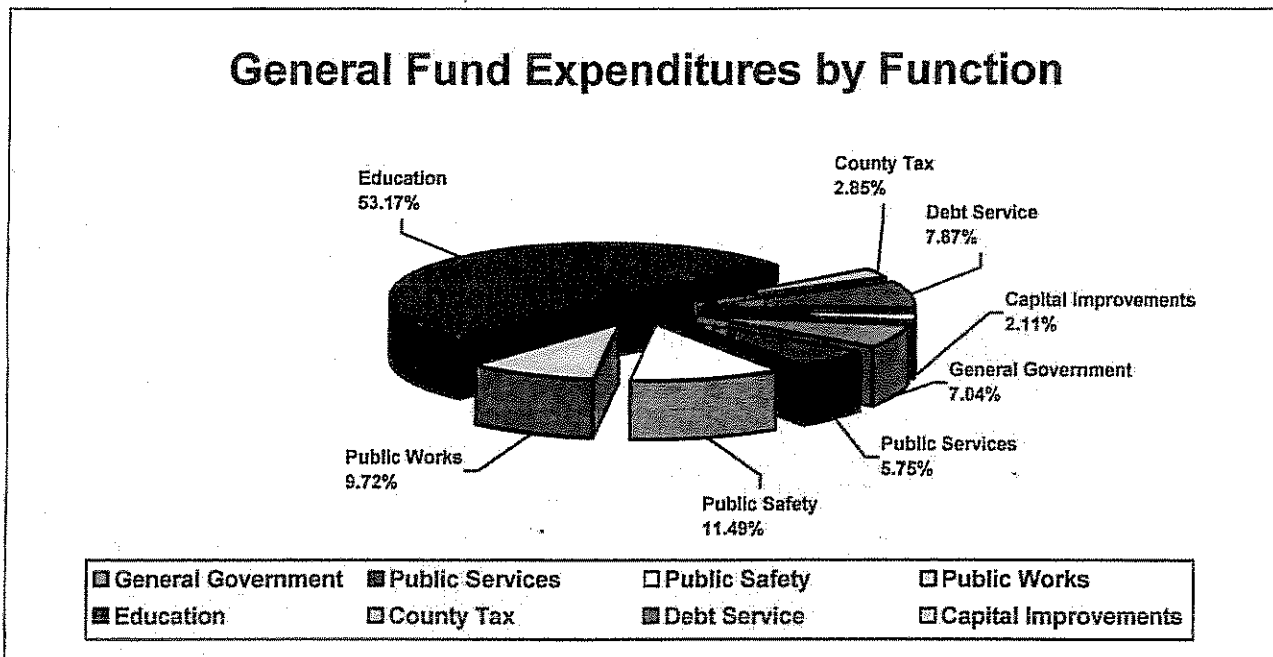
Current fiscal year revenues by source for the General Fund are as follows:



TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Property Tax revenues increased \$2,109 from 2008 to 2009 compared to the 2007 to 2008 increase of \$2,016. A comparison of the actual revenues to estimated revenues can be found on page 40 of the financial statements.

Current fiscal year expenditures by function for the General Fund are as follows:



Total general fund expenditures increased \$1,082 or 1.71%. Some of the key factors in this increase are:

- Public Safety increased 5.91% due to the full year exposure of the increase in public safety personnel.
- Public Services increased 19.40% due to two credit enhancement agreements implemented in 2009 compared to only one in 2008.
- County Tax increased 5.83% to help offset the costs of Cumberland County.
- Capital Improvements decreased 49.04% mostly due to the reduction in appropriations and resulting expenditures from 2008 to 2009.

Capital Projects Fund Highlights

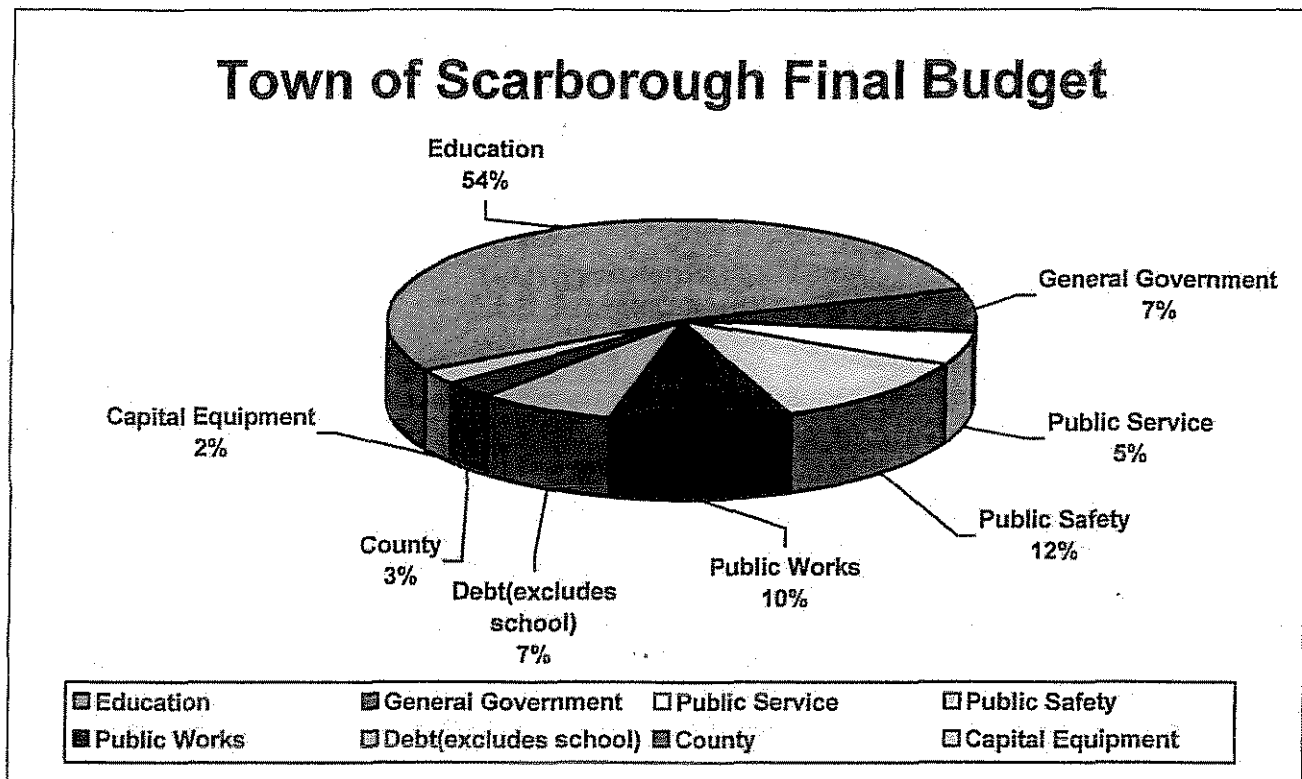
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased from \$4,912 in 2008 to \$1,084 in 2009. Expenditures increased from \$5,446 in 2008 to \$7,936 in 2009 mostly due to various drainage and road construction projects especially at Hillside Ave and Green Acres.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the Town's General Fund represents the original budget and any previously appropriated funds set aside for honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2009, a total of \$1,818 has been set aside for prior year encumbrances and commitments. The original operating budget and the final amended budget amounted to \$65,898.

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, 2009, amounts to \$103,749 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, improvements, machinery, equipment, and roads. The total increase in the Town's investment in capital assets for the current fiscal year was 5.05%. This increase is due to the previously mentioned road and drainage improvement in several areas of the Town.

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

Governmental Activities

	2009	2008
Land	\$ 4,712	\$ 4,876
Buildings	56,104	56,424
Vehicles	5,655	5,540
Equipment & Furniture	1,977	2,113
Infrastructure	30,794	24,065
Construction in Progress	3,507	4,787
Total	\$ 102,749	\$ 97,805

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 page 51 of this report.

Long-term Debt. As of June 30, 2009, the Town had long-term bonds outstanding of \$67,785 compared to \$69,328 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 53-55 of this report.

Outstanding Debt
General Obligation Bonds

	<u>2009</u>	<u>2008</u>
Municipal	\$ 23,075	\$ 21,812
Education	35,630	38,006
Sewer	9,080	9,510
Total Debt	\$ 67,785	\$ 69,328

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", was first assigned in 1975, and 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, 2009, the Town's rating from both rating agencies remains 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 Capital.

In adopting the budget for the ensuing fiscal year, the Town of Scarborough's officials considered many 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 avoiding a tax increase for 2010. Department Administrators, recognizing the change in the current economy, did not include any new personnel in the 2010 budget. Additionally, all municipal staff agreed to forego any cost of living adjustment (COLA) with the exception of the paramedic bargaining unit. This bargaining unit agreed to a 3% COLA effective June 30, 2010.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The overall objective of these two considerations was to ensure that staffing remain at current levels and to avoid lay-offs.

Included in the 2009 Municipal Capital Improvement budget was \$13,800 for the renovation for the public safety building. This would have required voter approval before the Town could proceed with the project. As a result of the slumping economy, the Town decided to hold off on this project.

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. For example, the Public Works department shares two employees with a neighboring community. One position works on GIS related concerns and the other is a recycling coordinator. Additionally, the Public Safety department is the regional 911-communication center or public safety answering point (PSAP) for Scarborough and three other surrounding communities.

Below is a comparison of the 2009 budget with the 2010 budget.

	<u>2009</u>	<u>2010</u>
Administration	\$ 1,753,940	\$ 1,794,295
Finance Department	1,212,713	1,203,386
Information Systems	538,791	748,460
Planning Department	852,640	852,511
Community Services	2,070,645	2,108,666
Library	760,556	797,761
Economic Development	239,162	239,162
General Assistance/Affordable Hsg	24,270	29,974
Fire/Rescue/EMA Department	3,156,525	3,308,416
Public Safety Department	4,406,970	4,531,886
Public Works Department	6,501,204	6,539,503
Debt Service	4,935,548	4,750,145
Capital Equipment	947,360	1,055,426
Total Municipal Operating	27,400,324	27,959,591
Education	35,145,994	35,199,614
County Tax	1,836,509	1,885,984
Total Operating Budget	36,982,503	37,085,598
School Special Revenues	700,757	-
School Food Services	1,449,644	1,470,184
350 th Celebration/Wellness Initiative	40,000	-
Capital Improvement-Municipal	17,726,800	4,766,845
Capital Improvement-School	1,225,100	1,489,110
TIFs and Overlay	1,026,361	1,053,222
Total Budget	\$ 86,551,489	\$ 73,824,550

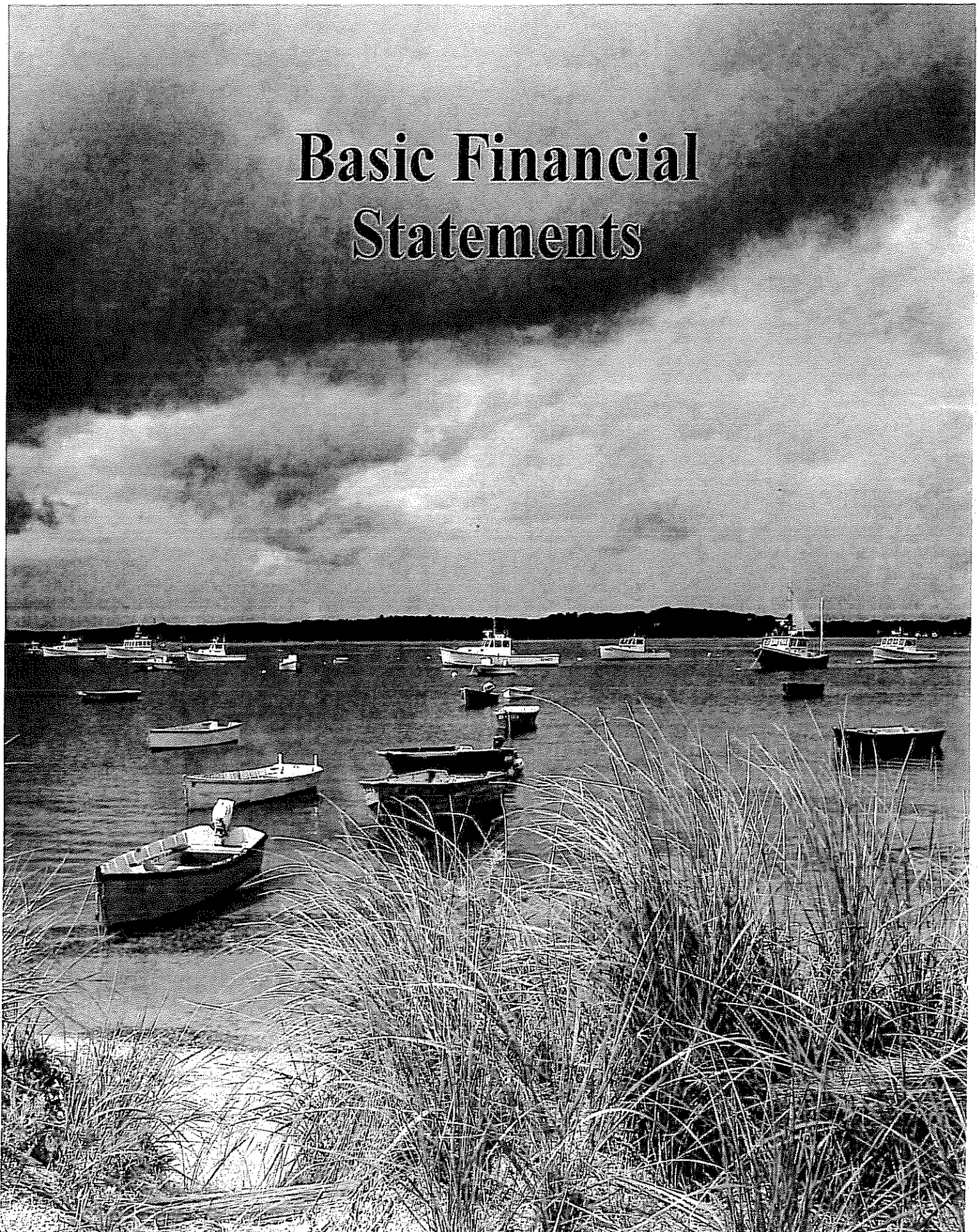
TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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 of 8.33% 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



TOWN OF SCARBOROUGH, MAINE
Statement of Net Assets
June 30, 2009

	Primary Government		Component Units	
	Governmental Activities	Public Library	Economic Development	
ASSETS				
Cash and cash equivalents	\$ 6,194,525	66,276	29,651	
Investments	14,423,491	422,409	-	
Receivables:				
Accounts	618,604	-	472	
Intergovernmental	384,638	-	-	
Taxes receivable	136,958	-	-	
Tax liens	559,400	-	-	
Tax acquired property	7,231	-	-	
Inventory	17,481	1,195	-	
Prepaid items	-	6,450	-	
Notes receivable	2,894,196	-	-	
Capital assets, not being depreciated	8,219,317	-	-	
Capital assets, net	94,529,930	820,615	4,941	
Total assets	127,985,770	1,316,945	35,064	
LIABILITIES				
Accounts payable and other current liabilities	3,139,896	19,174	595	
Accrued payroll and other related liabilities	3,459,260	36,871	11,311	
Taxes collected in advance	69,250	-	-	
Accrued interest	439,820	-	-	
Noncurrent liabilities:				
Due within one year	6,405,677	-	-	
Due in more than one year	65,919,443	-	31,533	
Total liabilities	79,433,345	56,045	43,439	
NET ASSETS				
Invested in capital assets, net of related debt	41,821,008	820,615	4,941	
Restricted for:				
Nonexpendable trust principal	121,528	486,643	-	
Expendable trust - income portion	83,664	-	-	
Capital projects	1,084,303	-	-	
Unrestricted (Deficit)	5,441,922	(46,358)	(13,316)	
Total net assets (Deficit)	\$ 48,552,425	1,260,900	(8,375)	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2009

Functions/programs	Program revenues				Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government activities	Component unit Public Library	Component unit Economic Development
Primary government:							
Governmental activities:							
General government	\$ 11,408,399	1,177,707	2,023,081	112,090	(8,095,521)	-	-
Public services	3,742,174	1,584,529	8,264	-	(2,149,381)	-	-
Public safety	7,812,611	1,760,683	135,960	-	(5,915,968)	-	-
Public works	7,156,188	1,515,042	1,169,331	-	(4,471,815)	-	-
Education	34,363,377	1,195,167	12,149,991	-	(21,018,219)	-	-
Interest on debt service	2,826,821	-	-	-	(2,826,821)	-	-
Total governmental activities	67,309,570	7,233,128	15,486,627	112,090	(44,477,725)	-	-
Total primary government	\$ 67,309,570	7,233,128	15,486,627	112,090	(44,477,725)	-	-
Component unit:							
Scarborough Public Library	\$ 885,569	-	854,168	-	-	(31,401)	(23,236)
Scarborough Economic Develop.	236,297	-	233,061	-	-	-	-
General revenues:							
Property taxes, levied for general purposes					\$ 42,147,691	-	-
Excise taxes					4,126,817	-	-
Payments in lieu of taxes					71,430	-	-
Interest and costs on taxes					99,053	-	-
Franchise Tax					175,981	-	-
Grants and contributions not restricted to specific programs:							
Homestead exemption and business equipment exemption					363,219	-	-
Other State aid					156,440	-	-
State Revenue Sharing					1,358,911	-	-
Unrestricted investment earnings					137,533	-	-
Loss from disposal of capital assets					(2,327,663)	-	-
Other					788,395	-	-
Total general revenues					47,097,827	-	-
Change in net assets					2,620,102	(31,401)	(23,236)
Net assets - beginning, restated					45,932,323	1,292,301	14,861
Net assets - ending (Deficit)					\$ 48,552,425	\$ 1,260,900	\$ (8,375)

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2009

	General	Performance Bonds	General Town Improvements	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,691,357	22,504	1,035,199	-	445,465	6,194,525
Investments	4,803,188	1,162,371	758,166	-	7,699,766	14,423,491
Receivables:						
Accounts	617,828	-	-	-	-	617,828
Intergovernmental	-	-	-	-	384,638	384,638
Taxes receivable	136,958	-	-	-	-	136,958
Tax liens	559,400	-	-	-	-	559,400
Interfund loans receivable	3,152,886	-	-	-	23,948	3,176,834
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	-	-	-	-	17,481	17,481
Notes receivable	-	-	-	2,894,196	-	2,894,196
Total assets	\$ 13,968,848	1,184,875	1,793,365	2,894,196	8,571,298	28,412,582
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	1,057,383	-	446,593	-	451,044	1,955,020
Accrued payroll and other related liabilities	3,459,260	-	-	-	-	3,459,260
Accrued compensated absences	22,425	-	-	-	-	22,425
Interfund loans payable	-	-	349,171	1,494,935	1,331,953	3,176,059
Taxes collected in advance	69,250	-	-	-	-	69,250
Deferred tax revenue	556,721	-	-	-	-	556,721
Performance bond deposits	-	1,184,875	-	-	-	1,184,875
Total liabilities	5,165,039	1,184,875	795,765	1,494,935	1,782,997	10,423,610
Fund balances:						
Reserved	629,962	-	-	2,823,793	237,992	3,691,747
Unreserved, reported in:						
General fund - undesignated	6,355,529	-	-	-	-	6,355,529
General fund - designated	1,818,318	-	-	-	-	1,818,318
Special revenue funds (deficit)	-	-	-	(1,424,532)	6,463,607	5,039,075
Capital projects funds	-	-	997,601	-	86,702	1,084,303
Permanent funds	-	-	-	-	-	-
Total fund balances	8,803,809	-	997,601	1,399,261	6,788,301	17,988,972
Total liabilities and fund balance	\$ 13,968,848	1,184,875	1,793,365	2,894,196	8,571,298	
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.						102,749,247
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						556,721
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						(67,785,000)
Capital leases						(2,223,239)
Accrued interest						(439,820)
Landfill liability						(437,484)
Other postemployment benefits liability						(274,639)
Accrued compensated absences						(1,582,333)
Net assets of governmental activities						\$ 48,552,415

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, 2009

	General	Performance Bonds	Town Improvements	Highway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 46,401,191	-	-	-	-	46,401,191
Licenses and permits	482,314	-	-	-	-	482,314
Intergovernmental	13,526,908	-	32,271	-	3,798,113	17,357,292
Interest earned	137,533	-	32,595	53,816	99,757	323,701
Donations	-	-	-	-	86,709	86,709
Sale of lots	-	-	-	-	9,484	9,484
Assessments and impact fees	4,819,277	-	-	-	415,625	415,625
Other	65,367,223	-	64,866	53,816	2,213,391	70,322,668
Total revenues						
	65,367,223	-	64,866	53,816	6,623,079	72,108,984
Expenditures:						
Current:						
General government	4,533,475	-	-	-	-	4,533,475
Public services	3,703,541	-	-	-	-	3,703,541
Public safety	7,399,328	-	-	-	-	7,399,328
Public works	6,259,412	-	-	-	-	6,259,412
Education	37,551,686	-	-	-	-	37,551,686
County tax	1,836,509	-	-	-	-	1,836,509
Debt service	5,070,061	-	-	-	-	5,070,061
Capital improvements	2,177,893	-	6,590,188	18,539	2,474,877	11,242,958
Other	68,531,905	-	6,590,188	18,539	3,396,469	3,415,008
Total expenditures						
	68,531,905	-	6,590,188	18,539	5,871,346	81,011,978
Revenues over (under) expenditures						
	(3,164,682)	-	(6,525,322)	35,277	751,733	(8,902,994)
Other financing sources (uses):						
Transfers in	2,570,284	-	81,565	45,159	755,537	3,452,545
Transfers out	(395,967)	-	(169,738)	(1,009,279)	(1,877,561)	(3,452,545)
Proceeds from capital leases	819,682	-	-	-	-	819,682
General obligation bonds	-	-	4,037,440	-	522,560	4,560,000
Total other financing sources (uses)						
	2,993,999	-	3,949,268	(964,120)	(599,464)	5,379,683
Net change in fund balances						
	(170,683)	-	(2,576,054)	(928,843)	152,269	(3,523,311)
Fund balances, beginning of year, retained						
	8,974,493	-	3,573,655	2,328,104	6,636,032	21,512,283
Fund balances, end of year						
	\$ 8,803,809	-	997,601	1,399,261	6,788,301	17,988,972

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, 2009

Net change in fund balances - total governmental funds (from Statement 4)	\$	(3,523,311)
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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	\$ 10,195,992	
Depreciation expense	(2,924,471)	
Loss from disposals	(2,327,663)	4,943,858

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

148,351

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:

Accrued interest		(5,805)
Landfill		4,050
Compensated absences		(17,195)
Other postemployment benefits liability		(274,639)

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.

(198,207)

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 repayments (\$6,103,000) exceeded proceeds (\$4,560,000)

1,543,000

Change in net assets of governmental activities (see Statement 2)	\$	2,620,102
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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, 2009

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 46,934,095	46,934,095	46,401,191	(532,904)
Licenses and permits	722,220	722,220	482,314	(239,906)
Intergovernmental	9,908,963	9,908,963	10,178,092	269,129
Interest earned	227,000	227,000	137,533	(89,467)
Unclassified	4,504,916	4,504,916	4,819,277	314,361
Total revenues	62,297,194	62,297,194	62,018,407	(278,787)
Expenditures:				
Current:				
General government	4,489,572	4,489,572	4,533,475	(43,903)
Public services	3,611,928	3,611,928	3,703,541	(91,613)
Public safety	7,699,581	7,699,581	7,399,328	300,253
Public works	6,563,951	6,563,951	6,259,412	304,539
Education	35,145,994	35,145,994	34,245,663	900,331
County tax	1,836,509	1,836,509	1,836,509	-
Debt service	4,935,548	4,935,548	5,070,061	(134,513)
Capital improvements	1,614,986	1,614,986	1,358,211	256,775
Total expenditures	65,898,069	65,898,069	64,406,200	1,491,869
Revenues over (under) expenditures	(3,600,875)	(3,600,875)	(2,387,793)	1,213,082
Other financing sources (uses):				
Transfers in	2,252,224	2,252,224	2,570,284	318,060
Transfers out	(377,443)	(377,443)	(395,967)	(18,524)
Utilization of surplus	1,799,837	1,799,837	-	(1,799,837)
Overlay	(73,743)	(73,743)	-	73,743
General obligation bonds	-	-	-	-
Total other financing sources (uses)	3,600,875	3,600,875	2,174,317	(1,426,558)
Net change in fund balances - budgetary basis	-	-	(213,476)	(213,476)
Reconciliation to GAAP basis:				
Change in current portion of accrued compensated absences			42,793	
Net change in fund balances - GAAP basis			(170,683)	
Fund balance, beginning of year, restated			8,974,492	
Fund balance, end of year	\$		8,803,809	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 256,447	220,042
Investments	-	-
Interfund loans receivable	2,525	-
Total assets	258,972	220,042
LIABILITIES		
Interfund loans payable	3,300	-
Accounts payable	-	-
Due to student groups	-	220,042
Total liabilities	3,300	220,042
NET ASSETS		
Held in trust	\$ 255,672	-

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, 2009

	Private-purpose Trust Funds (Scholarships)
<hr/>	
Additions:	
Donations	\$ 50
Interest and dividends	2,788
Total additions	2,838
<hr/>	
Deductions:	
School scholarships	7,700
Total deductions	7,700
<hr/>	
Change in net assets	(4,862)
Net assets, beginning of year	260,534
<hr/>	
Net assets, end of year	\$ 255,672

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

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. Organizations that are legally separate, tax-exempt entities and meet *all* of the following criteria should be discretely presented as component units. The criteria used are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Additional 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 discretely presented potential component unit addressed in defining the government's reporting entity.

Scarborough Economic Development Corporation (SEDCO) encourages and assists with the development of business in the Town of Scarborough. The Town appoints a majority of SEDCO's board and provides SEDCO a majority of its revenues. All of the financial activity of SEDCO has been reported using the discrete presentation method. The town provided \$239,162 to SEDCO for the year ended June 30, 2009.

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 and the Library provides services directly to the citizens of the Town. The Library has been included as part of these financial statements, using the discrete presentation method. The Town provided \$760,556 to the Library for the year ended June 30, 2009.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 assessment revenues to be used to offset debt payments for the Haigis Parkway project.

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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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:

	<u>Revenues and other sources</u>	<u>Expenditures and other uses</u>
2008-2009 budget as adopted	\$65,329,188	\$65,329,188
Budgetary adjustments:		
Subsequent authorization	20,000	20,000
Prior year encumbrances and carryforwards	911,695	911,695
Total adjusted budget	\$ 66,260,883	\$ 66,260,883

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

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, employer insurance and employee benefits exceeding budget.

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

The Debt Service over-expenditure is the result of an unbudgeted change in the lease agreement payments from annual to monthly.

C. Deficit Fund Balance

At June 30, 2009, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$67,083. 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 \$45,557. 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 \$12,548. It is expected that this deficit will be adequately funded future years through revenues or from the general fund.

The Municipal Building Fund (a capital project fund) had a deficit of \$517,322. This deficit is expected to be adequately funded in future years with TIF revenues.

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, 2009, the Town reported deposits of \$6,414,567 with a bank balance of \$6,409,400. Of the Town's bank balances of \$6,409,400, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or is secured by additional collateral pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$6,194,525
Reported in fiduciary funds	<u>220,042</u>
Total deposits	<u>\$6,414,567</u>

At June 30, 2009, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$66,276 and \$29,651 respectively, all of which was covered by F.D.I.C. insurance.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS - CONTINUED

B. Investments

At June 30, 2009, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Money markets and repurchase agreements	\$13,836,900	\$13,836,900	-	-
Mutual funds (1)	586,591		not applicable	
Total investments	\$14,423,491	\$13,836,900	-	-

(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	\$14,167,044
Reported in fiduciary funds	256,447
Total investments	\$14,423,491

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 \$14,423,491 were exposed to custodial credit risk. At June 30, 2009, the Scarborough Public Library's investment balance was \$422,409; 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 20, 2008, 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, 2008 and 50% on March 16, 2009. Interest at the rate of 11% 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, 2009 and the Town's value was 102% of the 2009 State valuation of \$3,563,250,000.

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 \$73,743 for the year ended June 30, 2009.

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>2009</u>
Assessed value	\$ 3,487,005,500
Tax rate (per \$1,000)	<u>12.15</u>
Commitment	42,367,139
Supplemental taxes assessed	<u>30,569</u>
	42,397,708
Less - collections and abatements	<u>41,890,825</u>
Receivable at June 30	<u>506,883</u>
Consisting of:	
Taxes	52,169
Liens	<u>454,714</u>
Receivable at June 30	<u>\$ 506,883</u>
Collection rate	98.80%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,876,088	\$ 346,630	\$ 510,700	\$ 4,712,018
Construction in progress	4,787,533	2,030,367	3,310,601	3,507,299
Total capital assets, not being depreciated	9,663,621	2,376,997	3,821,301	8,219,317
Capital assets, being depreciated:				
Buildings	67,389,762	1,008,575	150,900	68,247,437
Vehicles	10,677,634	702,689	5,913	11,374,410
Equipment and furniture	4,789,889	257,539	101,973	4,945,455
Infrastructure	31,765,063	9,671,494	4,084,740	37,351,817
Total capital assets being depreciated	114,622,348	11,640,297	4,343,526	121,919,119
Less accumulated depreciation for:				
Buildings	10,966,075	1,181,971	4,916	12,143,130
Vehicles	5,138,046	813,271	231,849	5,719,468
Equipment and furniture	2,676,640	382,753	90,441	2,968,952
Infrastructure	7,699,820	546,476	1,688,657	6,557,639
Total accumulated depreciation	26,480,581	2,924,471	2,015,863	27,389,189
Total capital assets being depreciated, net	88,141,767	8,715,826	2,327,663	94,529,930
Governmental activities capital assets, net	\$97,805,388	\$11,092,823	\$ 6,148,964	\$102,749,247

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

Governmental activities:	
General government	\$ 284,608
Public services	38,633
Public safety	413,283
Public works, including depreciation of general infrastructure assets	900,826
Education	1,287,121
Total depreciation expense – governmental activities	\$ 2,924,471

Capital assets for the Scarborough Public Library and Scarborough Economic Development Corporation discretely presented component unit are as follows:

	<u>Library</u>	<u>SEDCO</u>
Buildings	\$1,268,766	-
Equipment, artwork and software	521,555	\$22,534
Books	820,329	-
Total	2,610,650	22,534
Less accumulated depreciation	(1,790,035)	(17,593)
Property and equipment, net	\$820,615	\$4,941
Depreciation expense	\$89,889	\$1,198

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, 2009, were as follows:

	Interfund receivables	Interfund payables
General Fund	\$3,152,886	-
General Town Improvements	-	\$349,171
Haigis Parkway	-	1,494,935
Performance Bonds	-	-
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Unemployment compensation	545	-
Hurd Park and Ferry Beach	-	25,126
Recreational development	-	67,083
FEMA	-	309,463
School Lunch	-	10,125
Boat Launch	-	45,557
Scarborough Memorial improvement	-	21,250
Route 1 Sawyer Road improvement	822	-
Industrial Park	-	-
Payne Road impact fees	-	827
Other impact fees	-	96,967
Police asset forfeiture	11,691	-
Hunnewell House	4,140	-
Rescue equipment	-	21,028
Fire Dept. Equipment	-	4,306
Departmental grants and programs	-	212,597
Total Nonmajor Special Revenue Funds	17,198	814,329
Nonmajor Capital Project Funds:		
Municipal building fund	-	517,322
Total Nonmajor Capital Project Funds	-	517,322
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	6,750	-
Dunstan Perpetual Care	-	302
Total Permanent Funds	6,750	302
Total Other Governmental Funds	23,948	1,331,953
Private-purpose Trust Funds	2,525	3,300
Total all funds	\$3,179,359	\$3,179,359

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	\$2,570,284	\$ 395,967
General Town Improvements	81,565	169,738
Haigis Parkway Assessments	45,159	1,009,279
Nonmajor Governmental Funds	755,537	1,877,561
Total	\$3,452,545	\$3,452,545

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, 2009, 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	\$69,328,000	\$4,560,000	\$6,103,000	\$67,785,000	\$5,745,000
Capital leases	2,025,032	819,682	621,475	2,223,239	634,202
Compensated absences	1,630,356	39,620	65,218	1,604,758	22,425
Other postemployment Benefits liability		274,639		274,639	
Landfill post-closure care costs	441,534	-	4,050	437,484	4,050
Governmental activity					
Long-term liabilities	\$73,424,922	\$5,693,941	\$6,793,743	\$72,325,120	\$6,405,677

As of June 30, 2009, the Town had authorized, but unissued debt totaling \$4,042,650. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

Long-term liabilities for SEDCO as of June 30, 2009 consist of compensated absences in the amount of \$31,533.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

BONDS PAYABLE

Bonds payable at June 30, 2009 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			
1990 Capital improvements	7,415,000	-	100.00%	-	Varies	2011	\$ 650,000
1993 Capital improvements	1,135,000	100.00%	-	-	Varies	2012	100,000
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	1,380,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	1,855,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	880,000
1999 Capital improvements	6,493,000	96.70%	3.30%	-	Varies	2019	700,000
2000 Capital improvements	4,770,000	70.10%	29.90%	-	Varies	2020	1,355,000
2001 Capital improvements	4,932,000	59.74%	40.26%	-	Varies	2021	1,515,000
2003 Capital improvements	24,579,000	6.55%	49.65%	43.80%	Varies	2032	19,770,000
2004 Capital improvements	14,628,000	12.85%	82.97%	4.18%	Varies	2034	10,040,000
2005 Capital improvements	10,665,000	7.77%	92.23%	-	Varies	2034	8,980,000
2006 Capital improvements	7,014,000	82.53%	17.47%	-	Varies	2036	5,180,000
2007 Capital improvements	4,000,000	70.69%	29.31%	-	Varies	2022	2,900,000
2008 Capital improvements	8,513,000	74.00%	26.00%	-	Varies	2028	7,920,000
2009 Capital improvements	4,560,000	88.54%	11.46%	-	Varies	2029	4,560,000
Total							\$ 67,785,000

The annual requirements to amortize all debt outstanding as of June 30, 2009 are as follows:

Year ending June 30,	Principal	Interest	Total
2010	\$ 5,745,000	\$ 2,656,091	\$ 8,401,091
2011	5,720,000	2,435,931	8,155,931
2012	5,065,000	2,230,514	7,295,514
2013	4,865,000	2,041,068	6,906,068
2014	4,095,000	1,867,069	5,962,069
2015-2019	15,995,000	7,217,069	23,212,069
2020-2024	11,700,000	4,415,593	16,115,593
2025-2029	7,265,000	2,503,111	9,768,111
2030-2034	6,855,000	880,492	7,735,492
2035-2035	480,000	12,000	492,000
Totals	\$ 67,785,000	\$ 26,258,938	\$ 94,043,938

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, 2009 outstanding bonds	Percent of 2009 State assessed value of \$ 3,563,250,000	Amount	Margin
For school purposes	\$ 35,629,500	10.00%	\$356,325,000	\$320,695,500
For storm or sanitary sewer	9,080,000	7.50%	267,243,750	258,163,750
For municipal airport, water and special district purposes	-	3.00%	106,897,500	106,897,500
For all other purposes	23,075,500	7.50%	267,243,750	244,168,250
Total	\$ 67,785,000	15.00%	\$534,487,500	\$466,702,500

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 \$2,518,812.

The following is a schedule of future minimum lease payments under capital leases and the present value of the minimum lease payments at June 30, 2009:

2010	\$ 714,440
2011	583,140
2012	447,153
2013	366,171
2014	105,155
2015-thereafter	238,268
Total minimum lease payments	2,454,327
Less: amount representing interest	231,088
<i>Present value of future minimum lease payments</i>	\$ 2,223,239

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, 2009, the Town's State valuation of \$3,563,250,000 was 8.50% of the County's State valuation of \$41,918,400,000. The Town's share is 8.50% or \$480,700 of Cumberland County's \$5,655,000 long-term debt outstanding as of June 30, 2009.

The Town is also served by the Portland Water District. At June 30, 2009, the Town's share of self-supporting bonded water debt is 13.14% or \$4,099,484 of total debt of \$31,202,072.

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, 2009, outstanding "Incinerator Debt" of ecomaine totaled \$18,759,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.54% or \$1,601,312.

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional seven 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, 2009, the Town's share is 6.30% or \$181,503 of ecomaine's outstanding MRF debt of \$2,881,000.

ecomaine operates a licensed bafill and ashfill site for which projected landfill closure and postclosure care costs approximate \$14,645,291 at June 30, 2008, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.48%, or \$1,241,726.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2009			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 70,008,239	-	-	\$70,008,238
Cumberland County	-	\$ 480,700	-	480,700
Portland Water District - water debt	-	4,099,484	-	4,099,484
ecomaine Waste Systems:				
Resource recovery system	-	-	\$1,601,312	1,601,312
Material recovery facility	-	-	181,503	181,503
Landfill closure/postclosure costs	-	-	1,241,726	1,241,726
Totals	\$ 70,008,238	\$4,580,184	\$3,024,541	\$77,612,963

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED

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, 2009, substantially all such calculations have been performed and the Town is in compliance with all arbitrage requirements.

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, \$437,484, 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, 2009. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year. The total closure and postclosure care costs of \$437,484 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.

RESERVED FUND EQUITY

At June 30, 2009, the Special Revenue fund balance for Haigis Parkway included a reserve for the non-current portion of the notes receivable in the amount of \$2,894,196. The School Lunch Program included a reserve for inventory on hand of \$17,481 and the Grants & Programs under Special Revenues included \$15,319 in encumbrances. Fund balance has been reserved in the permanent funds for nonexpendable principal of \$121,528 and expendable income of \$83,664. The total reserved fund balance for other governmental funds on Statement 3 was \$237,992. As of June 30, 2009, the General Fund fund balance was reserved in the amount of \$629,962, reflecting the non-current portion of the interfund loan receivable from the Municipal Building Fund in the amount of \$517,322, the Boat Launch Fund deficit of \$45,557, and the Recreation Development Fund amount of \$67,083.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DESIGNATED FUND BALANCES

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

	<u>2009</u>
General Fund:	
State revenue sharing	\$ 82,510
Admin – Building repairs	3,378
Comprehensive plan	12,240
Finance – New equipment	3,500
Finance – Employee training	1,500
Town Clerk – Election storage trailer	4,866
Town Clerk – voting booth purchase	1,046
Planning – Watershed map/management plan	43,000
Public Safety – Tactical team training	2,558
Public Safety – Night vision goggles	540
Police Department - 2006 QED software	9,300
Police Department – Auxiliary vehicles	700
Police Department – Electrical door access	192
Police Department – Taser cams	9,859
Police Department – Portable Radios	396
Police Department – Traffic sign boards	2,933
Police Department – Scanning copier	(3,981)
Police Department – Unmarked vehicles	2,007
Police Department – Tomar Pre-emptive device	13,617
Police Department – Traffic light pre-emptive	12,966
Police Department – Shotgun replacement	2,553
Fire Department – Municipal holding tank	37,396
Fire Dept – ADA/Energy improvements	23,351
Public Works – Plow truck #4026	(157)
Public Works – Paving	50,000
Library – Capital equipment improvements	98,781
Cable franchise fees	41,058
Summer recreation	31,820
Marine Resource Office – Inventory Management	4,325
Town-wide computer purchases	45,059
Encumbered purchase orders	197,853
Reserve for accrued sick pay	1,083,152
Total General Fund designated fund balance	\$ 1,818,318

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

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 employer rate is 2.8% of annual covered payroll for School employees participating in the District Plan, 2.8% for Town employees, 4.0% for Police and 6.5% for Fire and Rescue. 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, 2009, 2008 and 2007 were \$124,178, \$88,773, and \$85,274 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 \$3,348,816 (18.76%) for the fiscal year 2009. 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, 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/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 12% 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 \$342,871, which was 6% of the participating employees and 12% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,680,650, while the Town's total payroll was \$10,595,709.

Employee's required contributions amounted to \$336,774, 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 also offers all its full time 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 \$416,919 and the Town contributions amounted to \$274,878. 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, are not reported in the Town's financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in July 2009 for fiscal year ending June 30, 2009.

Plan Descriptions – In addition to providing pension benefits, the Town provides health care benefits for qualified retired employees. Eligibility to receive health care benefits at retirement is determined by the Health Trust standards. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

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

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

Normal Cost	\$113,905
Amortization of Unfunded	155,349
<u>Interest</u>	<u>5,385</u>
Annual Required Contribution	\$274,639

Funding Status and Funding Progress – The Town's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2009 were as follows:

Annual required contribution	\$274,639
<u>Actual contribution</u>	<u>0</u>
Increase in Net OPEB Obligation	274,639
Net OPEB obligation – beginning of year	0
<u>Net OPEB Obligation – end of year</u>	<u>\$274,639</u>
Percent contributed	0%
Actuarial accrued liability	\$2,793,753
<u>Plan Assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$2,793,753
Covered payroll	6,208,803
Unfunded actuarial accrued liability as a percentage of covered payroll	45%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

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

Actuarial valuation date	1-1-2009
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years

Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.00% - 9.60%

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:

<i>Scarborough Town Center Development District:</i>	
Original assessed value	\$ 6,915,000
Maximum authorized captured value	6,900,000
Amount captured as of June 30, 2009	6,900,000
<i>Scarborough Eight Corners Development District:</i>	
Original assessed value	4,522,700
Maximum authorized captured value	39,000,000
Amount captured as of June 30, 2009	19,556,300
<i>Enterprise Business Park TIF:</i>	
Original assessed value	544,800
Amount captured as of June 30, 2009	8,502,000
<i>Haigis Parkway:</i>	
Original assessed value	8,563,500
Amount captured as of June 30, 2009	3,716,800
New England Expedition CEA:	32,364,800
Bessey School Senior Housing CEA:	1,534,400

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, 2009. 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, 2009:

	Governmental Activities
Capital assets	\$ 130,138,436
Accumulated depreciation	(27,389,189)
Bonds payable	(58,705,000)
Capital leases payable	(2,223,239)
<hr/>	
<u>Total invested in capital assets net of related debt</u>	<u>\$ 41,821,008</u>

Bonds payable excludes \$9,080,000 of bonds payable related to the Haigis Parkway project for which the Town did not retain ownership of the improvements.

RECLASSIFICATION OF FUND BALANCE

The beginning balance of other governmental funds was decreased by \$14,861 as SEDCO is now being presented as a discretely presented component unit rather than as part of other governmental funds.

TOWN OF SCARBOROUGH, MAINE
 Schedule of Funding Progress
 Required Supplementary Information
 June 30, 2009
 (Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
06-30-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,208,803	45%

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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, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 4,691,357	3,972,040
Investments	4,803,188	7,724,325
Receivables:		
Taxes receivable	136,958	132,608
Tax liens	559,400	456,920
Accounts receivable	617,828	487,613
Interfund loans receivable	3,152,886	877,117
Tax acquired property	7,231	7,231
Total assets	\$ 13,968,848	13,657,854
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	1,057,383	1,005,571
Accrued payroll and other related liabilities	3,459,260	3,189,200
Accrued compensated absence (current)	22,425	65,218
Taxes collected in advance	69,250	15,003
Deferred tax revenues	556,721	408,370
Total liabilities	5,165,039	4,683,362
Fund balance:		
Reserved	629,962	617,834
Unreserved:		
Designated - Town	1,818,318	2,134,233
Undesignated - Education	1,854,157	1,004,054
Undesignated - Town	4,501,372	5,218,371
Total fund balance	8,803,809	8,974,492
Total liabilities and fund balance	\$ 13,968,848	13,657,854

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, 2009
(with comparative totals for June 30, 2008)

	2009					2008 Actual
	2008 carryforward	Budget	Total Available	Actual	Variance positive (negative)	
Revenues:						
Taxes:						
Property taxes	\$ -	42,267,139	42,267,139	42,147,691	(119,448)	40,038,475
Change in deferred property tax revenue	-	-	-	(148,351)	(148,351)	(38,370)
Excise taxes	-	4,427,000	4,427,000	4,126,817	(300,183)	4,318,420
Cable franchise tax	-	175,000	175,000	175,981	981	172,545
Interest and costs on taxes	-	64,956	64,956	99,053	34,097	90,105
Total taxes	-	46,934,095	46,934,095	46,401,191	(532,904)	44,581,175
Licenses and permits:						
Plumbing fees	-	22,000	22,000	16,114	(5,886)	25,816
Fees and Permits	-	126,940	126,940	163,806	36,866	158,615
Building permits	-	475,000	475,000	211,108	(263,892)	501,879
Electrical permits	-	22,000	22,000	17,635	(4,365)	25,345
Zoning Board of Appeals	-	8,000	8,000	10,363	2,363	12,601
License plate fees	-	63,280	63,280	60,588	(2,692)	61,564
Subdivision fees	-	5,000	5,000	2,700	(2,300)	32,025
Total licenses and permits	-	722,220	722,220	482,314	(239,906)	817,847
Intergovernmental:						
Education state subsidies	-	7,069,801	7,069,801	7,069,802	1	6,567,679
FEMA reimbursement	-	-	-	108,584	108,584	-
State Revenue Sharing	-	1,376,000	1,376,000	1,358,911	(17,089)	1,409,156
Homestead exemption	-	338,955	338,955	339,355	400	325,653
Business equipment tax exemption	-	23,774	23,774	23,864	90	-
URIP (D.O.T. block grant)	-	364,500	364,500	340,584	(23,916)	369,892
ecomaine payment in lieu of taxes	-	77,148	77,148	71,450	(5,698)	71,697
Adult education State subsidies	-	28,000	28,000	23,444	(4,556)	25,835
General assistance reimbursement	-	10,085	10,085	8,264	(1,821)	11,637
Federal HIDTA revenues	-	120,000	120,000	135,960	15,960	92,829
Medicaid	-	-	-	204,192	204,192	177,965
Other Federal and State revenues - School	-	488,000	488,000	337,242	(150,758)	309,086
Other Federal and State revenues - Town	-	12,700	12,700	156,440	143,740	60,783
Total intergovernmental	-	9,908,963	9,908,963	10,178,092	269,129	9,422,212
Interest earned	-	227,000	227,000	137,533	(89,467)	344,371
Unclassified:						
School Department miscellaneous	-	115,501	115,501	115,640	139	66,452
Adult education	-	17,500	17,500	10,600	(6,900)	6,869
Community services	-	1,491,413	1,491,413	1,540,702	49,289	1,516,217
Police court time	-	9,000	9,000	5,022	(3,978)	9,642
Snow plowing service	-	11,000	11,000	16,975	5,975	10,768
Insurance reimbursements	-	20,000	20,000	60,902	40,902	39,301
Public Violations	-	34,000	34,000	64,924	30,924	43,512
Special duty police/fire	-	118,000	118,000	98,534	(19,466)	134,673
Inspection/review fees	-	110,000	110,000	163,098	53,098	219,271
Rescue donations	-	525,000	525,000	525,000	-	500,000
Rental income	-	45,203	45,203	45,203	-	66,600
Sale of Town-owned property	-	123,415	123,415	112,090	(11,325)	112,751
Salary reimbursement	-	440,618	440,618	543,388	102,770	498,510
Vehicle fuel reimbursement	-	451,811	451,811	415,024	(36,787)	537,302
Vehicle maintenance reimbursement	-	278,350	278,350	313,780	35,430	396,278
Lease revenue	-	622,590	622,590	632,079	9,489	1,909,208
Miscellaneous	-	91,515	91,515	156,316	64,801	129,828
Total unclassified	-	4,504,916	4,504,916	4,819,277	314,361	6,197,182
Total revenues	-	62,297,194	62,297,194	62,018,407	(278,787)	61,362,787

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

	2009					2008 Actual
	2008 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	11,573	-	10,765
Administration	-	264,298	264,298	225,866	38,432	249,138
Town Clerk	2,000	197,688	199,688	210,815	(11,127)	180,714
Human resources	-	201,949	201,949	184,563	17,386	195,498
Personnel benefits	88,372	63,450	151,822	180,952	(29,130)	159,550
Finance	11,926	381,530	393,456	375,695	17,761	359,124
Purchasing	-	114,331	114,331	123,325	(8,994)	106,742
Taxation/Treasury	-	475,018	475,018	454,112	20,906	442,653
Assessing	-	241,834	241,834	232,452	9,382	233,162
Management information systems	747	538,791	539,538	537,282	2,256	530,353
Planning	28,278	852,640	880,918	884,012	(3,094)	773,878
Municipal building	165	282,782	282,947	279,598	3,349	295,177
General government	-	81,470	81,470	67,158	14,312	74,035
Legal	-	86,000	86,000	151,874	(65,874)	119,261
Risk management	-	476,500	476,500	529,510	(53,010)	521,684
Public information	-	7,000	7,000	6,138	862	5,894
Engineering	-	7,500	7,500	4,802	2,698	173,035
Outside agencies	-	73,730	73,730	73,747	(17)	52,015
Total general government	131,488	4,358,084	4,489,572	4,533,475	(43,903)	4,482,678
Public services:						
Library	-	760,556	760,556	760,556	-	719,634
Public health and welfare	-	24,270	24,270	17,615	6,655	17,818
Tax Rebates (Credit Enhancement Agree)	-	515,175	515,175	515,174	1	94,444
Economic Development Corporation	-	239,162	239,162	238,454	708	211,686
Community services	2,120	2,070,645	2,072,765	2,171,742	(98,977)	2,058,966
Total public services	2,120	3,609,808	3,611,928	3,703,541	(91,613)	3,102,548
Public safety:						
Fire Department	11,527	1,771,342	1,782,869	1,722,489	60,380	1,646,822
Police Department	114,299	4,317,147	4,431,446	4,236,207	195,239	4,073,164
Emergency Management	-	34,621	34,621	33,030	1,591	33,461
Marine resources	7,760	89,823	97,583	87,030	10,553	83,645
Emergency Medical Services	2,500	1,350,562	1,353,062	1,320,572	32,490	1,149,338
Total public safety	136,086	7,563,495	7,699,581	7,399,328	300,253	6,986,430
Public works:						
Public Works Department	39,515	2,514,023	2,553,538	2,285,027	268,511	2,590,754
Vehicle maintenance	1,000	1,464,582	1,465,582	1,460,334	5,248	1,688,418
Water charges	-	174,790	174,790	179,307	(4,517)	161,671
Street lighting	-	154,003	154,003	160,784	(6,781)	163,962
Traffic signals	-	124,974	124,974	114,087	10,887	105,485
Cemetery care	-	19,150	19,150	18,240	910	27,213
Memorials	-	9,489	9,489	11,730	(2,241)	11,137
Shade trees	1,015	24,500	25,515	18,723	6,792	10,548
Engineering services	-	110,786	110,786	92,052	18,734	120,809
Solid waste program	21,217	1,904,907	1,926,124	1,919,128	6,996	1,885,231
Total public works	62,747	6,501,204	6,563,951	6,259,412	304,539	6,765,228
Education:						
Regular instruction	-	19,952,754	19,952,754	19,688,426	264,328	18,512,336
Improvement of instruction	-	521,670	521,670	516,570	5,100	520,647
Special services	-	2,559,810	2,559,810	2,439,531	120,279	2,354,774
General & special administration	-	287,548	287,548	276,546	11,002	206,769
Board of education	-	40,725	40,725	35,512	5,213	33,182
Office of the superintendent	-	512,530	512,530	427,345	85,185	612,609
Business administration	-	1,473,919	1,473,919	1,463,972	9,947	1,279,095
Transportation	-	1,496,167	1,496,167	1,459,906	36,261	1,478,530
Operation and maintenance of plant	-	3,825,440	3,825,440	3,462,425	363,015	3,498,313
Debt service	-	4,475,431	4,475,431	4,475,430	1	4,418,850
Total education	-	35,145,994	35,145,994	34,245,663	900,331	32,865,105

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

	2008 carryforward	2009		Actual	Variance positive (negative)	2008 Actual
		Budget	Total available			
Expenditures, continued:						
Current, continued:						
County tax	\$ -	1,836,509	1,836,509	1,836,509	-	1,735,302
Debt service (excluding education):						
Principal	-	3,203,499	3,203,499	3,203,500	(1)	3,232,386
Interest and other costs	-	1,732,049	1,732,049	1,866,561	(134,512)	1,488,234
Total debt service	-	4,935,548	4,935,548	5,070,061	(134,513)	4,720,620
Capital improvements	667,626	947,360	1,614,986	1,358,211	256,775	2,665,445
Total expenditures	1,000,067	64,898,002	65,898,069	64,406,200	1,491,869	63,323,356
Excess (deficiency) of revenues over (under) expenditures	(1,000,067)	(2,600,808)	(3,600,875)	(2,387,793)	1,213,082	(1,960,569)
Other financing sources (uses):						
Transfers in	-	2,252,224	2,252,224	2,570,284	318,060	2,782,635
Transfers out	-	(377,443)	(377,443)	(395,967)	(18,524)	(886,474)
General obligation bonds	-	-	-	-	-	786,810
Overlay	-	(73,743)	(73,743)	-	73,743	-
Total other financing sources (uses)	-	1,801,038	1,801,038	2,174,317	373,279	2,682,971
Net change in fund balances - budgetary basis	(1,000,067)	(799,770)	(1,799,837)	(213,476)	1,586,361	722,402
Utilization of prior year surplus and carrying balances	1,000,067	799,770	1,799,837	-	(1,799,837)	-
Total Utilization of Fund Balance and Carry	-	-	-	(213,476)	(213,476)	722,402
Reconciliation to GAAP basis:						
Change in current portion of accrued compensated absences				42,793		(65,218)
Net change in fund balances - GAAP basis				(170,683)		657,184
Fund balances, beginning of year restated				8,974,492		8,317,308
Fund balances, end of year				\$ 8,803,809		8,974,492

OTHER GOVERNMENTAL FUNDS

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TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 425,797	19,668	-	445,465
Investments	6,732,268	768,754	198,744	7,699,766
Intergovernmental receivable	384,638	-	-	384,638
Due from State of Maine	-	-	-	-
Interfund loans	17,198	-	6,750	23,948
Inventory	17,481	-	-	17,481
Notes receivable	-	-	-	-
Total assets	\$ 7,577,382	788,422	205,494	8,571,298
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	266,646	184,398	-	451,044
Interfund loans	814,329	517,322	302	1,331,953
Total liabilities	1,080,975	701,720	302	1,782,997
Fund balances:				
Reserved for:				
Inventory	17,481	-	-	17,481
Nonexpendable trust principal	-	-	121,528	121,528
Expendable trust - income portion	-	-	83,664	83,664
Encumbrance	15,319	-	-	15,319
Unreserved, undesignated	6,463,607	86,702	-	6,550,309
Total fund balances	6,496,407	86,702	205,192	6,788,301
Total liabilities and fund balances	\$ 7,577,382	788,422	205,494	8,571,298

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2009

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 3,798,113	-	-	3,798,113
Contributions	86,709	-	-	86,709
Assessments and impact fees	415,625	-	-	415,625
Sale of lots	5,134	-	4,350	9,484
Other revenue	2,213,391	-	-	2,213,391
Interest revenue	77,453	20,669	1,635	99,757
Total revenues	6,596,425	20,669	5,985	6,623,079
Expenditures:				
Current:				
Capital expenditures	1,129,291	1,345,586	-	2,474,877
Other	3,396,167	-	302	3,396,469
Total expenditures	4,525,458	1,345,586	302	5,871,346
Excess of revenues over (under) expenditures	2,070,967	(1,324,917)	5,683	751,733
Other financing sources (uses):				
Transfers in	685,610	69,927	-	755,537
Transfers out	(1,358,397)	(519,164)	-	(1,877,561)
General Obligation Bonds	-	522,560	-	522,560
Total other financing sources (uses)	(672,787)	73,323	-	(599,464)
Net change in fund balances	1,398,180	(1,251,594)	5,683	152,269
Fund balances, beginning of year	5,098,227	1,338,296	199,509	6,636,032
Fund balances, end of year	\$ 6,496,407	86,702	205,192	6,788,301

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.

FEMA

To account for Federal and State Emergency Management revenues and related expenditures.

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.

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.

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

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.

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.

Bessey Commons

This is a credit enhancement agreement between the Town and Bessey Commons. A credit enhancement agreement or contract between the municipality and a company is a mechanism to assist the development project, by using all, or a percentage of the revenues generated by the new investment to pay certain authorized project costs with payments made directly to the company.

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.

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

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.

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 administered 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.

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TOWN OF SCARBOROUGH, MAINE
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2009

	Unemploy- ment Compen- sation	Hurd- Park and Ferry Beach	Recrea- tional Develop- ment	FEMA	Sewer Expansion	New England Expedition Credit Agreement	Boat Launch	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Industrial Park	Prouts Landing Conserva- tion	Bessey Commons	Payne Road Improvements
ASSETS													
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Investments	187,664	431,101	-	-	-	42,730	-	63,763	84,528	387,708	24,518	8	69,732
Intergovernmental receivable	-	-	-	309,463	-	-	-	-	-	-	-	-	-
Due from State of Maine	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	545	-	-	-	-	-	-	-	822	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 188,209	431,101	-	309,463	-	42,730	-	63,763	85,350	387,708	24,518	8	69,732
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	25,126	67,083	309,463	-	-	45,557	21,250	-	-	-	-	-
Total liabilities	-	25,126	67,083	309,463	-	-	45,557	21,250	-	-	-	-	-
Fund balances:													
Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-
Undesignated	188,209	405,975	(67,083)	-	-	42,730	(45,557)	42,513	85,350	387,708	24,518	8	69,732
Total fund balances (deficit)	188,209	405,975	(67,083)	-	-	42,730	(45,557)	42,513	85,350	387,708	24,518	8	69,732
Total liabilities and fund balances	\$ 188,209	431,101	-	309,463	-	42,730	-	63,763	85,350	387,708	24,518	8	69,732

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Special Revenue Funds, Continued
 Combining Balance Sheet
 June 30, 2009

	Payee	Road Impact Fees	Other Impact Fees	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund	Totals
ASSETS														
Cash and cash equivalents		213,508	-	-	-	-	-	59,230	-	16,655	136,404	-	-	425,797
Investments		2,150,974	544,608	148,911	1,789	492,415	18,781	2,022,576	785	-	-	-	59,677	6,731,268
Intergovernmental receivable		-	-	-	-	49,218	-	4,850	-	-	-	21,507	-	384,638
Due from State of Maine		-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable		-	-	11,691	4,140	-	-	-	-	-	-	-	-	17,198
Inventory		-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable		-	-	-	-	-	-	-	-	-	-	17,481	-	17,481
Total assets		2,364,482	544,608	160,602	5,929	541,633	18,781	2,086,256	785	16,655	136,404	38,988	59,677	7,577,382
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable		213,509	-	-	-	-	-	99	-	-	29,108	23,930	-	266,646
Interfund loans payable		827	96,967	-	-	21,028	4,306	212,597	-	-	-	10,125	-	814,329
Total liabilities		214,336	96,967	-	-	21,028	4,306	212,696	-	-	29,108	34,055	-	1,080,975
Fund balances:														
Reserved		-	-	-	-	-	-	15,319	-	-	-	17,481	-	32,800
Undesignated		2,150,146	447,641	160,602	5,929	520,605	14,475	1,858,241	785	16,655	107,296	(12,548)	59,677	6,463,607
Total fund balances (deficit)		2,150,146	447,641	160,602	5,929	520,605	14,475	1,873,560	785	16,655	107,296	4,933	59,677	6,496,407
Total liabilities and fund balances		2,364,482	544,608	160,602	5,929	541,633	18,781	2,086,256	785	16,655	136,404	38,988	59,677	7,577,382

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2009

	Unemploy- ment Compen- sation	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	FEMA	Sewer Expansion	New England Expedition Credit Agreement	Boat Launch	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Industrial Park	Prouts Landing Conserva- tion	Bessey Commons	Payne Road Improvements
Revenues:													
Intergovernmental	\$ -	-	-	720,163	-	-	-	-	-	-	-	-	-
Interest earned	2,422	5,521	-	-	-	418	-	822	794	6,110	316	8	904
Contributions	1,000	35,153	-	-	-	-	1,000	-	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	4,350	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Assessments and impact fees	-	-	3,750	-	-	393,232	-	-	-	-	-	18,643	-
Total revenues	3,422	40,674	3,750	720,163	-	393,650	1,000	5,172	794	6,110	316	18,651	904
Expenditures:													
Construction and acquisitions	-	52,594	-	720,163	-	-	4,926	-	1,959	-	-	-	-
Benefits paid	2,739	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	393,232	-	-	-	-	-	18,643	-
Total expenditures	2,739	52,594	-	720,163	-	393,232	4,926	-	1,959	-	-	18,643	-
Excess (deficiency) of revenues over (under) expenditures	683	(11,920)	3,750	-	-	418	(3,926)	5,172	(1,165)	6,110	316	8	904
Other financing sources (uses):													
Transfers in	-	-	231,676	-	237,609	-	-	-	-	-	-	-	-
Transfers out	-	-	(246,215)	-	(454,777)	-	-	(10,000)	-	(60,791)	-	-	-
Total other financing sources (uses)	-	-	(14,539)	-	(217,168)	-	-	(10,000)	-	(60,791)	-	-	-
Net change in fund balances	683	(11,920)	(10,789)	-	(217,168)	418	(3,926)	(4,828)	(1,165)	(54,681)	316	8	904
Fund balances (deficit), beginning of year	187,526	417,895	(56,294)	-	217,168	42,312	(41,631)	47,341	86,515	442,389	24,202	-	68,828
Fund balances (deficit), end of year	\$ 188,209	405,975	(67,083)	-	-	42,730	(45,557)	42,513	85,350	387,708	24,518	8	69,732

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued
 For the year ended June 30, 2009

	Payne Road Impact Fees	Other Impact Fees	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund	Totals
Revenues:													
Intergovernmental	-	-	70,217	-	-	-	1,841,238	-	-	933,081	233,414	-	3,798,113
Interest earned	25,904	10,304	1,704	23	5,483	169	15,771	10	-	-	-	770	77,453
Contributions	-	-	-	-	-	9,556	40,000	-	-	-	-	-	86,709
Sale of Lots/Land/Equip	-	-	-	-	784	-	-	-	-	-	-	-	5,134
Other	24,282	175,788	-	2,130	816,192	-	126,072	-	-	3,377	1,065,550	-	2,213,391
Assessments and impact fees	-	-	-	-	-	-	-	-	-	-	-	-	415,625
Total revenues	50,186	186,092	71,921	2,153	822,459	9,725	2,023,081	10	-	936,458	1,298,964	770	6,596,425
Expenditures:													
Construction and acquisitions	3,924	24,254	46,382	-	912	9,586	264,591	-	-	-	-	-	1,129,291
Benefits paid	-	-	-	-	-	-	-	-	-	-	-	-	2,739
Other	-	-	-	-	633,501	-	-	-	-	941,845	1,406,207	-	3,393,428
Total expenditures	3,924	24,254	46,382	-	634,413	9,586	264,591	-	-	941,845	1,406,207	-	4,525,458
Excess (deficiency) of revenues over (under) expenditures	46,262	161,838	25,539	2,153	188,046	139	1,758,490	10	-	(5,387)	(107,243)	770	2,070,967
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	17,253	-	-	-	199,072	-	685,610
Transfers out	-	(492,209)	-	-	(77,151)	-	(17,254)	-	-	-	-	-	(1,358,397)
Total other financing sources (uses)	-	(492,209)	-	-	(77,151)	-	(1)	-	-	-	199,072	-	(672,787)
Net change in fund balances	46,262	(330,371)	25,539	2,153	110,895	139	1,758,489	10	-	(5,387)	91,829	770	1,398,180
Fund balances (deficit), beginning of year	2,103,884	778,012	135,063	3,776	409,710	14,336	115,071	775	16,655	112,683	(86,896)	58,907	5,098,227
Fund balances (deficit), end of year	2,150,146	447,641	160,602	5,929	520,605	14,475	1,873,560	785	16,655	107,296	4,933	59,677	6,496,407

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, 2009

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ (13,283)	213,580	-	197,083	3,215
NCLB/Title IIA	36,680	70,630	-	81,536	25,774
NCLB/Title IID	3,838	364	-	3,050	1,152
NCLB/Title IVA	5,371	-	-	5,076	295
NCLB/Title VA	2,137	1,069	-	-	3,206
Refugee Resettlement	11,315	3,625	-	932	14,008
Local Entitlement	38,894	644,689	-	638,634	44,949
Preschool handicapped	6,404	-	-	-	6,404
Goals 2000	48	-	-	48	-
Total federal education grant programs	91,404	933,957	-	926,359	99,003
Other State grant programs:					
State Agency Clients	1	-	-	1	0
Professional Development Grant	8,293	-	-	-	8,293
Total other state grant programs	8,294	-	-	1	8,293
Co-curricular programs:					
Red Storm Football	-	-	-	-	-
Ice Hockey	-	-	-	-	-
HS Girls Ice Hockey	-	-	-	-	-
HS Lacrosse	-	-	-	-	-
Girl's Lacrosse	-	-	-	-	-
Gym Dandies	484	-	-	484	0
MS Baseball	(3,319)	-	3,319	-	(0)
Freshman Baseball	(92)	-	92	-	-
Softball Expansion	1,221	-	-	1,221	-
High/Middle school swim	536	-	-	536	0
HS / MS Field Hockey	1,374	-	-	1,374	-
Foreign Language Club	(59)	-	59	-	-
HS Volleyball	-	-	-	-	-
HS Wrestling	1,176	-	-	1,176	(0)
Maine Nutrition Program	500	-	-	500	-
Community Services transportation	218	-	-	218	-
Community Foundation Grant	157	-	-	157	-
Beacon Learning Center	6,363	-	-	6,363	-
Band	-	-	-	-	-
Math	2	-	-	2	0
Wal-Mart	1,000	-	-	1,000	-
MS Health Grant/other	(1,516)	-	1,516	-	-
Total co-curricular programs	8,045	-	4,986	13,030	0
Other special programs:					
Wellness Activities	46	-	-	46	-
Winslow Homer Auditorium	4,894	-	-	4,894	0
Total other special programs	4,940	-	-	4,940	0
Total school categorical programs	\$ 112,683	933,957	4,986	944,329	107,297

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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:

School General Improvements

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

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.

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TOWN OF SCARBOROUGH, MAINE
 Nonmajor Capital Project Fund
 Balance Sheet
 June 30, 2009

		General School Improvements	Municipal Building Fund	Totals
ASSETS				
Cash and cash equivalents	\$	19,668		19,668
Investments		768,754	-	768,754
Total assets	\$	788,422	-	788,422
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable		184,398	-	184,398
Interfund loans payable		-	517,322	517,322
Total liabilities		184,398	517,322	701,720
Fund balance (deficit):				
Unreserved:				
Undesignated		604,024	(517,322)	86,702
Total fund deficit		604,024	(517,322)	86,702
Total liabilities and fund balance	\$	788,422	0	788,422

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Capital Project Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended June 30, 2009

	General School Improvements	Municipal Building Fund	Totals
Revenues:			
Intergovernmental	\$ -	-	-
Interest earned	20,669	-	20,669
Total revenues	20,669	-	20,669
Expenditures:			
Capital Improvements	1,345,586	-	1,345,586
Total expenditures	1,345,586	-	1,345,586
Excess (deficiency) of revenues over (under) expenditures	(1,324,917)	-	(1,324,917)
Other financing sources (uses):			
Transfers in	15,252	54,675	69,927
Transfers out	(467,076)	(52,088)	(519,164)
Proceeds of general obligation bonds	522,560	-	522,560
Total other financing sources (uses)	70,736	2,587	73,323
Net change in fund balances	(1,254,181)	2,587	(1,251,594)
Fund deficit, beginning of year	1,858,205	(519,909)	1,338,296
Fund deficit, end of year	\$ 604,024	(517,322)	86,702

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.

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TOWN OF SCARBOROUGH, MAINE
 Nonmajor Permanent Funds
 Combining Balance Sheet
 June 30, 2009

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 170,745	25,127	2,872	198,744
Interfund loans receivable	6,750	-	-	6,750
Total assets	\$ 177,495	25,127	2,872	205,494
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	302	-	302
Total liabilities	-	302	-	302
Fund balances:				
Principal	107,661	13,367	500	121,528
Unexpended income	69,834	11,458	2,372	83,664
Total fund balances	177,495	24,825	2,872	205,192
Total liabilities and fund balances	\$ 177,495	25,127	2,872	205,494

TOWN OF SCARBOROUGH, MAINE
 Nonmajor Permanent Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2009

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 1,326	302	7	1,635
Sale of lots/perpetual care deposits	4,350	-	-	4,350
Total revenues	5,676	302	7	5,985
Expenditures:				
Earnings retained by General Fund	-	302	-	302
Other	-	-	-	-
Total expenditures	-	302	-	302
Net change in fund balances	5,676	-	7	5,683
Fund balances, beginning of year	171,819	24,825	2,865	199,509
Fund balances, end of year	\$ 177,495	24,825	2,872	205,192

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, 2009

	Shirley Grover Fund	Mary Campbell Pedersen Fund	Edith Wares Art Scholarship	Fahey McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Tranchomontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Memorial Scholarship Fund	S. Dwight Howard Memorial Scholarship Fund	Hertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	1,585	98,656	106,740	4,145	12	76	24,128	308	3,133	12,040	1,211	4,414	256,447
Investments	-	-	-	-	-	1,000	1,500	-	-	-	-	-	3,323
Interfund loans	-	-	-	25	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,585	\$ 98,656	\$ 106,740	\$ 4,170	\$ 12	\$ 1,076	\$ 25,628	\$ 308	\$ 3,133	\$ 12,040	\$ 1,211	\$ 4,414	\$ 256,972
LIABILITIES AND NET ASSETS													
Liabilities:													
Interfund loans	-	1,000	-	600	-	-	1,500	-	-	-	-	-	3,100
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	\$ 1,000	-	\$ 600	-	-	\$ 1,500	-	-	-	-	-	\$ 3,100
Net assets:													
Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Unallocated	345	9,977	6,740	3,370	12	1,076	24,128	(192)	1,107	8,540	1,211	604	56,916
Total net assets	\$ 1,585	\$ 97,657	\$ 106,740	\$ 3,370	\$ 12	\$ 1,076	\$ 24,128	\$ 308	\$ 3,133	\$ 12,040	\$ 1,211	\$ 4,414	\$ 255,672
Total liabilities and net assets	\$ 1,585	\$ 98,656	\$ 106,740	\$ 4,170	\$ 12	\$ 1,076	\$ 25,628	\$ 308	\$ 3,133	\$ 12,040	\$ 1,211	\$ 4,414	\$ 256,972

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2009

	Shirley Grever Fund	Mary Campbell Pederson Fund	Edith Warga Art Scholarship	Pachy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chadson 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				50									50
Interest and dividends	16	1,111	1,178	53			313	3					2,788
Total additions	16	1,111	1,178	103			313	3	24	39			2,788
Deductions:													
School scholarships		1,000	4,000	800			1,500		150	250			7,700
Total deductions		1,000	4,000	800			1,500		150	250			7,700
Changes in net assets	16	111	(3,822)	(697)			(1,187)	3	(126)	(211)	12	37	(1,862)
Net assets, beginning of year	1,568	97,545	109,561	4,067	12	1,076	25,315	304	3,259	12,251	1,199	4,377	268,534
Net assets, end of year	1,584	97,656	106,740	3,370	12	1,076	24,128	308	3,133	12,040	1,211	4,414	266,672

TOWN OF SCARBOROUGH, MAINE
 Agency Funds
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 2009

		Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
STUDENT ACTIVITIES:					
ASSETS					
Cash	\$	213,132	467,405	460,495	220,042
LIABILITIES					
Payable to student groups	\$	213,132	467,405	460,495	220,042

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General Long-Term Debt



TOWN OF SCARBOROUGH, MAINE
 Statement of Changes in Long-term Debt
 For the year ended June 30, 2009

	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>							
1988 Capital Improvements	7.65%	2009	\$ 275,000 to 2009	275,000		275,000	-
1989 Capital Improvements	6.75%	2009	100,000 in 2009	100,000		100,000	-
1990 Capital Improvements	7.10%	2011	325,000 to 2011	975,000		325,000	650,000
1993 Capital Improvements	5.70%	2013	25,000 to 2013	125,000		25,000	100,000
1994 Capital Improvements	5.90%	2015	230,000 to 2015	1,610,000		230,000	1,380,000
1995 Capital Improvements	4.80%	2016	265,000 to 2016	2,120,000		265,000	1,855,000
1997 Capital Improvements	5.20%	2017	110,000 to 2017	990,000		110,000	880,000
1999 Capital Improvements	4.40%	2019	395,000 to 2009				
	Varies		70,000 to 2019	1,095,000		395,000	700,000
2000 Capital Improvements	5.25%	2020	205,000 to 2010				
			115,000 to 2020	1,560,000		205,000	1,355,000
2001 Capital Improvements	4.00%	2021	180,000 in 2011				
	4.20%		120,000 in 2012				
	Varies		115,000 to 2021	1,695,000		180,000	1,515,000
2003 Capital Improvements	3.00%	2033	655,000 in 2009				
	3.50%		685,000 in 2010				
	3.50%		750,000 in 2011				
	4.25%		840,000 in 2012				
	4.25%		925,000 in 2013				
	4.25%		595,000 in 2014				
	4.25%		685,000 in 2015				
	4.25%		780,000 in 2016				
	4.25%		885,000 in 2017				
	4.25%		1,005,000 in 2018				
	4.25%		1,135,000 in 2019				
	4.25%		1,280,000 in 2020				
	4.25%		1,435,000 in 2021				
	4.30%		1,610,000 in 2022				
	4.40%		1,800,000 in 2023				
	4.40%		430,000 in 2024				
	4.50%		450,000 in 2025				
	4.50%		475,000 in 2026				
	4.50%		495,000 in 2027				
	4.50%		520,000 in 2028				
	4.50%		545,000 in 2029				
	4.50%		570,000 in 2030				
	4.50%		595,000 in 2031				
	4.50%		625,000 in 2032				
2004 Capital Improvements	4.50%	2034	655,000 in 2033	20,425,000		655,000	19,770,000
	2.25%		985,000 in 2009				
	2.50%		665,000 in 2010				
	varies		680,000 to 2012				
	3.125%		690,000 in 2013				
	3.25%		555,000 in 2014				
	3.50%		215,000 in 2015				
	3.50%		225,000 in 2016				
	3.75%		235,000 in 2017				
	3.75%		245,000 in 2018				
	4.00%		255,000 in 2019				
	4.00%		265,000 in 2020				
	4.00%		280,000 in 2021				
	4.00%		290,000 in 2022				
	4.125%		305,000 in 2023				
	4.25%		320,000 in 2024				
	4.25%		335,000 in 2025				
	4.30%		350,000 in 2026				
	4.30%		365,000 in 2027				
	4.375%		385,000 in 2028				
	4.40%		400,000 in 2029				
	4.40%		420,000 in 2030				
	4.40%		440,000 in 2031				
	4.40%		460,000 in 2032				
	4.40%		480,000 in 2033				
	4.40%		500,000 in 2034	11,025,000		985,000	10,040,000

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>							
2005 Capital Improvements	3.50%	2034	\$ 520,000 in 2009				
	3.50%		525,000 in 2010				
	3.50%		385,000 in 2011				
	3.75%		390,000 in 2012				
	3.75%		395,000 in 2013				
	4.00%		305,000 in 2014				
	4.00%		315,000 in 2015				
	4.00%		250,000 in 2016				
	4.00%		230,000 in 2017				
	4.00%		240,000 in 2018				
	4.00%		250,000 in 2019				
	4.10%		260,000 in 2020				
	4.20%		270,000 in 2021				
	4.25%		280,000 in 2022				
	4.25%		290,000 in 2023				
	4.30%		300,000 in 2024				
	4.50%		315,000 in 2025				
	4.50%		325,000 in 2026				
	4.50%		340,000 in 2027				
	4.50%		355,000 in 2028				
	4.60%		370,000 in 2029				
	4.60%		385,000 in 2030				
	5.00%		405,000 in 2031				
	5.00%		420,000 in 2032				
	5.00%		440,000 in 2033				
	5.00%		460,000 in 2034				
2006 Capital Improvements	5.00%		480,000 in 2035	9,500,000	-	520,000	8,980,000
	4.00%	2021	690,000 in 2009				
	4.00%		805,000 in 2010				
	4.00%		835,000 in 2011				
	4.00%		480,000 in 2012				
	4.00%		510,000 in 2013				
	4.00%		515,000 in 2014				
	4.00%		530,000 in 2015				
	4.00%		505,000 in 2016				
	4.00%		185,000 in 2017				
	4.00%		190,000 in 2018				
	4.00%		195,000 in 2019				
	4.05%		210,000 in 2020				
2007 Capital Improvements	4.10%		220,000 in 2021	5,870,000		690,000	5,180,000
	4.00%	2023	550,000 to 2012				
			225,000 to 2017				
			25,000 to 2022	3,450,000	-	550,000	2,900,000
2008 Capital Improvements	3.00%	2028	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	8,513,000	-	593,000	7,920,000
2009 Capital Improvements	4.50%	2029	400,000 to 2014				
			315,000 to 2016				
			310,000 to 2019				
			100,000 in 2029		4,560,000	-	4,560,000
Total bonds				69,328,000	4,560,000	6,103,000	67,785,000
Total long-term debt				\$ 69,328,000	4,560,000	6,103,000	67,785,000

Statistical Section



GENERAL LONG-TERM DEBT

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>	1-7
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	8-11
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.

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Table 1

TOWN OF SCARBOROUGH, MAINE

Net Assets by Component

Last Seven Fiscal Years (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets, net of related debt	\$ 6,893	\$ 6,689	\$ 29,885	\$ 36,323	\$ 44,077	\$ 35,652	\$ 41,821
Restricted	21,040	19,332	7,629	4,210	3,053	5,111	1,289
Unrestricted	10,187	9,709	9,874	13,952	8,971	5,179	5,442
Total governmental activities net assets	\$ 38,120	\$ 35,730	\$ 47,388	\$ 54,485	\$ 56,101	\$ 45,942	\$ 48,552

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

Comment: Not All data for Fiscal Years 2000 through 2002 available.

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues:							
Program revenues:							
Charges for services							
General government	\$ 203	\$ 1,554	\$ 1,727	\$ 2,314	\$ 1,632	\$ 1,621	\$ 1,178
Public services	1,143	1,297	1,386	1,425	1,506	1,590	1,585
Public safety	481	677	1,490	1,374	1,667	1,649	1,761
Public works	531	491	605	655	1,755	2,024	1,515
Education	202	1,344	1,280	1,256	1,198	1,211	1,195
Interest on debt services	168	-	-	-	-	-	-
Operating grants and activities	6,992	8,744	9,297	10,706	11,403	12,374	15,487
Capital grants and contributions	312	-	-	4,681	(559)	113	112
General revenues:							
Property and excise taxes, levies for general purposes	34,472	37,182	40,075	41,406	42,772	44,691	46,621
Grants and contributions not restricted to specific programs	6,667	2,096	1,952	2,062	1,931	3,835	339
Unrestricted investment earnings	209	105	159	261	404	344	137
Total revenues	51,380	53,490	57,971	66,140	63,709	69,452	69,930
Expenses:							
General government	9,902	8,622	9,996	8,783	12,641	12,740	11,409
Public services	2,701	2,597	2,658	2,871	3,092	3,133	3,742
Public safety	5,552	6,127	6,153	6,552	7,080	7,425	7,813
Public works	5,175	5,266	5,882	6,276	6,425	7,494	7,156
Education	23,444	25,442	28,695	33,491	31,531	32,951	34,363
Interest on debt service	895	2,610	1,168	1,069	1,142	2,737	2,827
Total expenses	47,669	50,664	54,552	59,042	61,911	66,480	67,310
Change in Net Assets	\$ 3,711	\$ 2,826	\$ 3,419	\$ 7,098	\$ 1,798	\$ 2,972	\$ 2,620

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

Comment: Not All data for Fiscal Years 2000 through 2002 available.

Table 3

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008*	2009
General Fund										
Reserved	\$ 936	\$ 889	\$ 800	\$ 752	\$ 710	\$ 697	\$ 771	\$ 674	\$ 618	\$ 630
Unreserved	2,778	3,669	5,753	6,211	5,919	7,063	7,455	8,019	8,357	8,174
Total general fund	\$ 3,714	\$ 4,558	\$ 6,553	\$ 6,963	\$ 6,629	\$ 7,760	\$ 8,226	\$ 8,693	\$ 8,975	\$ 8,804
All Other Governmental Funds										
Reserved	469	753	140	132	123	117	125	127	3,047	3,062
Unreserved, reported in:										
Special revenue funds	3,040	3,756	4,288	5,010	5,011	4,403	8,180	7,523	4,589	5,039
Capital projects funds	207	864	239	20,278	18,611	6,963	4,085	2,926	4,912	1,084
Permanent funds	50	54	67	68	69	70	73	78		
Total all other governmental funds	\$ 3,766	\$ 5,427	\$ 4,734	\$ 25,488	\$ 23,814	\$ 11,553	\$ 12,463	\$ 10,654	\$ 12,548	\$ 9,185

* Beginning with 2008, the unexpended income portion of fund balance in the permanent funds was classified as reserved.

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

	Fiscal Years Ending									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 27,560	\$ 29,311	\$ 32,380	\$ 34,582	\$ 37,191	\$ 40,066	\$ 41,377	\$ 42,712	\$ 44,581	\$ 46,401
Licenses and permits	653	433	413	429	480	567	611	753	818	482
Intergovernmental	10,186	11,006	11,212	11,600	10,823	11,219	12,604	13,204	14,042	17,357
Interest earned	392	533	272	209	348	442	644	805	684	324
Other	3,310	3,266	3,640	4,877	4,648	5,677	10,921	6,247	9,288	7,545
Total revenues	42,101	44,549	47,917	51,697	53,490	57,971	66,157	63,721	69,413	72,109
Expenditures										
General government	2,756	2,923	3,041	3,425	3,568	3,727	4,340	4,401	4,483	4,534
Public services	2,305	2,504	2,325	2,653	2,572	2,643	2,849	3,070	3,103	3,704
Public safety	4,271	4,465	4,706	5,275	5,934	5,962	6,180	6,642	6,986	7,399
Public works	3,595	4,103	4,108	4,767	4,877	5,370	5,702	5,846	6,765	6,259
Education (Excludes School Debt)	18,340	19,885	21,639	23,446	25,009	26,647	28,064	29,194	31,695	33,077
Education Debt (Prin & Int)	2,790	3,016	3,452	3,434	3,853	4,272	4,728	4,458	4,419	4,475
County tax	842	933	1,062	1,307	1,442	1,520	1,584	1,615	1,735	1,837
Debt service (Principal-Town Only)	2,023	2,171	2,206	2,423	3,918	3,176	2,957	3,219	3,232	3,204
Debt service (Interest-Town Only)	796	875	834	769	1,128	1,128	1,108	1,177	1,488	1,867
Capital improvements	4,882	4,256	4,643	983	1,402	1,770	1,773	3,621	3,066	1,455
Capital Outlays				3,925	14,418	21,604	9,694	4,378	6,239	9,788
Other	1,631	1,857	2,612	2,704	2,803	2,323	2,816	2,641	3,188	3,415
Total expenditures	44,721	46,988	50,628	55,111	70,124	80,142	71,795	70,262	76,399	81,014
Excess (deficiency) of revenues over (under) expenditures	(2,120)	(2,439)	(2,711)	(3,414)	(16,634)	(22,171)	(5,638)	(6,541)	(6,986)	(8,905)
Other financing sources (uses)										
Transfers in	2,144	2,040	2,402	1,538	2,115	2,923	2,780	2,794	3,695	3,453
Transfers out	(2,144)	(2,040)	(2,402)	(1,538)	(2,115)	(2,923)	(2,780)	(2,794)	(3,695)	(3,453)
Capital Lease proceeds	-	-	-	-	-	-	-	1,200	1,010	820
General obligation bonds and capital leases	4,770	4,932	4,900	24,579	14,628	10,665	7,014	4,000	8,513	4,560
Total other financing sources (uses)	4,770	4,932	4,000	24,579	14,628	10,665	7,014	5,200	9,523	5,380
Net change in fund balances	\$ 2,650	\$ 2,493	\$ 1,289	\$ 21,165	\$ (2,006)	\$ (11,506)	\$ 1,376	\$ (1,341)	\$ 2,537	\$ (3,525)
Debt Service as a percentage of non-capital expenditures	14.26%	14.19%	14.12%	12.95%	15.98%	7.35%	6.55%	6.67%	6.73%	7.12%

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

Table 5

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

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Other	Capital expenditures	Total
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
2009	4,533	3,704	7,399	6,259	34,246	1,837	5,070	-	1,358	64,406

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		Interest and Costs on taxes		Vehicle Excise		Boat Excise		Franchise		Total	
	tax		tax		tax		tax		tax fees			
2000	\$	24,145	\$	120	\$	3,269	\$	26	\$	95	\$	27,655
2001		25,778		102		3,412		19		114		29,425
2002		28,611		105		3,637		27		134		32,514
2003		30,547		179		3,828		27		127		34,708
2004		32,862		72		4,143		27		125		37,229
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
2009		42,000		99		4,100		27		176		46,402

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		Direct Tax Rate	Ratio of total assessed value to total estimated actual value
	Assessed property		Assessed property		Assessed property	Estimated actual value		
2000	\$ 1,180,279	\$	79,051	\$	1,259,330	\$ 1,259,330	19.20	100%
2001	1,230,378		83,306		1,313,684	1,313,684	19.60	100%
2002	1,764,041		94,304		1,858,345	1,858,345	15.30	100%
2003	1,831,117		99,459		1,930,576	1,930,576	15.70	100%
2004	1,903,869		99,118		2,002,987	2,002,987	16.46	100%
2005	1,951,952		105,637		2,057,589	2,057,589	17.34	100%
2006	3,143,853		112,989		3,256,842	3,256,842	11.30	100%
2007	3,207,720		109,778		3,317,498	3,317,498	11.48	100%
2008	3,272,789		124,442		3,397,231	3,397,231	11.80	100%
2009	3,365,227		121,779		3,487,005	3,487,006	12.15	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		Overlay	State Revenue Sharing (0	Total Property Tax Rates by Year
					Financing District	Financing District			
2000	7.169	11.640	0.356	0.668	0.701	0.141	(1.476)	19.20	
2001	7.250	12.168	0.327	0.710	0.686	0.106	(1.649)	19.60	
2002	5.507	9.393	0.231	0.571	0.378	0.210	(0.991)	15.30	
2003	5.487	9.871	0.201	0.677	0.373	0.051	(0.960)	15.70	
2004	5.501	10.522	0.133	0.720	0.377	0.060	(0.853)	16.46	
2005	5.535	11.332	0.110	0.739	0.387	0.036	(0.798)	17.34	
2006	3.618	7.366	0.065	0.486	0.181	0.113	(0.529)	11.30	
2007	3.835	7.392	0.077	0.487	0.192	0.031	(0.533)	11.48	
2008	3.802	7.643	0.112	0.511	0.206	0.029	(0.504)	11.80	
2009	3.941	7.790	0.117	0.529	0.246	0.021	(0.494)	12.15	

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

Table 9

TOWN OF SCARBOROUGH, MAINE

Principal Property Taxpayers

Current Year and Ten Years Ago

(amounts expressed in thousands)

1999		2009		Percentage of	
Taxpayer	Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Total Taxable Assessed Value	Percentage of Total Taxable Assessed Value
James McBrady	\$ 17,685,500	Maine Life Care Retirement Community	\$ 61,569,500	1	1.77%
Wal-Mart	15,628,400	Wal-Mart	46,518,800	2	1.33%
Hannaford Brothers	14,957,400	Hannaford Brothers	36,139,500	3	1.04%
Gavin Ruotolo	9,698,100	New England Expedition	35,045,900	4	1.01%
Konica Quality Photo	9,691,900	MMC Realty Maine Health	22,378,100	5	0.64%
Shaw's Supermarket	7,352,800	Scarborough Gallery	21,492,500	6	0.62%
Central Maine Power	6,971,900	Gavin Ruotolo	17,376,100	7	0.50%
ERP Operating L.P.	6,170,300	Shaw's Supermarket	14,791,400	8	0.42%
Davnic Maine Corp.	5,462,000	RRE Foxcroft/Coach Lantern	13,188,800	9	0.38%
Maine Historic Hotels	4,758,300	BPILLC	11,752,500	10	0.34%
Total Principal Taxpayers	98,376,600		280,253,100		8.04%

Total Assessed Value: \$ 1,186,155,300

\$ 3,487,005,000

Table 10

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
2000	\$ 24,185,214	\$ 23,716,155	98.1%	\$ 468,099	\$24,184,254	100.0%
2001	25,765,523	25,339,458	98.3%	425,102	25,764,560	100.0%
2002	28,450,220	28,120,508	98.8%	325,214	28,445,722	100.0%
2003	30,348,015	30,103,820	99.2%	239,221	30,343,041	100.0%
2004	32,969,169	32,747,993	99.3%	217,931	32,965,924	100.0%
2005	35,735,569	35,422,791	99.1%	311,177	35,733,968	100.0%
2006	36,824,648	36,527,411	99.2%	287,063	36,814,474	100.0%
2007	38,139,961	37,852,666	99.2%	263,164	38,115,830	99.9%
2008	40,183,201	39,784,997	99.0%	283,257	40,068,254	99.7%
2009	42,397,139	41,890,825	98.8%	-	41,890,825	98.8%

Table 11

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>
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
2009	3,365,227	121,779	3,487,005	12.15	42,367

Table 12

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>
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
2009	67,785,000	3,487,005,500	1.94%	18,812	13.52%	3,603

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>
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
2009	2,223,239	3,487,005,500	0.06%	18,812	0.44%	118

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

Table 13

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
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	58,489	15.08%
2008	6,030	2,739	8,769	63,323	13.85%
2009	6,103	2,826	8,929	64,406	13.86%

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

Table 14

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 188,018	\$ 206,243	\$ 235,755	\$ 279,720	\$ 323,745	\$ 380,820	\$ 430,980	\$ 488,370	\$ 529,673	\$ 534,488
Total net debt applicable to limit	35,060	35,788	35,096	54,759	62,952	67,737	68,844	66,845	69,328	67,785
Legal debt margin	152,958	170,455	200,659	224,961	260,793	313,083	362,136	421,525	460,345	466,703
Total net debt applicable to the limit as a percentage of debt limit	18.65%	17.35%	14.89%	19.58%	19.44%	17.79%	15.97%	13.69%	13.09%	12.68%

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	Population (a)	Personal Income (b)	Per Capita		Median Age (a)	School Enrollment (c)	Unemployment Rate (d)
			Personal Income (a)				
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%
2009	19,054	501,520,334		26,321	38.80	3,367	5.40%

(a) For year 2000, 1990 Census, U.S. Department of Commerce, Bureau of Census and for years 2001 through 2009, 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 Census data.

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

Table 16

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

1999			2009			Percentage of total Town Employment
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	
Town of Scarborough ¹	-	1	Town of Scarborough	1,417	1	10.19%
Hannaford Brothers	780	2	Hannaford Brothers	1,109	2	7.98%
Konica Quality Photo	450	3	US Postal Service	635	3	4.57%
Hanover Insurance	185	4	NorDX	286	4	2.06%
Wal-Mart	161	5	Maine Medical Center	281	5	2.02%
Humpty Dumpty	155	6	Wal-Mart	275	6	1.98%
Rock-Tenn Converting Co.	120	7	Cabela's	270	7	1.94%
Gabriel Electronics, Inc.	116	8	Shaw's	250	8	1.80%
R.C. Moore Trucking	95	9	Piper Shores	192	9	1.38%
N.E. Tech. Air Inc.	85	10	Sam's Wholesale Club	186	10	1.34%

* Source: Scarborough Economic Development Corporation (SEDCO)

¹ Note: 1999 employment data unavailable

2009 Total Town Employment Estimate: 13,903 (Source: ME Dept of Labor, Center for Workforce and Information)

Table 17

TOWN OF SCARBOROUGH, MAINE
Unemployment Data
Last Ten 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%
2009	6.7%	8.3%

* 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Govt:										
Town Clerk										
Certified Copies	1,063	1,063	1,565	1,750	1,462	1,185	1,462	1,187	2,098	4,887
Licenses & Permits	3,707	3,724	4,045	3,937	2,524	360	296	365	432	436
Passports Applications						379	548	882	792	586
Tax Office										
Bench Passes	2,277	2,512	1,999	2,282	2,714	1,886	2,003	2,192	3,436	3,487
Licenses & Permits						1,847	1,643	1,298	1,166	1,168
Planning:										
Permits	1,682	1,728	1,688	1,576	1,649	1,501	1,561	1,438	1,346	1,091
Certificates of Occupancy	342	287	302	309	321	340	353	242	207	204
Public Safety:										
Police:										
Physical arrests	349	429	587	634	401	332	822	719	817	1,152
Traffic violations	2,892	2,263	2,637	2,455	1,976	1,077	1,337	975	792	741
Fire:										
Number of calls answered	1,836	1,894	2,035	2,200	2,251	2,450	2,356	2,300	1,303	1,615
Number of Inspections	364	392	388	455	445	472	642	884	1,825	3,351
Rescue:										
Number of calls answered	1,665	1,796	1,962	2,159	2,407	2,506	2,247	2,673	2,069	2,088
Public Works:										
Street resurfacing (miles)	4.71	3.37	3.71	4.19	1.94	5.26	6.03	7.32	3.90	6.31
Pot holes repaired (qty used in tons)	20	22	19	30	43	82	71	61	42	35
No. times plows dispatched	46	51	42	20	19	24	53	15	33	27

Source: Town of Scarborough

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

Division	Department	Function	Division	Department	Function
General Government:	Legislative Administration:	Town Council	Public Works:	Public Works:	Road/Highway Maint.
		Executive			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:	Primary	
		Tax/Treasury		Elementary	
		Purchasing		Secondary	
		Assessing		Instruction Improvement	
		Planning:		Food Services	
	Planning:	Planning	Special Services		
		Engineering	General & Special Administration		
		Code Enforcement	Board of Education		
		Zoning & Planning Boards	Office of the Superintendent		
	Information Syst.	Community Serv:	Recreation	Business Administration	
			Youth Programs	Transportation	
			Senior's Programs	Operation & Maintenance of Plant	
			Parks	Debt Service	
			Child Care		
			Beach Care		
			Grounds Maintenance		
			Sports Complex		
			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			
		Animal Control			

Source: Town of Scarborough

Table 20

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Govt:										
Full time				34	35	35	35	37	37	39
Pt Time			47		52	36	58	19	59	53
Public Services:										
Full time				13	13	13	14	14	15	15
Pt Time			106	89	77	99	103	130	130	159
Public Safety:										
Police										
Full time				46	46	47	48	51	52	52
Pt Time			37	35	28	33	27	27	27	34
Fire										
Full time				4	4	4	4	4	4	4
Pt Time			177	155	159	144	152	167	167	164
Rescue										
Full time				9	9	9	9	12	12	12
Pt Time			14	21	16	18	18	15	14	15
Public Works:										
Full time	30	30	31	31	32	32	32	33	36	35
Pt Time	0	0	0	2	1	3	2	2	3	3
Education:										
				N/A	886	881	891	842	824	795
Total:	30	30	31	520	1378	1340	1387	1311	1380	1380

Source: Town of Scarborough

Comment: Not All data for Fiscal Years 2000 through 2002 is available.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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Upon the delivery of the 2010 General Obligation Bonds, Bond Counsel to the Issuer proposes to issue its approving opinion in substantially the following form:

207 774-1200 main
207 774-1127 facsimile
bernsteinshur.com

BERNSTEIN SHUR

COUNSELORS AT LAW

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 the \$6,002,000 aggregate principal amount of 2010 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.

The Bonds are dated April 15, 2010. Principal of the Bonds will be payable on November 1 of the years in which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2010, 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>
2011	\$482,000	%	2021	\$280,000	%
2012	\$485,000	%	2022	\$280,000	%
2013	\$470,000	%	2023	\$280,000	%
2014	\$470,000	%	2024	\$280,000	%
2015	\$470,000	%	2025	\$280,000	%

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2016	\$345,000	%	2026	\$100,000	%
2017	\$345,000	%	2027	\$100,000	%
2018	\$345,000	%	2028	\$100,000	%
2019	\$345,000	%	2029	\$100,000	%
2020	\$345,000	%	2030	\$100,000	%

Bonds maturing on and before November 1, 2020 are not subject to optional redemption prior to their respective dates of maturity. The Bonds maturing after November 1, 2020 are subject to redemption prior to maturity at the option of the Issuer.

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 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 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 interest on the Bonds is excluded from gross income for federal income tax purposes, and exempt from the State of Maine Income Tax imposed on individuals under existing law, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence 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,

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 \$6,002,000 2010 General Obligation Bonds, dated as of April 15, 2010 (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 April __, 2010 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board ("MSRB") established under the Securities and Exchange Act of 1934, as amended, or any successor thereto: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2010, 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.

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 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 the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto

or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.

5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission>.
7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure.
8. The Issuer's 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: _____, 2010

TOWN OF SCARBOROUGH, MAINE
By: _____
Its: _____