

**MOORS & CABOT, INC.**  
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; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that the interest paid on the Bonds is exempt from income tax imposed upon individuals by the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS - TAX MATTERS" and "APPENDIX B" herein.

**TOWN OF SCARBOROUGH, MAINE**  
**\$4,000,000**  
**2007 GENERAL OBLIGATION BONDS**

Dated: May 15, 2007

Due: November 1, as shown below

| <u>Year of<br/>Maturity</u> | <u>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield or<br/>Price</u> | <u>Year of<br/>Maturity</u> | <u>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield or<br/>Price</u> |
|-----------------------------|---------------|--------------------------|---------------------------|-----------------------------|---------------|--------------------------|---------------------------|
| 2007                        | \$550,000     | 4.00%                    | 3.56                      | 2015                        | \$225,000     | 4.00%                    | 3.70                      |
| 2008                        | 550,000       | 4.00                     | 3.58                      | 2016                        | 225,000       | 4.00                     | 3.75                      |
| 2009                        | 550,000       | 4.00                     | 3.60                      | 2017                        | 25,000        | 4.00                     | 3.80                      |
| 2010                        | 550,000       | 4.00                     | 3.60                      | 2018                        | 25,000        | 4.00                     | 3.85                      |
| 2011                        | 550,000       | 4.00                     | 3.60                      | 2019                        | 25,000        | 4.00                     | 3.90                      |
| 2012                        | 225,000       | 4.00                     | 3.60                      | 2020                        | 25,000        | 4.00                     | 3.95                      |
| 2013                        | 225,000       | 4.00                     | 3.61                      | 2021                        | 25,000        | 4.00                     | 100                       |
| 2014                        | 225,000       | 4.00                     | 3.66                      |                             |               |                          |                           |

The Bonds will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2007 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, 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 as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established either development districts as 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 \$1,351,830 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" herein. The Town has established tax increment financing districts and has elected to retain portions of the tax increment on the captured assessed values of the properties in the districts to pay costs of the development project within the districts. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS" herein. 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. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to and 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, 2016 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after November 1, 2016 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2016 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 of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about May 15, 2007.

**Stifel, Nicolaus & Company, Incorporated**

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.

# TABLE OF CONTENTS

## CERTIFICATE CONCERNING OFFICIAL STATEMENT

1

## THE BONDS

|   |    |
|---|----|
| Description of the Bonds                                | 2  |
| Optional Redemption Prior to Maturity                   | 2  |
| General Provisions Regarding<br>Redemption of the Bonds | 3  |
| Record Date; Payment                                    | 4  |
| Authorization and Purpose                               | 4  |
| The Projects  | 5  |
| Amortization of the Bonds                               | 6  |
| Source of Payment and Remedies                          | 6  |
| Tax Matters   | 8  |
| Book-Entry-Only System                                  | 9  |
| Ratings   | 11 |
| Continuing Disclosure                                   | 11 |
| CUSIP Identification Numbers                            | 12 |
| Financial Advisor                                       | 12 |
| Statutory References                                    | 12 |
| Conditions Precedent to Delivery                        | 12 |

## TOWN OF SCARBOROUGH

|                                |    |
|--------------------------------|----|
| General                        | 14 |
| Government                     | 15 |
| Municipal Services             | 15 |
| The Scarborough Public Library | 17 |
| Employment                     | 18 |
| Retail Trade                   | 19 |
| Building Permits               | 19 |
| Economic Characteristics       | 20 |

## TOWN FINANCES

|  |    |
|--|----|
| Budgetary Process  | 21 |
| Capital Improvement Plan   | 22 |
| Subsequent Property Tax Limit  | 23 |
| Investment Policy  | 23 |
| Fund Balance Policy  | 23 |
| Financial Statements   | 24 |
| Funds  | 24 |
| Comparative Balance Sheet  | 26 |
| Comparative Statement of Revenues,<br>Expenditures and Changes in Fund<br>Balances | 27 |
| Property Taxation  | 28 |
| Changes in Property Tax Legislation  | 28 |
| Largest Taxpayers  | 30 |
| Current Tax Base and Tax Base Growth   | 30 |
| Tax Increment Financing Districts and<br>Affordable Housing Districts              | 31 |
| State Aid  | 31 |

## INDEBTEDNESS

|  |    |
|--|----|
| Limitations and Exclusions                                   | 32 |
| Debt Summary   | 33 |
| Debt Service Component of Operating<br>Expenses              | 33 |
| Debt Ratios  | 34 |
| Projected Debt Service Requirements                          | 34 |
| Projected Principal Payments, by Issue                       | 35 |
| Overlapping Debt   | 36 |
| Contingent Debt  | 36 |
| Total General Obligation, Overlapping<br>and Contingent Debt | 37 |
| Future Financing   | 37 |

## RETIREMENT

|   |    |
|---|----|
| A. Defined Benefit Pension Plan                     | 38 |
| B. Defined Benefit Pension Plan –<br>Teachers Group | 39 |
| C. Defined Contribution Plan                        | 39 |
| D. Deferred Compensation Plan                       | 40 |

## ENVIRONMENTAL MATTERS 40

## LITIGATION 40

## APPENDIX A: FINANCIAL STATEMENTS

## APPENDIX B: PROPOSED FORM OF LEGAL OPINION

## APPENDIX C: PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

[This page left intentionally blank.]



**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, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

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

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

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

Ruth D. Porter  
Finance Director  
Town of Scarborough, Maine

## OFFICIAL STATEMENT

### TOWN OF SCARBOROUGH, MAINE \$4,000,000 2007 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 2007 General Obligation Bonds (the "Bonds" or the "2007 Bonds").

## THE BONDS

### DESCRIPTION OF THE BONDS

The Bonds will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York ("DTC"). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated May 15, 2007 and will bear interest, payable on November 1, 2007, 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> |
|---------------|----------------|--------------|---------------|----------------|--------------|
| \$550,000     | 2007           | 806075SG3    | \$225,000     | 2015           | 806075SQ1    |
| 550,000       | 2008           | 806075SH1    | 225,000       | 2016           | 806075SR9    |
| 550,000       | 2009           | 806075SJ7    | 25,000        | 2017           | 806075SS7    |
| 550,000       | 2010           | 806075SK4    | 25,000        | 2018           | 806075ST5    |
| 550,000       | 2011           | 806075SL2    | 25,000        | 2019           | 806075SU2    |
| 225,000       | 2012           | 806075SM0    | 25,000        | 2020           | 806075SV0    |
| 225,000       | 2013           | 806075SN8    | 25,000        | 2021           | 806075SW8    |
| 225,000       | 2014           | 806075SP3    |               |                |              |

It is expected that the Bonds will be available for delivery at DTC on or about May 15, 2007.

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 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, 2016 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after November 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2016, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at the respective redemption price (expressed as percentages of the principal amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

**Redemption Period**  
November 1, 2016 and thereafter

**Redemption Price**  
100%

## **GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS**

### **Notice of Redemption**

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

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

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

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

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

### **Cancellation**

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

### **Partial Redemption of Bonds**

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

## **RECORD DATE; PAYMENT**

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest which is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

## **AUTHORIZATION AND PURPOSE**

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

## **The Projects**

The Bonds are being issued pursuant to orders adopted by the Town Council at its meetings held on September 15, 2000, February 16, 2005, March 1, 2006 and November 1, 2006 (the "Orders") in order to provide funds to finance various capital improvement programs of the Town. The various projects being financed by the Bonds are itemized in the following table, "THE BONDS - THE PROJECTS".

## **Abandoned Projects or Excess Bond Proceeds**

In the event that any proceeds of the Bonds remain unspent upon completion of the Projects, or the Town abandons any portion of the Projects, the Town reserves the right to reallocate unspent proceeds to the costs of other qualified projects approved, or to be approved, by the Town Council, or to apply unspent proceeds to the payment of debt service on the Bonds.

## THE PROJECTS

| <u>CIP Year</u>        |   |      |             |        | <u>Bond Order</u>   |  | <u>Total Authorized</u> | <u>2007 Bonds</u> | <u>Authorized Unissued</u> |
|------------------------|---|------|-------------|--------|---|--|-------------------------|-------------------|----------------------------|
| 2006                   | / | 2007 | Muni - Eq   | 06-128 | F.D. SCBA Replacement Project   |  | 111,250                 | 111,250           | 0                          |
| 2006                   | / | 2007 | Muni - Eq   | 06-128 | P.D. Building Renovation/Arch & Eng                                       |  | 395,000                 | 0                 | 395,000                    |
| 2006                   | / | 2007 | Muni - Eq   | 06-128 | DPW Plow Truck #4006  |  | 165,000                 | 164,000           | 1,000                      |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | C.S. Black Point Park   |  | 350,000                 | 350,000           | 0                          |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | C.S. High School Athletic Field Synthetic Turf                            |  | 395,000                 | 394,000           | 1,000                      |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | C.S. High School Track Resurfacing with fence                             |  | 150,000                 | 150,000           | 0                          |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | IT Integrated-Townwide Data/Phone Fiber Network                           |  | 125,000                 | 23,190            | 101,810                    |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | DPW Higgins Beach Drainage Project  |  | 180,000                 | 180,000           | 0                          |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | DPW Schooner Road Drainage  |  | 365,563                 | 365,563           | 0                          |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | DPW Hillside Drainage Study   |  | 35,000                  | 35,000            | 0                          |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | DPW Building Roof Repair  |  | 290,230                 | 225,667           | 64,563                     |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | Purchase Prop from MTA  |  | 60,000                  | 60,000            | 0                          |
| 2006                   | / | 2007 | Muni - Proj | 06-128 | Library Capital Budget - Amend Budget 10/18                               |  | 299,500                 | 299,500           | 0                          |
| 2005                   | / | 2006 | Muni - Proj | 06-18  | F.D. Training Building  |  | 150,000                 | 0                 | 150,000                    |
| 2004                   | / | 2005 | Muni - Proj | 05-07  | IS Fiber Infrastructure town & school                                     |  | 95,000                  | 95,000            | 0                          |
| 2002                   | / | 2003 | Muni - Proj | 06-128 | Minor Collector Program, Broadturn/Burnham to Route 22                    |  | 95,000                  | 95,000            | 0                          |
| 2002                   | / | 2003 | Muni - Proj | 06-18  | Minor Collector Program, Broadturn/Burnham to Route 22                    |  | 155,000                 | 0                 | 155,000                    |
| 2000                   | / | 2001 | Muni - Proj | 00-140 | Purchase parks & conservation lands (NOTE: \$2.8MM balance of \$4MM auth) |  | 2,802,504               | 100,000           | 2,702,504                  |
| <b>Total Municipal</b> |   |      |             |        |   |  | <b>6,219,047</b>        | <b>2,648,170</b>  | <b>3,570,877</b>           |
|                        |   |      |             |        |   |  |                         |                   |                            |
| 2006                   | / | 2007 | School      | 06-129 | Technology: Replace of Equip & Applications                               |  | 251,450                 | 251,450           | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | Technology: New Equipment & Applications                                  |  | 69,380                  | 69,380            | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | Facilities Support Equipment  |  | 70,000                  | 70,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | Roofing System-wide   |  | 200,000                 | 200,000           | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | Security & Access Management Systems                                      |  | 60,000                  | 60,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | District-wide Flooring  |  | 60,000                  | 60,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | District-wide Movable Equipment   |  | 103,480                 | 50,000            | 53,480                     |
| 2006                   | / | 2007 | School      | 06-129 | District-wide Building Envelope   |  | 30,000                  | 0                 | 30,000                     |
| 2006                   | / | 2007 | School      | 06-129 | HVAC Systems  |  | 30,000                  | 30,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | Blue Point Parking Expansion & Water Main Replace                         |  | 210,000                 | 50,000            | 160,000                    |
| 2006                   | / | 2007 | School      | 06-129 | Middle School HVAC & Operable Wall Replace                                |  | 50,000                  | 50,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-129 | Long Range Planning   |  | 150,000                 | 150,000           | 0                          |
| 2006                   | / | 2007 | School      | 06-19  | WW Modulars   |  | 350,000                 | 58,200            | 291,800                    |
| 2006                   | / | 2007 | School      | 06-19  | MS HVAC/Wall  |  | 30,000                  | 30,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-19  | Maintenance-Security System   |  | 25,000                  | 25,000            | 0                          |
| 2006                   | / | 2007 | School      | 06-19  | District Wide Long Range Planning   |  | 300,000                 | 149,800           | 150,200                    |
| 2006                   | / | 2007 | School      | 06-19  | Information Systems-HS-Tech Equipment                                     |  | 48,000                  | 48,000            | 0                          |
| 2005                   | / | 2006 | School      | 05-08  | System Wide ADA   |  | 119,000                 | 0                 | 119,000                    |
| <b>Total School</b>    |   |      |             |        |   |  | <b>2,156,310</b>        | <b>1,351,830</b>  | <b>804,480</b>             |
| <b>Totals</b>          |   |      |             |        |   |  | <b>8,375,357</b>        | <b>4,000,000</b>  | <b>4,375,357</b>           |

## AMORTIZATION OF THE BONDS

| Nov. 1, | Municipal |           |             |           |             | School      |           |             | The<br>Bonds |
|---------|-----------|-----------|-------------|-----------|-------------|-------------|-----------|-------------|--------------|
|         | Equip     | Projects  |             |           | Total       |             |           | Total       |              |
|         | 5 yr      | 5 yr      | 10 yr       | 15 yr     |             | 5 yr        | 10 yr     |             |              |
| 2007    | \$54,651  | \$30,416  | \$166,224   | \$46,879  | \$298,170   | \$217,102   | \$34,728  | \$251,830   | \$550,000    |
| 2008    | 55,150    | 30,693    | 172,720     | 41,437    | 300,000     | 219,132     | 30,868    | 250,000     | 550,000      |
| 2009    | 55,150    | 30,693    | 172,720     | 41,437    | 300,000     | 219,132     | 30,868    | 250,000     | 550,000      |
| 2010    | 55,150    | 30,693    | 172,720     | 41,437    | 300,000     | 219,132     | 30,868    | 250,000     | 550,000      |
| 2011    | 55,150    | 30,693    | 172,720     | 41,437    | 300,000     | 219,132     | 30,868    | 250,000     | 550,000      |
| 2012    | 0         | 0         | 163,413     | 41,587    | 205,000     |             | 20,000    | 20,000      | 225,000      |
| 2013    | 0         | 0         | 163,413     | 41,587    | 205,000     |             | 20,000    | 20,000      | 225,000      |
| 2014    | 0         | 0         | 163,413     | 41,587    | 205,000     |             | 20,000    | 20,000      | 225,000      |
| 2015    | 0         | 0         | 163,413     | 41,587    | 205,000     |             | 20,000    | 20,000      | 225,000      |
| 2016    | 0         | 0         | 163,413     | 41,587    | 205,000     |             | 20,000    | 20,000      | 225,000      |
| 2017    | 0         | 0         | 0           | 25,000    | 25,000      |             |           |             | 25,000       |
| 2018    | 0         | 0         | 0           | 25,000    | 25,000      |             |           |             | 25,000       |
| 2019    | 0         | 0         | 0           | 25,000    | 25,000      |             |           |             | 25,000       |
| 2020    | 0         | 0         | 0           | 25,000    | 25,000      |             |           |             | 25,000       |
| 2021    | 0         | 0         | 0           | 25,000    | 25,000      |             |           |             | 25,000       |
| Totals  | \$275,250 | \$153,190 | \$1,674,167 | \$545,563 | \$2,648,170 | \$1,093,630 | \$258,200 | \$1,351,830 | \$4,000,000  |

## 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 \$1,592,884 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 (see "TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" section herein). 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. 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 "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 the Property Tax Levy Limit by a majority vote of the entire Town Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Section 5721-A this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote.

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

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

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

Section 5721-A does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of the school project 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, 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.

*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 advisors 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 Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture.

**The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. None of the Issuer, the Paying Agent or the Underwriter makes any representations, warranties or guarantees with respect to its accuracy or completeness.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 the Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 Issuer or Paying Agent on 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, Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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’s Compliance**

Except for a late filing for fiscal year ended June 30, 2003, due to its initial compliance with GASB Rule 34, the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule. Recognizing the importance of the Rule, 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 30<sup>th</sup> following the end of the municipal year of the subject audit”.

### **NRMSIRs Apparent Non-compliance**

The above notwithstanding, the Town has sent its other annual financial filings to the NRMSIRs each year from 1999. However, with the exception of its filing of fiscal years ended June 30, 2005, 2004 and 2003 there these filings do not appear to be posted on the NRMSIRs’ sites. Therefore, in complying with the Town’s undertaking pursuant to the Securities Exchange Commission’s Rule 15c2-12 (the “Rule”), on January 31, 2006 the Town sent each NRMSIR, via receipted overnight mail, Annual Financial Reports that include the respective fiscal years’ financial statements for the fiscal years ended June 30, 1999, 2000, 2001 and 2002. This was not to be construed as “late filings” but rather to bring the Town into recognized compliance with its undertaking under the Rule. Subsequent to this action, the Town’s Financial Advisor has received receipt copies from the NRMSIRs that the above information was received by them; however the respective information continues to be absent from their sites.

### **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 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 Trust Company, N.A., Boston, Massachusetts, which certificate will appear on the Bonds.

## **Certificate With Respect to Debt Limits**

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

## **Certificate With Respect to Finance Director**

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

## **Certificate With Respect to Official Statement**

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

## TOWN OF SCARBOROUGH

### GENERAL

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

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

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

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

## **GOVERNMENT**

The Town operates under a charter first adopted on October 7, 1969, (the "Charter"), providing for a Council-Manager form of government with a seven-member Town Council, elected at-large who serve for three-year staggered terms. The Charter grants to the Town Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies, giving effect to any vote of the Town authorizing the issuance of debt, and providing for an annual audit of the Town's accounts. Voter approval is required for a single capital improvement that requires the issuance of \$400,000 or more issuance of debt. The Town Manager is the chief administrative officer of the Town.

## **MUNICIPAL SERVICES**

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

The Scarborough Sanitary District, a wholly separate quasi-municipal entity whose operation and obligations are not part of the Town, provides wastewater treatment service for portions of the Town that are sewerred. The Portland Water District, also a quasi-municipal entity, and the Biddeford-Saco Water Company, a wholly separate privately-owned water utility whose operation and obligations are not part of the Town, 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 and 21 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 69 part-time personnel. The Police Department maintains 19 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 and approximately 140 per diem and call Firefighters. Under the Fire Department, the Town's Rescue Service consists of a Deputy Rescue Chief of Emergency Medical Service, nine full-time Paramedics and approximately 50 per diem and call personnel. Through its Fire Department, the Town operates two Marine Units, on a seasonal basis.

### **Public Works**

The Public Works Department is comprised of divisions managed by a Director of Publics Works. The Operations Division is comprised of a manager, a foreman and 16 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling. The Operations Division processes "Excavator Licenses," "Street Opening Permits," and "Building Permit Coordination Forms." The Vehicle Maintenance Division consists of a manager and ten mechanics and parts department crew 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.

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, maintains a waste-to-energy resource recovery system ("RRS") for which the Member Municipalities are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing. In 1991, six participating municipalities ("Participating Municipalities") entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. See "INDEBTEDNESS – CONTINGENT DEBT – ecomaine" herein.

## Public Education

The Town operates its educational program for grades K through 12 under its own supervision. Article IV of the Town's Charter, as amended, provides that the Department of Education for the Town be administered by a Board of Education (the "School Board") comprised of seven members, who are elected by the voters of the Town at-large for three-year staggered terms. The School Board performs all duties and functions in regard to the care and management of the public schools of the Town. The School Board prepares and submits its budget to the Town Manager, who includes it in the budget process. See also "TOWN FINANCES - BUDGETARY PROCESS" section herein. The School's staff consists of a Superintendent, an Assistant Superintendent one Business Manager, one Director of Special Education, 10 full-time equivalent Principals or Assistant Principals, 520 teachers and various other professional and non-professional staff.

| Schools                         | Grade | Estimated Capacity | Enrollment <sup>(2)</sup> |
|---------------------------------|-------|--------------------|---------------------------|
| Blue Point School               | K-2   | 250 <sup>(1)</sup> | 284                       |
| Eight Corners School            | K-2   | 250 <sup>(1)</sup> | 237                       |
| Pleasant Hill School            | K-2   | 200 <sup>(1)</sup> | 203                       |
| Benjamin Wentworth Intermediate | 3-5   | 750 <sup>(1)</sup> | 790                       |
| Scarborough Middle              | 6-8   | 800 <sup>(1)</sup> | 803                       |
| Scarborough High                | 9-12  | 1,200              | 1,007                     |

NOTE: <sup>(1)</sup> Does not include Portable Classrooms. <sup>(2)</sup> "Previous Year Pupils" from *Maine Educational Directory, School Year 2005-2006*, State of Maine, Department of Education, dated August 23, 2006.

## School Enrollments

| April 1, | Grades |     |     |      |       | Total Enrollment |
|----------|--------|-----|-----|------|-------|------------------|
|          | K-2    | 3-5 | 6-8 | 9-12 | Other |                  |
| 2006     | 724    | 790 | 803 | 1007 | 0     | 3,324            |
| 2005     | 727    | 799 | 805 | 977  | 0     | 3,308            |
| 2004     | 723    | 777 | 811 | 923  | 0     | 3,234            |
| 2003     | 715    | 789 | 754 | 850  | 102   | 3,210            |
| 2002     | 724    | 754 | 782 | 785  | 92    | 3,137            |
| 2001     | 746    | 736 | 729 | 749  | 77    | 3,037            |
| 2000     | 728    | 702 | 658 | 721  | 84    | 2,893            |
| 1999     | 709    | 699 | 633 | 692  | 52    | 2,785            |
| 1998     | 674    | 681 | 597 | 668  | 56    | 2,676            |
| 1997     | 679    | 621 | 590 | 590  | 67    | 2,547            |

SOURCE: State of Maine, Department of Education, "April 1 Census of Students Educated at Public Expense".

NOTE: "Other" includes: Elementary Special, Pre-Kindergarten, Secondary Special and Post-Graduate Students.



## Labor Relations

The Town employs approximately 545 full-time and various part-time personnel, and approximately 793 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

### Labor Contracts

| Union <sup>(1)</sup> | Bargaining Unit                 | Members | Date of Contract |               |
|----------------------|---------------------------------|---------|------------------|---------------|
|                      |                                 |         | Effective        | Expiration    |
| SPBA                 | Police                          | 30      | July 1, 2005     | June 30, 2008 |
| SPSDA                | Dispatchers                     | 10      | July 1, 2005     | June 30, 2008 |
| SPA                  | Paramedics                      | 10      | July 1, 2006     | June 30, 2009 |
| SEA                  | Teachers                        | 289     | Sept 1, 2006     | Aug 31, 2009  |
| SEAA                 | School Administrators           | 11      | July 1, 2006     | June 30, 2009 |
| SESA                 | School Staff and Teacher's Aids | 131     | July 1, 2005     | June 30, 2008 |
| SEA                  | School Custodians               | 26      | July 1, 2004     | June 30, 2007 |
| SEA                  | Bus Drivers                     | 25      | July 1, 2006     | June 30, 2009 |
| SEA                  | Maintenance Workers             | 6       | July 1, 2004     | June 30, 2007 |
| SEA                  | Food Service Workers            | 28      | Sept 1, 2005     | Aug 31, 2007  |

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

## THE SCARBOROUGH PUBLIC LIBRARY

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

Since 1934, the Town has included the library in its budget, appropriating funds at its pleasure. In 1937, the Town purchased land on the south side of the corporation's building and, with a gift of two additional parcels of land on the north and west sides of the building, an addition to the one-room library was planned. The north wing, known as the Fiction Room, was completed in 1938. Another building fund,

starting in 1947, led to a south wing completion in October 1951, to become the Reference Room. In 1976, the library underwent extensive renovation including an addition to the rear of the building for an expansion of the children's section, added office space and moving the circulation desk to a central location. Additionally, a public meeting room was built and storage space provided. Finally, a new one-floor 12,000 square foot library building, located in the central Oak Hill area, opened in 1990 after a successful community-wide fundraising drive.

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

## EMPLOYMENT

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

| People who work in<br>Scarborough, but<br>live in: | Number<br>of<br>Workers | %<br>Scarborough<br>Workforce | People who live in<br>Scarborough, but<br>work in: | Number<br>of<br>Workers | %<br>Scarborough<br>Workers |
|--|-------------------------|-------------------------------|--|-------------------------|-----------------------------|
| Scarborough  | 2,387                   | 24.52%                        | Portland   | 2,709                   | 31.05%                      |
| Portland   | 1,061                   | 10.90                         | Scarborough  | 2,387                   | 27.36                       |
| South Portland                                     | 649                     | 6.67                          | South Portland                                     | 1,410                   | 16.16                       |
| Saco   | 525                     | 5.39                          | Westbrook  | 380                     | 4.36                        |
| Biddeford  | 448                     | 4.60                          | Gorham   | 223                     | 2.56                        |
| Old Orchard Beach                                  | 414                     | 4.25                          | Saco   | 220                     | 2.52                        |
| Westbrook  | 389                     | 4.00                          | Freeport   | 119                     | 1.36                        |
| Gorham   | 338                     | 3.47                          | Falmouth   | 116                     | 1.33                        |
| Buxton   | 311                     | 3.20                          | Biddeford  | 115                     | 1.32                        |
| Windham  | 246                     | 2.53                          | Cape Elizabeth                                     | 106                     | 1.22                        |
| Cape Elizabeth                                     | 224                     | 2.30                          | Yarmouth   | 101                     | 1.16                        |
| Standish   | 224                     | 2.30                          | Old Orchard Beach                                  | 68                      | 0.78                        |
| All Other  | 2,517                   | 25.86                         | All Other  | 770                     | 8.83                        |
|  | <u>9,733</u>            | <u>100.00%</u>                |  | <u>8,724</u>            | <u>100.00%</u>              |

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

### Representative Employers

| Representative Employer       | Type of Business                    | Approximate Number of Employees |
|-------------------------------|-------------------------------------|---------------------------------|
| Hannaford Brothers            | Supermarket Chain, Corporate Office | 1,157                           |
| NorDx                         | Laboratory                          | 262                             |
| Wal-Mart                      | Retail Department Store             | 249                             |
| Shaw's                        | Supermarket                         | 183                             |
| R.C. Moore Trucking           | Trucking                            | 150                             |
| Sam's Wholesale Club          | Wholesale Department Store          | 146                             |
| Rich Tool & Die               | Metals Fabrication                  | 111                             |
| Inverness Medical Innovations | Medical Diagnostic Products         | 109                             |
| RTS Packaging                 | Packaging Materials                 | 98                              |

SOURCE: Scarborough Economic Development Corporation.

### RETAIL TRADE

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

|      | Business/<br>Operating | Building<br>Supply | Food<br>Store | General<br>Mdse. | Other<br>Retail | Auto/<br>Transp. | Rest. &<br>Lodging | Group<br>Total | Consumer<br>Sales |
|------|------------------------|--------------------|---------------|------------------|-----------------|------------------|--------------------|----------------|-------------------|
| 2006 | 74,315                 | 31,488             | 19,928        | 126,295          | 19,820          | 27,612           | 41,945             | 341,402        | 267,087           |
| 2005 | 68,185                 | 27,150             | 18,506        | 126,793          | 15,588          | 28,556           | 40,234             | 325,012        | 256,827           |
| 2004 | 62,321                 | 23,339             | 17,834        | 132,900          | 14,943          | 28,496           | 39,085             | 318,919        | 256,598           |
| 2003 | 51,560                 | 19,497             | 16,803        | 128,069          | 14,519          | 29,183           | 36,786             | 296,416        | 244,856           |
| 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<br>Ended<br>Dec. 31, | Commercial (\$/000) |          |             |          | Residential (\$/000) |          |             |          | Total<br>(\$/000) |          |
|---------------------------|---------------------|----------|-------------|----------|----------------------|----------|-------------|----------|-------------------|----------|
|                           | New Construction    |          | Alterations |          | New Construction     |          | Alterations |          |                   |          |
|                           | Permits             | Cost     | Permits     | Cost     | Permits              | Cost     | Permits     | Cost     | Permits           | Cost     |
| 2006                      | 86                  | 40,296.6 | 72          | 12,103.9 | 86                   | 24,508.5 | 356         | 9,163.6  | 600               | 86,072.6 |
| 2005                      | 6                   | 2,495.0  | 298         | 5,637.5  | 107                  | 26,146.9 | 300         | 10,086.7 | 711               | 44,366.1 |
| 2004                      | 14                  | 26,077.8 | 222         | 11,033.8 | 120                  | 32,104.1 | 286         | 10,286.1 | 642               | 79,501.8 |
| 2003                      | 10                  | 8,210.0  | 61          | 6,770.5  | 169                  | 36,338.5 | 243         | 7,717.7  | 483               | 59,036.7 |
| 2002                      | 7                   | 5,357.0  | 214         | 5,037.8  | 147                  | 30,400.4 | 366         | 6,697.9  | 734               | 47,493.1 |
| 2001                      | 7                   | 2,318.0  | 261         | 6,048.2  | 214                  | 38,743.1 | 309         | 6,869.3  | 791               | 53,978.6 |
| 2000                      | 13                  | 42,617.0 | 270         | 1,030.9  | 263                  | 45,594.7 | 289         | 4,715.1  | 835               | 93,957.8 |
| 1999                      | 16                  | 38,450.0 | 259         | 2,736.4  | 201                  | 29,769.7 | 325         | 5,238.3  | 801               | 76,194.4 |
| 1998                      | 12                  | 7,639.0  | 315         | 6,137.1  | 203                  | 28,816.2 | 338         | 4,562.3  | 868               | 47,154.5 |

SOURCE: Town of Scarborough, Maine, Code Enforcement Office

## ECONOMIC CHARACTERISTICS

|                   | -----% Change-----             |             |              |            |
|-------------------|--------------------------------|-------------|--------------|------------|
| <b>Population</b> | <b>Town of<br/>Scarborough</b> | <b>Town</b> | <b>State</b> | <b>USA</b> |
| 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        | -            | -          |

| <b>Population Characteristics</b> | <b>Town of<br/>Scarborough</b> | <b>Cumberland<br/>County</b> | <b>State of<br/>Maine</b> | <b>USA</b> |
|-----------------------------------|--------------------------------|------------------------------|---------------------------|------------|
| 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       |

| <b>Income</b>                       | <b>Town of<br/>Scarborough</b> | <b>Cumberland<br/>County</b> | <b>State of<br/>Maine</b> | <b>USA</b> |
|-------------------------------------|--------------------------------|------------------------------|---------------------------|------------|
| 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   |

| <b>Housing</b>            | <b>Town of<br/>Scarborough</b> | <b>Cumberland<br/>County</b> | <b>State of<br/>Maine</b> | <b>USA</b> |
|---------------------------|--------------------------------|------------------------------|---------------------------|------------|
| % 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.

| <b>Unemployment</b> | <b>Town of<br/>Scarborough</b> | <b>Cumberland<br/>County</b> | <b>State of<br/>Maine</b> | <b>USA</b> |
|---------------------|--------------------------------|------------------------------|---------------------------|------------|
| 2005                | 3.0%                           | 3.6%                         | 4.8%                      | 5.1%       |
| 2004                | 2.9                            | 3.3                          | 4.6                       | 5.5        |
| 2003                | 2.2                            | 3.0                          | 5.1                       | 6.0        |
| 2002                | 2.0                            | 2.8                          | 4.4                       | 5.8        |
| 2001                | 1.8                            | 2.3                          | 4.0                       | 4.8        |
| 2000                | 1.4                            | 2.0                          | 3.5                       | 4.0        |
| 1999                | 1.8                            | 2.3                          | 4.1                       | 4.2        |
| 1998                | 1.9                            | 2.4                          | 4.4                       | 4.5        |

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,

|                           | 2003                | 2004                | 2005                | 2006                | 2007                |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>EXPENDITURES</b>       |                     |                     |                     |                     |                     |
| General government        | \$3,327,474         | \$3,451,097         | \$3,728,756         | \$3,759,665         | \$4,093,567         |
| Public services           | 2,346,363           | 2,425,129           | 2,593,119           | 2,685,032           | 2,869,959           |
| Public safety             | 5,261,532           | 5,779,263           | 5,904,193           | 6,361,045           | 6,755,786           |
| Public works              | 4,929,598           | 5,256,770           | 5,516,714           | 5,683,601           | 6,135,470           |
| Education                 | 24,993,542          | 27,358,715          | 28,741,171          | 30,745,456          | 32,033,553          |
| County Tax                | 1,306,425           | 1,441,610           | 1,519,714           | 1,584,344           | 1,614,651           |
| Debt service              | 3,192,192           | 3,775,731           | 4,309,239           | 4,098,398           | 4,409,714           |
| CIP                       | 1,286,555           | 329,946             | 1,741,927           | 596,200             | 1,368,569           |
| <b>TOTAL EXPENDITURES</b> | <b>46,643,681</b>   | <b>49,818,261</b>   | <b>54,054,833</b>   | <b>55,513,741</b>   | <b>59,281,269</b>   |
| <b>REVENUES</b>           |                     |                     |                     |                     |                     |
| Taxes                     | 34,084,632          | 36,815,070          | 39,968,877          | 41,182,213          | 42,800,875          |
| Licenses and permits      | 376,800             | 397,595             | 495,949             | 536,235             | 713,008             |
| Intergovernmental         | 7,778,714           | 7,600,966           | 7,149,779           | 8,562,141           | 9,368,710           |
| Interest earned           | 120,000             | 120,000             | 120,000             | 130,000             | 182,000             |
| Other                     | 2,964,123           | 3,221,163           | 2,996,528           | 3,035,745           | 3,957,635           |
| <b>TOTAL REVENUES</b>     | <b>45,324,269</b>   | <b>48,154,794</b>   | <b>50,731,133</b>   | <b>53,446,334</b>   | <b>57,022,228</b>   |
| <b>OTHER SOURCES</b>      |                     |                     |                     |                     |                     |
| Operating transfers       | 291,801             | 892,492             | 1,687,259           | 1,580,562           | 1,149,718           |
| Prior year fund balance   | 0                   | 730,000             | 478,840             | 475,000             | 475,000             |
| Overlay                   | (99,039)            | (121,025)           | (74,899)            | (369,155)           | (101,427)           |
| Bond and note proceeds    | 1,126,650           | 162,000             | 1,232,500           | 381,000             | 735,750             |
| <b>TOTAL OTHER</b>        | <b>1,319,412</b>    | <b>1,663,467</b>    | <b>3,323,700</b>    | <b>2,067,407</b>    | <b>2,259,041</b>    |
| <b>TOTAL BUDGET</b>       | <b>\$46,643,681</b> | <b>\$49,818,261</b> | <b>\$54,054,833</b> | <b>\$55,513,741</b> | <b>\$59,281,269</b> |

## CAPITAL IMPROVEMENT PLAN

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

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

|                           | 2007               | 2008               | 2009               | 2010               | 2011               | Total               |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| <b>Community Services</b> |                    |                    |                    |                    |                    |                     |
| Capital Projects          | \$1,985,000        | \$150,000          | \$50,000           | \$0                | \$0                | \$2,185,000         |
| Equipment                 | 0                  | 25,000             | 0                  | 30,000             | 0                  | 55,000              |
| <b>Municipal Building</b> |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 0                  | 0                  | 0                  | 0                  | 0                  | 0                   |
| Equipment                 | 20,000             | 0                  | 0                  | 0                  | 0                  | 20,000              |
| <b>MIS</b>                |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 125,000            | 0                  | 0                  | 0                  | 0                  | 125,000             |
| Equipment                 | 77,419             | 0                  | 0                  | 0                  | 0                  | 77,419              |
| <b>Public Safety</b>      |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 395,000            | 4,336,500          | 0                  | 30,000             | 0                  | 4,761,500           |
| Equipment                 | 80,400             | 20,200             | 50,300             | 79,000             | 15,000             | 244,900             |
| <b>Fire Department</b>    |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 0                  | 0                  | 425,000            | 0                  | 0                  | 425,000             |
| Equipment                 | 450,250            | 462,313            | 386,153            | 297,000            | 173,000            | 1,768,716           |
| <b>Public Works</b>       |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 3,860,602          | 2,077,420          | 1,910,188          | 1,200,000          |                    | 9,048,210           |
| Equipment                 | 241,000            | 358,000            | 279,000            | 430,000            | 400,000            | 1,708,000           |
| <b>Library</b>            |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 0                  | 0                  | 0                  | 0                  | 0                  | 0                   |
| Equipment                 | 299,500            | 0                  | 0                  | 0                  | 0                  | 299,500             |
| <b>Total Town</b>         |                    |                    |                    |                    |                    |                     |
| Capital Projects          | 6,365,602          | 6,563,920          | 2,385,188          | 1,230,000          | 0                  | 16,544,710          |
| Equipment                 | 1,168,569          | 865,513            | 715,453            | 836,000            | 588,000            | 4,173,535           |
| <b>Total Town</b>         | <b>7,534,171</b>   | <b>7,429,433</b>   | <b>3,100,641</b>   | <b>2,066,000</b>   | <b>588,000</b>     | <b>20,718,245</b>   |
| <b>School</b>             |                    |                    |                    |                    |                    |                     |
| Technology                | 320,833            | 306,000            | 316,000            | 296,000            | 336,000            | 1,574,833           |
| Facilities                | 813,480            | 601,250            | 648,063            | 735,466            | 648,488            | 3,446,747           |
| Planning                  | 150,000            | 0                  | 0                  | 0                  | 0                  | 150,000             |
| <b>Total School</b>       | <b>1,284,313</b>   | <b>907,250</b>     | <b>964,063</b>     | <b>1,031,466</b>   | <b>984,488</b>     | <b>5,171,580</b>    |
| <b>Total CIP</b>          | <b>\$8,818,484</b> | <b>\$8,336,683</b> | <b>\$4,064,704</b> | <b>\$3,097,466</b> | <b>\$1,572,488</b> | <b>\$25,889,825</b> |

## **SUBSEQUENT 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.

The State's Personal Income Factor for fiscal year 2006/2007 is 2.62%; the Town's Property Growth Factor for 2006/2007 is 1.83% for a 2006/2007 Growth Limitation Factor of 4.45%. The Town's 2006/2007 Municipal Property Tax Levy Limit is \$11,297,115; the Town's 2006/2007 Municipal Property Tax Levy is \$11,210,876; or \$86,239 below the Property Tax Levy Limit. This allows the Town to establish next year's Municipal Property Tax Levy based on this year's \$10,831,236 Municipal Property Tax Levy Limit times the next year's Growth Limitation Factor. The Town's 2005/2006 Municipal Property Tax Levy was \$10,564,959; or \$266,277 below the 2005/2006 Municipal Property Tax Levy Limit.

## **INVESTMENT POLICY**

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

## **FUND BALANCE POLICY**

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

The Town's goal is to maintain, as undesignated, a level of fund balance in an amount equal to 8.3% (or 1/12th) of its annual Operating Budget. Once the Town achieves an undesignated fund balance equal to 8.3% of the Town's Operating Budget, any excess is to be designated for capital needs of the Town; thereby, reducing amounts required to be financed and in turn, the related interest costs. At year-end, capital and certain other budget items, in which appropriated amounts exceed actual expenditures, are reviewed to determine if they should be designated to be carried over to the next year. Annually, the Finance Director presents to the Town Manager a list of items for approval to be designated to be carried forward.

#### **Fund Balance as % Revenues**

|                                   | <b>Fiscal Year Ended June 30,</b> |             |             |             |             |
|-----------------------------------|-----------------------------------|-------------|-------------|-------------|-------------|
|                                   | <b>2002</b>                       | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
| Unreserved General Fund Balance   | \$5,752,698                       | \$6,211,542 | \$5,918,858 | \$7,062,882 | \$7,455,082 |
| Total Revenues (Current Year)     | 45,131,670                        | 48,313,362  | 50,509,302  | 54,158,598  | 56,600,224  |
| Fund Bal as % Revenues            | 12.7%                             | 12.9%       | 11.7%       | 13.0%       | 13.17%      |
| Undesignated General Fund Balance | \$4,064,287                       | \$4,669,251 | \$4,693,564 | \$4,366,474 | \$5,519,830 |
| Total Revenues (Current Year)     | 45,131,670                        | 48,313,362  | 50,509,302  | 54,158,598  | 56,600,224  |
| Fund Bal as % Revenues            | 9.0%                              | 9.7%        | 9.3%        | 8.1%        | 9.75%       |

## **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 Runyon Kersteen Ouellette, 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 30<sup>th</sup> following the end of the municipal year of the subject audit".

The Town's fiscal year 2006 Annual Financial Report, audited by Runyon Kersteen Ouellette, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of Runyon Kersteen Ouellette 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, 2005. This is the first 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,)**

|                                     | 2006                | 2005                | 2004                | 2003                | 2002                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>                       |                     |                     |                     |                     |                     |
| Cash and cash equivalents           | \$6,551,527         | \$9,421,858         | \$6,885,074         | \$9,194,945         | \$3,965,364         |
| Investments                         | 3,307,048           | 533,400             | 2,692,139           | 907,364             | 2,654,419           |
| Receivables:                        |                     |                     |                     |                     |                     |
| Taxes receivable                    | 59,797              | 60,561              | 75,740              | 71,205              | 111,882             |
| Tax liens                           | 407,661             | 421,274             | 364,515             | 359,964             | 658,429             |
| Accounts receivable                 | 403,966             | 472,345             | 535,740             | 414,811             | 1,523,279           |
| Due from State                      | 0                   |                     | 52,814              | 26,087              | 40,573              |
| Interfund receivable                | 1,041,875           | 265,420             | 1,438,719           | 1,172,604           | 1,811,384           |
| Tax acquired property               | 7,231               | 7,231               | 7,231               | 7,231               | 3,030               |
| <b>TOTAL ASSETS</b>                 | <b>11,779,105</b>   | <b>11,182,089</b>   | <b>12,051,972</b>   | <b>12,154,211</b>   | <b>10,768,360</b>   |
| <b>LIABILITIES</b>                  |                     |                     |                     |                     |                     |
| Accounts payable                    | 695,103             | 586,549             | 809,838             | 666,405             | 501,795             |
| Accrued wages                       | 2,457,799           | 2,419,588           | 2,274,593           | 2,187,754           | 1,960,455           |
| Accrued absences                    | 0                   |                     | 375,384             | 341,810             | 288,388             |
| Interfund payable                   | 0                   |                     | 1,526,628           | 1,575,276           | 288,754             |
| Taxes collected in advance          | 17,928              | 15,944              | 36,187              | 19,582              | 31,806              |
| Deferred tax revenue                | 382,000             | 400,000             | 400,000             | 400,000             | 717,000             |
| Performance bond                    | 0                   |                     | 0                   | 0                   | 427,149             |
| <b>TOTAL LIABILITIES</b>            | <b>3,552,830</b>    | <b>3,422,081</b>    | <b>5,422,630</b>    | <b>5,190,827</b>    | <b>4,215,347</b>    |
| <b>EQUITY</b>                       |                     |                     |                     |                     |                     |
| Fund balances:                      |                     |                     |                     |                     |                     |
| Reserved                            | 771,193             | 697,126             | 710,484             | 751,842             | 800,315             |
| Unreserved:                         |                     |                     |                     |                     |                     |
| Undesignated                        | 5,519,830           | 4,366,474           | 4,693,564           | 4,669,251           | 4,064,287           |
| Designated                          | 1,935,252           | 2,696,408           | 1,225,294           | 1,542,291           | 1,688,411           |
| <b>TOTAL EQUITY</b>                 | <b>8,226,275</b>    | <b>7,760,008</b>    | <b>6,629,342</b>    | <b>6,963,384</b>    | <b>6,553,013</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <b>\$11,779,105</b> | <b>\$11,182,089</b> | <b>\$12,051,972</b> | <b>\$12,154,211</b> | <b>\$10,768,360</b> |

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,)**

|   | 2006               | 2005               | 2004               | 2003               | 2002               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUES</b>   |                    |                    |                    |                    |                    |
| Taxes   | \$41,345,663       | \$40,003,836       | \$37,104,562       | \$34,581,649       | \$32,380,000       |
| Licenses and permits  | 611,420            | 566,483            | 480,440            | 428,593            | 412,845            |
| Intergovernmental   | 10,828,778         | 10,242,806         | 9,756,365          | 7,622,220          | 9,805,334          |
| Interest earned   | 260,661            | 159,450            | 105,034            | 123,995            | 157,722            |
| Other   | 3,553,702          | 3,186,023          | 3,062,901          | 3,036,510          | 2,375,769          |
| <b>TOTAL REVENUES</b>   | <b>56,600,224</b>  | <b>54,158,598</b>  | <b>50,509,302</b>  | <b>45,792,967</b>  | <b>45,131,670</b>  |
| <b>EXPENDITURES</b>   |                    |                    |                    |                    |                    |
| General government  | 4,340,348          | 3,727,031          | 3,568,303          | 3,422,319          | 3,041,249          |
| Public services   | 2,849,393          | 2,642,914          | 2,572,389          | 2,653,341          | 2,325,304          |
| Public safety   | 6,179,751          | 5,921,309          | 5,933,594          | 5,277,917          | 4,705,436          |
| Public works  | 5,702,033          | 5,370,322          | 4,877,211          | 4,767,202          | 4,108,009          |
| Education   | 32,791,793         | 30,919,216         | 28,862,018         | 24,171,344         | 25,091,349         |
| County tax  | 1,584,344          | 1,519,714          | 1,441,610          | 1,306,425          | 1,061,578          |
| Other   | 0                  | 40,638             | 0                  | 148,018            | 102,550            |
| Debt service  | 4,065,377          | 4,304,201          | 5,046,242          | 3,192,012          | 3,039,920          |
| Capital improvements  | 1,114,864          | 1,119,917          | 653,352            | 1,209,004          | 1,233,457          |
| <b>TOTAL EXPENDITURES</b>   | <b>58,627,903</b>  | <b>55,565,262</b>  | <b>52,954,719</b>  | <b>46,147,582</b>  | <b>44,708,852</b>  |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b>                                 | <b>(2,027,679)</b> | <b>(1,406,664)</b> | <b>(2,445,417)</b> | <b>(354,615)</b>   | <b>422,818</b>     |
| <b>OTHER FINANCING SOURCES:</b>   |                    |                    |                    |                    |                    |
| Operating transfers in  | 2,166,015          | 2,086,828          | 1,304,889          | 640,584            | 1,430,397          |
| Operating transfers out   | (608,069)          | (795,906)          | (755,514)          | (897,846)          | (1,049,986)        |
| Prior year designated funds   | 0                  | 0                  | 0                  | 2,066,352          | 1,241,818          |
| Bond or note proceeds   | 936,000            | 870,175            | 1,562,000          | 1,210,085          | 1,191,655          |
| <b>TOTAL OTHER FINANCING:</b>   | <b>2,493,946</b>   | <b>2,161,097</b>   | <b>2,111,375</b>   | <b>3,019,175</b>   | <b>2,813,884</b>   |
| <b>EXCESS OF REVENUES AND<br/>OTHER FINANCING SOURCES<br/>OVER EXPENDITURES</b> | <b>466,267</b>     | <b>754,433</b>     | <b>(334,042)</b>   | <b>2,664,560</b>   | <b>3,236,702</b>   |
| <b>Reconciliation to GAAP</b>   |                    |                    | <b>0</b>           | <b>(187,837)</b>   | <b>0</b>           |
| <b>FUND BALANCE, BEGINNING<br/>OF YEAR (or as restated)</b>                     | <b>7,760,008</b>   | <b>7,005,575</b>   | <b>6,963,384</b>   | <b>6,553,013</b>   | <b>4,558,129</b>   |
| (Less prior year designated funds)  | 0                  | 0                  | 0                  | (2,066,352)        | (1,241,818)        |
| <b>FUND BALANCE, END OF YEAR</b>  | <b>\$8,226,275</b> | <b>\$7,760,008</b> | <b>\$6,629,342</b> | <b>\$6,963,384</b> | <b>\$6,553,013</b> |

Prepared from Audited Financial Statements.

## PROPERTY TAXATION

| Fiscal<br>Yr. End<br>June 30, | Equalized<br>State<br>Valuation<br>(000) | Assessed<br>Valuation<br>(000) | Tax<br>Rate<br>(000) | Tax<br>Levy<br>(000) | Collections<br>(after Supplements and Abatements) |              |                          |
|-------------------------------|--|--------------------------------|----------------------|----------------------|---|--------------|--------------------------|
|                               |  |                                |                      |                      | Year End<br>(000)                                 | % of<br>Levy | % of Levy<br>A/O 8/31/06 |
| 2007                          | \$3,255,800                              | \$3,317,498                    | \$11.48              | \$38,085             | ---- In Process ----                              |              |                          |
| 2006                          | 2,873,200                                | 3,256,842                      | 11.30                | 36,802               | 36,442  | 99.92%       | 99.94%                   |
| 2005                          | 2,538,800                                | 2,057,589                      | 17.34                | 35,678               | 36,367  | 99.13        | 99.97                    |
| 2004                          | 2,158,300                                | 2,002,987                      | 16.46                | 32,969               | 32,747  | 99.33        | 99.99                    |
| 2003                          | 1,864,800                                | 1,930,576                      | 15.70                | 30,311               | 30,104  | 99.20        | 99.99                    |
| 2002                          | 1,571,700                                | 1,858,345                      | 15.30                | 28,433               | 28,121  | 98.84        | 99.99                    |
| 2001                          | 1,374,950                                | 1,313,684                      | 19.60                | 25,748               | 25,339  | 98.35        | 99.99                    |
| 2000                          | 1,253,450                                | 1,259,330                      | 19.20                | 24,179               | 23,716  | 98.06        | 99.99                    |
| 1999                          | 1,155,300                                | 1,206,144                      | 18.40                | 22,193               | 21,746  | 97.68        | 99.99                    |
| 1998                          | 1,109,500                                | 1,186,155                      | 18.40                | 21,825               | 21,382  | 97.68        | 99.99                    |
| 1997                          | 1,060,350                                | 1,138,964                      | 18.20                | 20,729               | 20,114  | 96.92        | 99.99                    |

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2006/2007 the tax due dates are October 16, 2006 and March 15, 2007. All taxes paid after the due date will be subject to interest, at the rate of 11% per annum.

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town. However, Article 3 of the Town's *Policy for Disposition of Tax Acquired Property*, adopted October 16, 2003, provide for the Town and the property owner of a single residence property to enter into a plan and an installment sales contract in order to waive the foreclosure process and to secure prompt payment of outstanding and current taxes, related interest and costs.

## CHANGES IN PROPERTY TAX LEGISLATION

On April 29, 2006 the Maine Legislature enacted LD 2056 which prospectively exempts from taxation 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 devises and associated equipment;
- (6) Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

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

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

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

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

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

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district.

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

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

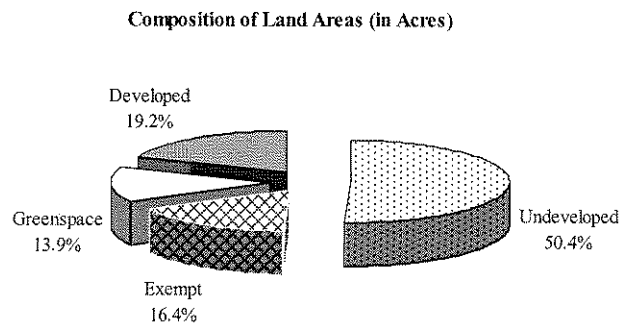
## LARGEST TAXPAYERS

| Taxpayer                        | Business                  | As of April 1, 2006 |                   |                |              |           |
|---------------------------------|---------------------------|---------------------|-------------------|----------------|--------------|-----------|
|                                 |                           | Real Estate         | Personal Property | Assessed Total | Property Tax | % of Levy |
| Maine Life Care                 | Senior Housing            | \$59,119,500        | \$2,277,800       | \$61,397,300   | \$704,841    | 1.85%     |
| Hannaford Brothers              | Supermarket, Corp Offices | 15,325,800          | 14,582,500        | 29,908,300     | 343,347      | 0.90      |
| Walmart/Sam's Club              | Wholesale/Retail          | 27,383,500          | 2,179,000         | 29,562,500     | 339,377      | 0.89      |
| Black Point Inn                 | Hotel                     | 15,332,500          | 430,300           | 15,762,800     | 180,956      | 0.48      |
| Gavin Ruotolo                   | Commercial Leases         | 13,151,400          | 1,885,500         | 15,036,900     | 172,623      | 0.45      |
| MMC Realty                      | Medical                   | 12,084,900          | 2,872,700         | 14,957,600     | 171,713      | 0.45      |
| ERP Operating LP                | Residential Apartments    | 11,747,600          | 175,100           | 11,922,700     | 136,872      | 0.36      |
| Davric Maine Corp               | Harness Racing/OTB        | 9,697,500           | 350,000           | 10,047,500     | 115,345      | 0.30      |
| Scarborough Gallery             | Development               | 9,749,500           | 0                 | 9,749,500      | 111,924      | 0.29      |
| Shaw's                          | Supermarket               | 8,312,800           | 1,239,300         | 9,552,100      | 109,658      | 0.29      |
| Top Ten Taxpayers as % of Total |                           | \$181,905,000       | \$25,992,200      | \$207,897,200  | \$2,386,656  | 6.27%     |

## 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.

| By Land Area (acres)       | 2005   |
|----------------------------|--------|
| Undeveloped <sup>(1)</sup> | 14,189 |
| Exempt                     | 4,620  |
| Greenspace <sup>(2)</sup>  | 3,921  |
| Developed                  | 5,403  |
| Total                      | 28,133 |



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

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

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

|                | 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 1<sup>st</sup> preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality's total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality's total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of a community wind power generator or generators certified pursuant to Title 36, section 5219-AA, subsection 3.

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

The Town has designated various tax increment financing districts and may consider proposals for other districts on an ongoing basis. All districts will be evaluated based upon the Town's comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will the Town's districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

## **STATE AID**

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

In accordance with the provisions of applicable Maine law, the State subsidizes most local school administrative units. Recent changes in Maine law, effective July 1, 2005, have changed the manner in which the State will calculate and distribute education subsidies. Gone is the old subsidy formula that

distributed state aid on the basis of the foundation allocation and state approved debt service. In its place is the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. All education expenditures, including state approved debt service, now flow through the EPS model. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. No assurance can be given that future legislation will not have an adverse impact on school funding in Maine. Because of these uncertainties, it is not possible to predict the level of State subsidy to local units in future years or whether the State’s subsidy program will continue in its present form.

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

| <b>Fiscal Yr. End June 30,</b> | <b>State Revenue Sharing</b> | <b>School Aid</b> | <b>Homestead Exemption</b> | <b>General Assistance</b> | <b>Other State Aid</b> | <b>Total From State</b> |
|--------------------------------|------------------------------|-------------------|----------------------------|---------------------------|------------------------|-------------------------|
| 2006                           | \$1,432,953                  | \$5,715,173       | \$305,211                  | \$1,184                   | \$822,354              | \$8,276,875             |
| 2005                           | 1,341,589                    | 4,503,857         | 300,361                    | 7,868                     | 274,000                | 6,427,675               |
| 2004                           | 1,358,586                    | 4,669,174         | 341,272                    | 2,657                     | 315,470                | 6,687,159               |
| 2003                           | 1,347,996                    | 5,352,036         | 453,515                    | 3,563                     | 552,062                | 7,709,172               |
| 2002                           | 1,362,254                    | 5,104,603         | 443,988                    | 7,253                     | 410,628                | 7,328,726               |

## **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, 2007 the Town’s equalized state valuation (“equalized State Valuation”) was reported to be \$3,255,800,000. The 15% debt limit is \$488,370,000. As of June 30, 2006 the Town’s long-term debt was \$68,844,000 or 2.11% of the equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

## DEBT SUMMARY

The Town’s general obligation bonds payable at June 30, 2006 (audited) and projected for June 30, 2007(unaudited) are comprised of the following individual issues:

| Series | Date of Issue | Issue Amount | Date of Final Mat | As of 06/30/06 | Payments 2006/2007 | Projected 06/30/07 |
|--------|---------------|--------------|-------------------|----------------|--------------------|--------------------|
| 1987   | 10/25/87      | \$3,300,000  | 10/25/07          | \$250,000      | \$(125,000)        | \$125,000          |
| 1988   | 04/25/88      | 6,615,000    | 10/25/08          | 825,000        | (275,000)          | 550,000            |
| 1989   | 12/15/89      | 2,300,000    | 12/15/08          | 320,000        | (110,000)          | 210,000            |
| 1990   | 11/01/90      | 7,415,000    | 11/01/10          | 1,635,000      | (335,000)          | 1,300,000          |
| 1993   | 05/01/93      | 1,135,000    | 11/01/12          | 175,000        | (25,000)           | 150,000            |
| 1994   | 10/15/94      | 6,775,000    | 10/15/14          | 2,070,000      | (230,000)          | 1,840,000          |
| 1995B  | 12/15/95      | 6,160,000    | 11/01/15          | 2,650,000      | (265,000)          | 2,385,000          |
| 1997   | 04/15/97      | 4,230,000    | 11/01/16          | 1,305,000      | (205,000)          | 1,100,000          |
| 1998   | 02/15/98      | 1,475,000    | 11/01/07          | 185,000        | (100,000)          | 85,000             |
| 1999   | 06/15/99      | 6,493,000    | 11/01/18          | 1,890,000      | (400,000)          | 1,490,000          |
| 2000   | 06/15/00      | 4,770,000    | 12/15/19          | 1,980,000      | (210,000)          | 1,770,000          |
| 2001   | 06/15/01      | 4,932,000    | 11/01/20          | 2,065,000      | (190,000)          | 1,875,000          |
| 2002   | 06/15/02      | 4,000,000    | 11/01/06          | 845,000        | (845,000)          | 0                  |
| 2003   | 06/01/03      | 24,579,000   | 06/01/34          | 22,310,000     | (890,000)          | 21,420,000         |
| 2004   | 03/15/04      | 14,628,000   | 11/01/33          | 12,975,000     | (975,000)          | 12,000,000         |
| 2005   | 03/15/05      | 10,665,000   | 11/01/34          | 10,350,000     | (340,000)          | 10,010,000         |
| 2006   | 05/15/06      | 7,014,000    | 11/01/20          | 7,014,000      | (479,000)          | 6,535,000          |
|        |               |              |                   | \$68,844,000   | \$(5,999,000)      | \$62,845,000       |
| 2007   | 05/15/07      | 4,000,000    | 11/01/21          | 0              | 0                  | 4,000,000          |
|        |               |              |                   |                |                    | \$66,845,000       |

## DEBT SERVICE COMPONENT OF OPERATING EXPENSES

|                                  | Audited     |             |             |             |             | Budgeted    |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                  | 2002        | 2003        | 2004        | 2005        | 2006        | 2007        |
| Total Current Year Debt Service: | \$6,458,394 | \$6,549,468 | \$7,443,062 | \$8,513,265 | \$8,756,803 | \$8,827,404 |
| Budgeted Operating Expense:      | 43,524,232  | 46,665,834  | 49,818,261  | 54,054,833  | 55,448,913  | 58,796,769  |
| Debt Service as % Oper. Expense: | 14.84%      | 14.03%      | 14.94%      | 15.75%      | 15.79%      | 15.01%      |

NOTE: Due to the institution of EPS in 2005 (see "TOWN FINANCES - STATE AID" herein), the itemization of annual Debt Service Allocation previously paid by the State Department of Education is no longer separately reported. Therefore, the amounts for Subsidized School Debt in the above not included.

## DEBT RATIOS

| Fiscal<br>Yr. End<br>June 30, | Population | Equalized<br>State Val.<br>(000) | Assessed<br>Valuation<br>(000) | Total<br>Debt | Debt<br>as %<br>Eq. Val. | Per<br>Capita<br>Debt |
|-------------------------------|------------|----------------------------------|--------------------------------|---------------|--------------------------|-----------------------|
| 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              |
| 1998                          | 12,518     | 1,109,500                        | 1,186,155                      | 31,531,840    | 2.84                     | 2,518.92              |
| 1997                          | 12,518     | 1,060,350                        | 1,138,964                      | 32,499,641    | 3.06                     | 2,596.23              |

## PROJECTED DEBT SERVICE REQUIREMENTS

| Fiscal<br>Yr. End<br>June 30, | Prior Debt   |              |               | Projected Debt (This Issue) |           |               | Projected<br>Total<br>Debt |
|-------------------------------|--------------|--------------|---------------|-----------------------------|-----------|---------------|----------------------------|
|                               | Principal    | Interest     | Total<br>Debt | (Pro Forma)                 |           | Total<br>Debt |                            |
|                               |              |              |               | Principal                   | Interest  |               |                            |
| 2007                          | \$5,999,000  | \$2,820,923  | \$8,819,923   | \$0                         | \$0       | \$0           | \$8,819,923                |
| 2008                          | 5,480,000    | 2,596,091    | 8,076,091     | 550,000                     | 151,701   | 701,701       | 8,777,793                  |
| 2009                          | 4,960,000    | 2,377,320    | 7,337,320     | 550,000                     | 134,938   | 684,938       | 8,022,258                  |
| 2010                          | 4,090,000    | 2,189,039    | 6,279,039     | 550,000                     | 111,563   | 661,563       | 6,940,601                  |
| 2011                          | 3,970,000    | 2,021,929    | 5,991,929     | 550,000                     | 88,188    | 638,188       | 6,630,116                  |
| 2012                          | 3,325,000    | 1,870,361    | 5,195,361     | 550,000                     | 64,813    | 614,813       | 5,810,174                  |
| 2013                          | 3,450,000    | 1,728,609    | 5,178,609     | 225,000                     | 48,344    | 273,344       | 5,451,953                  |
| 2014                          | 2,875,000    | 1,593,623    | 4,468,623     | 225,000                     | 38,781    | 263,781       | 4,732,404                  |
| 2015                          | 2,650,000    | 1,471,809    | 4,121,809     | 225,000                     | 29,219    | 254,219       | 4,376,028                  |
| 2016                          | 2,435,000    | 1,359,370    | 3,794,370     | 225,000                     | 19,656    | 244,656       | 4,039,026                  |
| 2017                          | 1,945,000    | 1,264,044    | 3,209,044     | 225,000                     | 10,094    | 235,094       | 3,444,138                  |
| 2018                          | 1,980,000    | 1,179,219    | 3,159,219     | 25,000                      | 4,781     | 29,781        | 3,189,000                  |
| 2019                          | 2,135,000    | 1,090,715    | 3,225,715     | 25,000                      | 3,719     | 28,719        | 3,254,434                  |
| 2020                          | 2,245,000    | 996,349      | 3,241,349     | 25,000                      | 2,656     | 27,656        | 3,269,005                  |
| 2021                          | 2,320,000    | 898,936      | 3,218,936     | 25,000                      | 1,594     | 26,594        | 3,245,530                  |
| 2022                          | 2,180,000    | 803,423      | 2,983,423     | 25,000                      | 531       | 25,531        | 3,008,954                  |
| 2023                          | 2,395,000    | 705,004      | 3,100,004     |                             |           |               | 3,100,004                  |
| 2024                          | 1,050,000    | 630,241      | 1,680,241     |                             |           |               | 1,680,241                  |
| 2025                          | 1,100,000    | 583,200      | 1,683,200     |                             |           |               | 1,683,200                  |
| 2026                          | 1,150,000    | 533,344      | 1,683,344     |                             |           |               | 1,683,344                  |
| 2027                          | 1,200,000    | 481,184      | 1,681,184     |                             |           |               | 1,681,184                  |
| 2028                          | 1,260,000    | 426,439      | 1,686,439     |                             |           |               | 1,686,439                  |
| 2029                          | 1,315,000    | 368,758      | 1,683,758     |                             |           |               | 1,683,758                  |
| 2030                          | 1,375,000    | 308,265      | 1,683,265     |                             |           |               | 1,683,265                  |
| 2031                          | 1,440,000    | 244,153      | 1,684,153     |                             |           |               | 1,684,153                  |
| 2032                          | 1,505,000    | 176,278      | 1,681,278     |                             |           |               | 1,681,278                  |
| 2033                          | 1,575,000    | 105,298      | 1,680,298     |                             |           |               | 1,680,298                  |
| 2034                          | 960,000      | 46,500       | 1,006,500     |                             |           |               | 1,006,500                  |
| 2035                          | 480,000      | 12,000       | 492,000       |                             |           |               | 492,000                    |
| TOTAL                         | \$68,844,000 | \$30,882,420 | \$99,726,420  | \$4,000,000                 | \$710,576 | \$4,710,576   | \$104,436,997              |

**PROJECTED PRINCIPAL PAYMENTS, BY ISSUE**

(\$/000)

| Yr. End<br>June 30, | 1987       | 1988       | 1989       | 1990         | 1993       | 1994         | 1995B        | 1997         | 1998       | 1999         | 2000         | 2001         | 2002       | 2003          | 2004          | 2005          | 2006         | 2007         | Total<br>Debt |
|---------------------|------------|------------|------------|--------------|------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|------------|---------------|---------------|---------------|--------------|--------------|---------------|
| 2007                | 125        | 275        | 110        | 335          | 25         | 230          | 265          | 205          | 100        | 400          | 210          | 190          | 845        | 890           | 975           | 340           | 479          | 0            | 5,999         |
| 2008                | 125        | 275        | 110        | 325          | 25         | 230          | 265          | 110          | 85         | 395          | 210          | 180          |            | 995           | 975           | 510           | 665          | 550          | 6,030         |
| 2009                |            | 275        | 100        | 325          | 25         | 230          | 265          | 110          |            | 395          | 205          | 180          |            | 655           | 985           | 520           | 690          | 550          | 5,510         |
| 2010                |            |            |            | 325          | 25         | 230          | 265          | 110          |            | 70           | 205          | 180          |            | 685           | 665           | 525           | 805          | 550          | 4,640         |
| 2011                |            |            |            | 325          | 25         | 230          | 265          | 110          |            | 70           | 115          | 180          |            | 750           | 680           | 385           | 835          | 550          | 4,520         |
| 2012                |            |            |            |              | 25         | 230          | 265          | 110          |            | 70           | 115          | 120          |            | 840           | 680           | 390           | 480          | 550          | 3,875         |
| 2013                |            |            |            |              | 25         | 230          | 265          | 110          |            | 70           | 115          | 115          |            | 925           | 690           | 395           | 510          | 225          | 3,675         |
| 2014                |            |            |            |              |            | 230          | 265          | 110          |            | 70           | 115          | 115          |            | 595           | 555           | 305           | 515          | 225          | 3,100         |
| 2015                |            |            |            |              |            | 230          | 265          | 110          |            | 70           | 115          | 115          |            | 685           | 215           | 315           | 530          | 225          | 2,875         |
| 2016                |            |            |            |              |            |              | 265          | 110          |            | 70           | 115          | 115          |            | 780           | 225           | 250           | 505          | 225          | 2,660         |
| 2017                |            |            |            |              |            |              |              | 110          |            | 70           | 115          | 115          |            | 885           | 235           | 230           | 185          | 225          | 2,170         |
| 2018                |            |            |            |              |            |              |              |              |            | 70           | 115          | 115          |            | 1,005         | 245           | 240           | 190          | 25           | 2,005         |
| 2019                |            |            |            |              |            |              |              |              |            | 70           | 115          | 115          |            | 1,135         | 255           | 250           | 195          | 25           | 2,160         |
| 2020                |            |            |            |              |            |              |              |              |            |              | 115          | 115          |            | 1,280         | 265           | 260           | 210          | 25           | 2,270         |
| 2021                |            |            |            |              |            |              |              |              |            |              |              | 115          |            | 1,435         | 280           | 270           | 220          | 25           | 2,345         |
| 2022                |            |            |            |              |            |              |              |              |            |              |              |              |            | 1,610         | 290           | 280           |              | 25           | 2,205         |
| 2023                |            |            |            |              |            |              |              |              |            |              |              |              |            | 1,800         | 305           | 290           |              |              | 2,395         |
| 2024                |            |            |            |              |            |              |              |              |            |              |              |              |            | 430           | 320           | 300           |              |              | 1,050         |
| 2025                |            |            |            |              |            |              |              |              |            |              |              |              |            | 450           | 335           | 315           |              |              | 1,100         |
| 2026                |            |            |            |              |            |              |              |              |            |              |              |              |            | 475           | 350           | 325           |              |              | 1,150         |
| 2027                |            |            |            |              |            |              |              |              |            |              |              |              |            | 495           | 365           | 340           |              |              | 1,200         |
| 2028                |            |            |            |              |            |              |              |              |            |              |              |              |            | 520           | 385           | 355           |              |              | 1,260         |
| 2029                |            |            |            |              |            |              |              |              |            |              |              |              |            | 545           | 400           | 370           |              |              | 1,315         |
| 2030                |            |            |            |              |            |              |              |              |            |              |              |              |            | 570           | 420           | 385           |              |              | 1,375         |
| 2031                |            |            |            |              |            |              |              |              |            |              |              |              |            | 595           | 440           | 405           |              |              | 1,440         |
| 2032                |            |            |            |              |            |              |              |              |            |              |              |              |            | 625           | 460           | 420           |              |              | 1,505         |
| 2033                |            |            |            |              |            |              |              |              |            |              |              |              |            | 655           | 480           | 440           |              |              | 1,575         |
| 2034                |            |            |            |              |            |              |              |              |            |              |              |              |            |               | 500           | 460           |              |              | 960           |
| 2035                |            |            |            |              |            |              |              |              |            |              |              |              |            |               |               | 480           |              |              | 480           |
| <b>Totals</b>       | <b>250</b> | <b>825</b> | <b>320</b> | <b>1,635</b> | <b>175</b> | <b>2,070</b> | <b>2,650</b> | <b>1,305</b> | <b>185</b> | <b>1,890</b> | <b>1,980</b> | <b>2,065</b> | <b>845</b> | <b>22,310</b> | <b>12,975</b> | <b>10,350</b> | <b>7,014</b> | <b>4,000</b> | <b>72,844</b> |

## **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, 2007 the Town's equalized State Valuation of \$3,255,800,000 was 8.56% of the County's equalized State Valuation of \$38,041,800,000. The Town's share is 8.56%, or \$875,532, of the County's \$10,230,000 long-term debt projected to be outstanding as of December 31, 2006.

## **CONTINGENT DEBT**

### **Portland Water District**

The Water Division of the PWD also provides water to the inhabitants of ten cities and towns within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the Town. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (the "Act"), and pursuant to an agreement with nine of the ten PWD Municipalities, the exception being the Town of Standish (the "Section 6103 Members"), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the "Water Fund Debt"). In the event of a default by PWD in the payment of the principal of, or interest on, its Water Fund Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each Section 6103 Member municipality within the PWD, including the Town. Such assessment is allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at January 1, 2007 the Town was responsible for 13.32%, or \$2,445,933, of the PWD's \$18,362,858 Water System Debt projected to be outstanding as of December 31, 2006.

### **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, 2006, outstanding RRS Debt of ecomaine totaled \$43,076,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 8.29% or \$3,573,014.

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, 2006 the Town's share is 6.30% or \$3,889,841 of ecomaine's outstanding MRF debt of \$5,029,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$20,737,626 at June 30, 2006. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.11% or \$1,681,692.

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

|  | <b>Direct Debt</b> | <b>Overlapping</b> | <b>Contingent</b> | <b>Total Debt</b> |
|--|--------------------|--------------------|-------------------|-------------------|
| Town of Scarborough                    | \$68,844,000       |                    |                   | \$68,844,000      |
| County of Cumberland <sup>(1)</sup>    |                    | \$875,532          |                   | \$875,532         |
| Portland Water District <sup>(1)</sup> |                    |                    | \$2,445,933       | 2,445,933         |
| ecomaine (RRS)                         |                    |                    | 3,573,014         | 3,573,014         |
| ecomaine (MRF)                         |                    |                    | 3,889,841         | 3,889,841         |
| ecomaine (Landfill)                    |                    |                    | 1,681,692         | 1,681,692         |
| Total A/O June 30, 2006                | \$68,844,000       | \$875,532          | \$11,590,480      | \$81,310,012      |

NOTE: <sup>(1)</sup> As of fiscal year ended December 31, 2006.

#### **FUTURE FINANCING**

The Town Manager develops a formal Capital Improvement Program that is submitted to the Town Council (see "TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is be an indication of future projects that may be financed through the issuance of debt. Council orders or resolves authorizing bond issues of \$100,000 or more for a single capital improvement or capital equipment are subject to a petition for overrule of Council action, by the initiative and referendum provisions of Article IX of the Town's Charter. Further, Section 905 of the Town's Charter requires voter referendum approval for bond issues of \$400,000 or more for a single capital improvement or capital equipment.

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

#### **Parks and Conservation Lands**

By referendum on November 7, 2000 and November 4, 2003, the voters of the Town authorized the issue of bonds in an amount not to exceed \$1,500,000 and \$2,500,000, respectively, to provide funds to finance purchase of parks and conservation lands. A portion of the proceeds of the Town's 2004 Bonds, in the amount of \$1,000,000, were used to purchase parcels identified by the Town; and a portion of the proceeds of the Town's 2005 Bonds, in the amount of \$197,496, were used to purchase parcels identified by the Town for this purpose. A portion of the Bonds of this financing, in the amount of \$100,000, will also be used for this purpose. As the Town identifies, and successfully negotiates the purchase price of, suitable properties it plans to finance such purchase(s) through the issuance on its bonds.

Following the above purchases, the Town has \$2,702,504 remaining of authorized but unissued debt for this purpose.

## 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>Bond Order</u> |  | <u>Total Authorized</u> | <u>2007 Bonds</u> | <u>Authorized Unissued</u> |
|-------------------|--|-------------------------|-------------------|----------------------------|
| 06-128            | P.D. Building Renovation/Arch & Eng                    | \$395,000               | \$0               | \$395,000                  |
| 06-19             | WW Modulares   | 350,000                 | 58,200            | 291,800                    |
| 06-129            | Blue Point Parking Expan & Water Main Replace          | 210,000                 | 50,000            | 160,000                    |
| 06-18             | Minor Collector Program, Broadturn/Burnham to Route 22 | 155,000                 | 0                 | 155,000                    |
| 06-19             | District Wide Long Range Planning                      | 300,000                 | 149,800           | 150,200                    |
| 06-18             | F.D. Training Building                                 | 150,000                 | 0                 | 150,000                    |
| 05-08             | System Wide ADA  | 119,000                 | 0                 | 119,000                    |
| 06-128            | IT Integrated-Townwide Data/Phone Fiber Network        | 125,000                 | 23,190            | 101,810                    |
| 06-128            | DPW Building Roof Repair                               | 290,230                 | 225,667           | 64,563                     |
| 06-129            | District-wide Movable Equipment                        | 103,480                 | 50,000            | 53,480                     |
| 06-129            | District-wide Building Envelope                        | 30,000                  | 0                 | 30,000                     |
| 06-128            | DPW Plow Truck #4006                                   | 165,000                 | 164,000           | 1,000                      |
| 06-128            | C.S. High School Athletic Field Synthetic Turf         | 395,000                 | 394,000           | 1,000                      |
|                   |  | <hr/>                   |                   |                            |
|                   |  | \$2,787,710             | \$1,114,857       | \$1,672,853                |
| 00-140            | Previously discussed purchase parks & conservatn lands | 2,802,504               | 100,000           | 2,702,504                  |
|                   |  | <hr/>                   |                   |                            |
|                   |  | \$5,590,214             | \$1,214,857       | \$4,375,357                |

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

## RETIREMENT

### A. DEFINED BENEFIT PENSION PLAN

#### Description of the Plan

The Town contributes to the Maine State Retirement System ("MSRS") Consolidated Plan ("CRP"), a cost sharing multiple-employer retirement system established by the Maine State legislature. The MSRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, ME 04333-0046 or by calling 1-800-451-9800.

#### Funding Policy

Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the CRP, non-teaching school personnel or other

qualified educators not participating in the MSRS's teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The School Department will pay this initial unpooled unfunded liability ("IUUAL") on a scheduled basis, in addition to making the normal contribution to the plan. The IUUAL is being amortized over nineteen years. The current rate is 2.8% of annual covered payroll for School employees participating in the District Plan and 2.8% for Town employees and 4.0% for Police. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the MSRS-CRP for the year ended June 30, 2006 were \$49,282 including an annual IUUAL payment of \$14,376.

Following the Town's 2006 fiscal year close, on April 1, 2007 the Town has paid its IUUAL with MSRS and has no more obligation to MSRS for this IUUAL.

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

### **Description of the Plan**

All schoolteachers, plus other qualified educators, participate in the MSRS's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The MSRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1-800-451-9800.

### **Funding Policy**

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,308,471 (19.15%) for the fiscal year 2006. 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 \$344,932, which was 6% of its current year covered payroll. The covered payroll amounted to \$5,866,371 while the Town's total payroll was \$8,344,289. Employee's required contributions amounted to \$344,932, which was 6% of the Town's current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Money Purchase Plan held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

#### **D. DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan created in accordance with Section 457(k) of the Internal Revenue Code, as amended. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In applying the provisions of Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town has determined that effective July 1, 1997 it is no longer required to record assets and associated liability of the plan.

#### **ENVIRONMENTAL MATTERS**

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

The Town is not subject to any pending legal proceedings involving environmental matters that would require disclosure under the Regulation were the Town subject to its provisions.

#### **LITIGATION**

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



**APPENDIX A**

**TOWN OF SCARBOROUGH, MAINE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE  
YEAR ENDED JUNE 30, 2006**

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

[This page left intentionally blank.]

*Town of Scarborough, Maine  
Comprehensive Annual Financial Report  
For the Fiscal Year Ending June 30, 2006*



1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

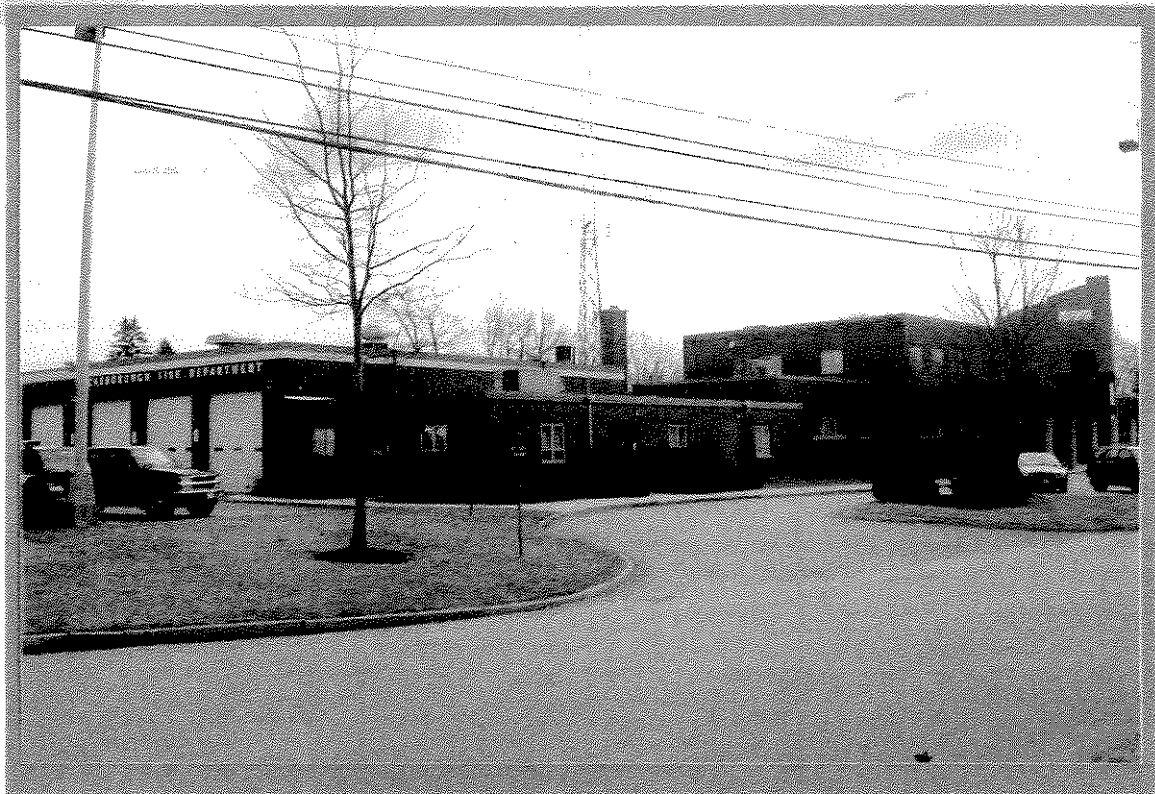
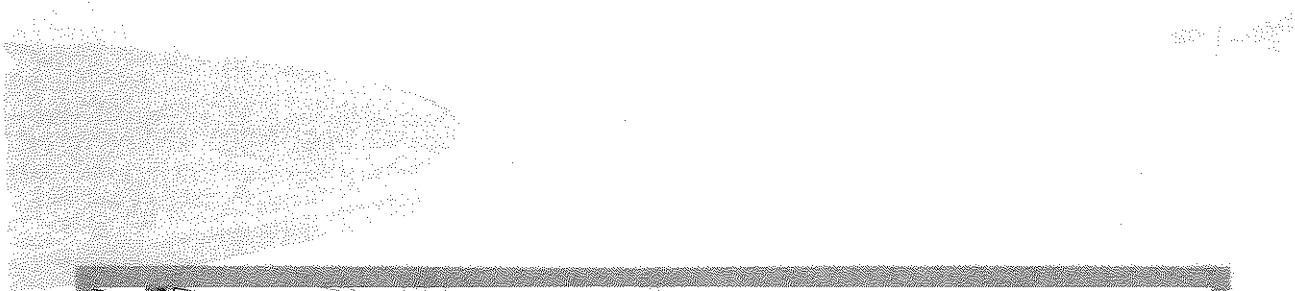
19

20

*Town of Scarborough, Maine  
Comprehensive Annual Financial Report  
For the Fiscal Year Ending June 30, 2006*

*Then and Now*

*Ruth D. Porter  
Finance Director*





**TOWN OF SCARBOROUGH, MAINE**  
**Comprehensive Annual Financial Report**  
**Year ended June 30, 2006**

---

**Table of Contents**

|   | <u>Statement</u> | <u>Page</u> |
|---|------------------|-------------|
| <b>INTRODUCTORY SECTION</b>   |                  |             |
| Letter of Transmittal   |                  | 1-8         |
| Certificate of Achievement for Excellence in Financial Reporting  |                  | 9           |
| Organizational Chart  |                  | 11          |
| List of Elected and Appointed Officials   |                  | 12          |
| <b>FINANCIAL SECTION</b>  |                  |             |
| Independent Auditor's Report  |                  | 15-16       |
| Management's Discussion and Analysis  |                  | 17-27       |
| Basic Financial Statements:   |                  |             |
| Government-wide Financial Statements:   |                  |             |
| Statement of Net Assets   | 1                | 31          |
| Statement of Activities   | 2                | 32          |
| Fund Financial Statements:  |                  |             |
| Balance Sheet – Governmental Funds  | 3                | 33          |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds   | 4                | 34          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 5                | 35          |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund   | 6                | 36          |
| Statement of Fiduciary Net Assets – Fiduciary Funds   | 7                | 37          |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Funds  | 8                | 38          |
| Notes to Basic Financial Statements   |                  | 39-57       |
|   | <u>Exhibit</u>   |             |
| Combining and Individual Fund Statements and Schedules:   |                  |             |
| General Fund:   |                  |             |
| Comparative Balance Sheets  | A-1              | 61          |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis  | A-2              | 62          |
| All Other Governmental Funds:   |                  |             |
| Combining Balance Sheet   | B-1              | 67          |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances  | B-2              | 68          |
| Nonmajor Special Revenue Funds:   |                  |             |
| Combining Balance Sheet   | C-1              | 74-75       |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances  | C-2              | 76-77       |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Categorical Funds                                       | C-3              | 78          |

**TOWN OF SCARBOROUGH, MAINE**  
**Comprehensive Annual Financial Report**  
**Year ended June 30, 2006**

---

**Table of Contents, continued**

|  | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| Nonmajor Capital Project Funds:  |                |             |
| Balance Sheet  | D-1            | 81          |
| Statement of Revenues, Expenditures and Changes in Fund Balances           | D-2            | 82          |
| Nonmajor Permanent Funds:  |                |             |
| Combining Balance Sheet  | E-1            | 85          |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | E-2            | 86          |
| Private-purpose Trust Funds:   |                |             |
| Combining Statement of Fiduciary Net Assets                                | F-1            | 89          |
| Combining Statement of Changes in Fiduciary Net Assets                     | F-2            | 90          |
| Agency Funds:  |                |             |
| Statement of Changes in Assets and Liabilities                             | F-3            | 91          |
| General Long-term Debt:  |                |             |
| Statement of Changes in General Long-term Debt                             | G              | 95-96       |

Table

**STATISTICAL SECTION**

Statistical Information:

|  |    |     |
|--|----|-----|
| Net Assets by Component - Last Four Fiscal Years   | 1  | 99  |
| Changes in Net Assets - Last Four Fiscal Years   | 2  | 100 |
| Fund Balances of Governmental Funds - Last Ten Fiscal Years  | 3  | 101 |
| Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years   | 4  | 102 |
| General Governmental Expenditures by Function – Last Ten Fiscal Years  | 5  | 103 |
| Governmental Activities Tax Revenue by Source - Last Ten Fiscal Years  | 6  | 104 |
| Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years  | 7  | 105 |
| Property Tax Rates Direct and Overlapping Governments – Last Ten Fiscal Years  | 8  | 106 |
| Principal Property Taxpayers – Current Year and Nine Years Ago   | 9  | 107 |
| Property Tax Levies and Collections – Last Ten Fiscal Years  | 10 | 108 |
| Assessed Valuations and Tax Levies – Last Ten Fiscal Years   | 11 | 109 |
| Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years  | 12 | 110 |
| Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt<br>to Total General Fund Expenditures - Last Ten Fiscal Years | 13 | 111 |
| Legal Debt Margin Information – Last Ten Fiscal Years  | 14 | 112 |
| Demographic and Economic Statistics  | 15 | 113 |
| Principal Employers – Current Year and Nine Years Ago  | 16 | 114 |
| Operating Indicators by Function – Last Ten Fiscal Years   | 17 | 115 |
| Departmental Listings by Division, Department and Function   | 18 | 116 |
| Unemployment Data – Last Seven Fiscal Years  | 19 | 117 |



# *Introduction*







# *Town of Scarborough, Maine*

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

November 21, 2006

RUTH D. PORTER  
FINANCE DIRECTOR  
TREASURER

Jeffrey Messer, 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, 2006.

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 the 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. 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, blended component units are, in substance, part of the Town's primary government operations. We have included the Scarborough Economic Development Corporation as part of the primary government's operations.

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 Towns.

Financial statements for the following entities are not included in this report as they are administered by boards that are legally separate from and independent of the Town Council and otherwise have not met the established criteria for inclusion in this report. A brief description, however, 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. The Council orders a public hearing with prior public notification. 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.

## **ECONOMIC CONDITION AND FUTURE OUTLOOK**

**Maine Economy.** By nearly every measure, the Maine economy grew slowly in 2006. Gasoline and energy prices also affected growth, however, there were a few positives such as a strong job growth and improvements in the housing permit and residential construction numbers. Maine's unemployment rate has been below the national average for nearly seven years. In 2006, employment increased by .7% or 5,800 jobs. The major industry groups creating the most jobs were education and health services, leisure and hospitality, construction and the trade-transportation-utilities group. The largest declines were in manufacturing and financial services. Maine taxable sales were up 6.5% over the same period of last year. Low interest rates continued to fuel home sales, refinancing activity, and construction. Housing permits for the state were up 8.8%. Interest rates have begun to rise over the past year. The interest rates are likely to continue rising and will cause a slowdown in the housing industry. The scheduled closing of the Brunswick Navel Air Station is not likely to have much effect for another year or so.

**Local Economy.** The Town of Scarborough is primarily a suburban residential community that enjoys a favorable economic environment and local indicators continue to point to stability and growth. Approximately 1,150 businesses are located within Scarborough reflecting a 9% 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. For more information, please review the Statistical Section of this report.

The business community in Scarborough is diverse and is located primarily in distinct areas of the Town. U.S. Route One, one of three major routes through the community, is primarily a commercial business district serving the daily needs of Scarborough's residents. It is a mix of retail, business, and professional offices. Payne Road, a continuation of the Maine Mall Road, is home to many larger, big box type retailers and serves a regional clientele. Industrial development is largely contained in the Scarborough Industrial Park and the Pleasant Hill Road areas. A fourth business area is being developed along the corridor connecting Maine Turnpike Exit 42 and U.S. Route One, known as the Haigis Parkway. The Town recently installed utilities along this stretch of roadway and plans call for development of approximately 360 acres as a high-end business park over the next 15 years.

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 and the aforementioned U. S. Route One and Interstate 95 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.

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

**Comprehensive Plan.** In August 2006, the Town Council adopted an update to the 1994 Comprehensive Plan. This update provides for a comprehensive growth strategy for both residential and commercial development. Key components are the creation of several mixed-use districts to promote a mix of commercial and residential uses in a development plan, increased residential density in the developed areas of the community and expansion of business and industrial development in selected areas west of the Maine Turnpike. The overall plan is designed to insure that the Town realizes and maintains approximately 20% to 25% of its tax base as commercial and industrial properties. The updated plan was adopted after a three-year process that included the creation of a vision document for the Town's future; a series of meetings in all geographic areas of the community; and the creation of a Plan Update Committee consisting of both demographic and political cross sections of the community.

### **Major Initiatives**

**For the year.** The Haigis Parkway utility expansion project off Exit 42 of the Maine Turnpike was completed.

Plans were presented by private developers to create a 70-acre business and retail development within the Haigis Parkway named the Scarborough Gateway. The Scarborough Gateway development would include the destination retailer Cabela's, a preeminent hunting, fishing and outdoor gear retail operation; several smaller retail stores; a hotel; restaurants and several office and banking buildings. This development when completed in two years should have an estimated value of approximately \$74,000,000.

The Enterprise Business Park, a private business park, developed in partnership with the Town of Scarborough, is filling up with the completion of the sixth building. Presently, industrial and hi-tech research and development facilities, professional offices and a day care facility are currently located in the Enterprise Business Park.

The new 400,000 square foot, state of the art, United States Post Office Distribution Center, located off Mussey Road, for Southern Maine was completed in September.

As noted earlier, Scarborough continues to be a focal point for the development of small biotech start-up companies. In May, Maine Medical Center broke ground for a new ambulatory surgery center in Scarborough. This is an exciting new development for the Town and its citizens.

A state of the art Mercedes Benz dealership and service facility, located on US Route One, was completed this summer.

In the Scarborough Industrial Park, 21 commercial condominiums are now available to meet the needs of small trades' people, mail-order facilities, warehouse and distribution tenants, and other small industrial business users in Town.

The Town has successfully created a Municipal Campus consisting of the Municipal Building, High School, Middle School, Intermediate School, a municipal day care facility, Library and the Memorial Park. The Memorial Park is a multi-generational park with a bandstand for summer concerts, walking trails, a skateboard park and various sporting facilities. The High School, which is a part of the Municipal Campus was completely renovated and expanded and the work was completed in 2006.

A new trail section along the Eastern Trail, which is part of the East Coast Greenway Trail System that extends the off-road segment from the Old Orchard Beach town line to the Nonesuch River, was completed. The next Eastern Trail project involves spanning the river and connecting with the South Portland Greenway, a distance of about 2 miles.

The Fire Department continues their quest for grant funding and currently has a pending competitive grant, through the Assistance to Firefighters Grant program, to replace the current self-contained breathing apparatus (SCBA). If approved, this grant would fund 95% of the purchase cost. Because the units have a limited testing life and are no longer National Fire Protection Association (NFPA) compliant, the proposed grant is to replace all the SCBA as well as to add some additional units so every riding position will be properly equipped in all the front line apparatus.

During 2006, the Fire Department placed in service a third pumper vehicle. This vehicle is almost identical to the two previously purchased. These three units incorporate the new *Compressed Air Foam* technology (CAFS). All three vehicles are housed in fire stations that serve the Community's rural water supply area north of the Maine Turnpike. This new technology allows the firefighters to fight fires with less water and less labor by adding a foam

mixture partially propelled by air pressure that extinguishes class A type materials quicker with less water damage.

The Public Works Department completed work on a streetscape park in front of the Public Safety Building through the *M.D.O.T.'s Community Gateway Grant*.

Public Works staff continues their efforts in the National Pollution Elimination System program (NPDES). Currently, the town is two years ahead of schedule with the drainage system mapping and we continue to work with the Inter-local storm-water committee to fulfill our EPA requirements.

#### **For the future.**

The Town is entering into a partnership with developers that will include an \$8,250,000 credit enhancement package to the existing Haigis Parkway Tax Increment Financing District to assist the developers with the substantial site development and infrastructure costs associated with the project. The anticipated return from this private investment will substantially reimburse the Town for our investment in providing utility infrastructure along the Parkway.

Both Super Wal-Mart and Lowes will anchor the Scarborough Gallery, a 500,000 square foot shopping destination. Restaurants and smaller retail establishments will also be included in this project. Lowe's will be opening in early 2007, and the remaining businesses are projecting to open by the fall of 2007.

Groundwork has begun on the installation of an artificial turf at the High School athletic field.

After exploring various avenues for improved garbage pickup and recycling, Public Works will implement an automated curbside recycling and trash collection system. While the Town has provided curbside trash collection in the past, this is the first time the Town will provide curbside recycling to all residential homes on public streets. With a recycling rate of about 20%, we expect recycling to increase once the program begins.

The Town approved a wetlands mitigation project that will result in the rehabilitation of a former gravel pit into a wetlands conservation area and ultimately a town park that stresses conservation with trails through the rehabilitated areas. The plan will protect over 280 acres of land and a mile on both sides of the Nonesuch River and provide a twenty-acre upland site for the possible location of a new school or other municipal facility.

A growing trend is the revitalization of U.S. Route One. As was previously discussed, a new Mercedes dealership combined seven previous properties and entrances into one new project. A number of other projects also evidence this trend. The former high school, Bessey School, which was has been used for warehouse and office space, will be converted into subsidized housing for the elderly. Phase I, as proposed, includes 54 housing units.

The Orion Center will involve the complete makeover of an older shopping center into a more village-like atmosphere emphasizing a pedestrian connection. Bessey Square, a proposed mixed-use project directly across from the municipal building, envisions 10 live/work units as well as offices and a coffee shop. This project also emphasizes pedestrian connection within the site and to its neighboring properties.

Dunstan Crossing is a mixed residential project combining single-family homes, condominiums, townhouses, rental units and elderly housing for a total number of 264 units. This project is

located in the Dunstan area and will have a positive impact on revitalization of the Dunstan neighborhood.

Acquisition and preservation of open space and environmentally sensitive areas continue as priorities for the citizens of Scarborough. In 2002, the citizen approved a \$1.5 million bond for open space preservation and these funds were used in partnership with the Scarborough Land Trust to acquire two farms, one of which remains a working farm with an agricultural easement. Of the original bond issue, \$300,000 is currently available. The voters also approved an additional \$2.5 million for open space preservation in 2003.

A grant was awarded to the Public Works Department from the Maine Forestry Service to allow for the creation of a tree inventory and management program.

**Long-term Financial Planning.** Scarborough utilizes a five year Capital Improvement Plan. We use this plan, not only to make decisions regarding equipment replacement, building, land and infrastructure improvements and purchases, but also for open space purchases and improvements. This plan is updated on an annual basis.

The Town of Scarborough is one of twenty-one (21) communities that own and operate a waste to energy facility. This facility was re-organized over the past two years and is now named **ecomaine**. The original operation, formerly known as Regional Waste Systems (RWS) was established in 1974 to dispose of the participating community's trash. The new entity, **ecomaine**, was successful in attracting new business by accepting the City of Saco as a participating community beginning in 2007. Additionally, **ecomaine** is moving forward with the expansion of a landfill for ash disposal without the issuance of any new debt and adding single stream recycling in an expanded recycling building.

During 2006, the Fire Department presented a comprehensive staffing analysis to the Town Council. This analysis includes a long-range plan for gradually adding full time personnel over the next ten years. This program will allow the fire department to keep up with the increasing demands of the residential and commercial growth in the Community.

As the Town grows, the needs of the Public Safety police department have also grown. With the changes in technology, staffing and increasing service demands, the present facility no longer meets the requirements of a full service twenty-four per day operation. The Town has begun a review to study the infrastructure needs of the police department facility.

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

Scarborough Middle School for grades six through eight, reached its physical capacity of 600 when the building opened its doors in September 1996. By 2006, enrollment exceeded 800 and fifteen modular classrooms were needed. Future enrollment of the middle school population is projected to be above 900. Proposed development projects will likely push this figure even higher.

Similarly, the Wentworth Intermediate School, with a 2006 enrollment of over 780 is not conducive to currently accepted best practices in intermediate education. Additionally, building mechanicals (heating, lighting) and various building entrances create security concerns.



Two school referendum questions were presented to the public in November 2006 to expand the Middle School and build a new Intermediate School, both of which would have been funded by the citizens of Scarborough. Both referendum questions were not accepted. The School Department will be considering options over the next few months. One option will be to apply for State assisted school construction for these two schools. In June 2007, the State will begin their process for State assisted school construction funding. Applications will be due December 2007 and by the summer of 2008, the State will publish their listings in order of the schools with the greatest need.

The Scarborough School system currently has three K-2 schools. As continued home construction and subdivisions are proposed and built, it may be necessary to build a fourth K-2 school.

The Scarborough Library is experiencing an increase in demand for services. The current structure is 17 years old and is in need of mechanical improvements and expansion. Voters did vote down a nonbinding referendum question that would have allowed the Library to borrow funds from the Department of Agriculture's Rural Economic Development Program. The Library Board of Trustees is reviewing their options for funding the building improvements and perhaps a more modest expansion than what was presented in the non-binding referendum question.

### **FINANCIAL INFORMATION**

**Assessed Valuation and Collections.** An indicator of our strong local economy is reflected in the growth of the Town's assessed value of real and personal property. The taxable valuation of Scarborough has more than tripled since 1990. For the 2006 tax year, the valuation was \$3,256,842,000 compared to the 1990 valuation of \$995,448,900.

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

\$329,712 in 2002,  
\$244,195 in 2003,  
\$221,223 in 2004,  
\$311,646 in 2005,  
\$297,237 in 2006.

**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 4.52%. Total investment income during the year amounted to \$718,020 compared to \$480,095 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 Runyon, Kersteen, and Ouellette was engaged to perform the annual audit for the Scarborough Town Council for the fiscal year 2006. This audit is designed to meet the requirements of the federal Single Audit Act of 1984 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, 2005. This is the first year that the Town of Scarborough has submitted and achieved this prestigious award. In order to be awarded a Certificate of Achievement, 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 another certificate.

**Acknowledgements.** I would like to extend my appreciation to the Scarborough Town Council for their full support for maintaining the highest standards of professionalism in the management of the Town's finances. I would like to acknowledge my gratitude for the information provided by all of the Departments and their staff. A special note of appreciation is extended to Mr. Rodney Laughton for his contribution of the historic town photographs included in this document. The preparation of the comprehensive annual financial report is possible due to the dedicated service of each member of the Scarborough Finance Department. For his unfailing support for the work performed by the Accounting staff, I would also like to acknowledge the Town Manager, Ronald W. Owens. Furthermore, I would like to acknowledge the efforts and assistance of the accounting firm of Runyon Kersteen Ouellette.

Respectfully Submitted,

Ruth D. Porter  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Scarborough  
Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



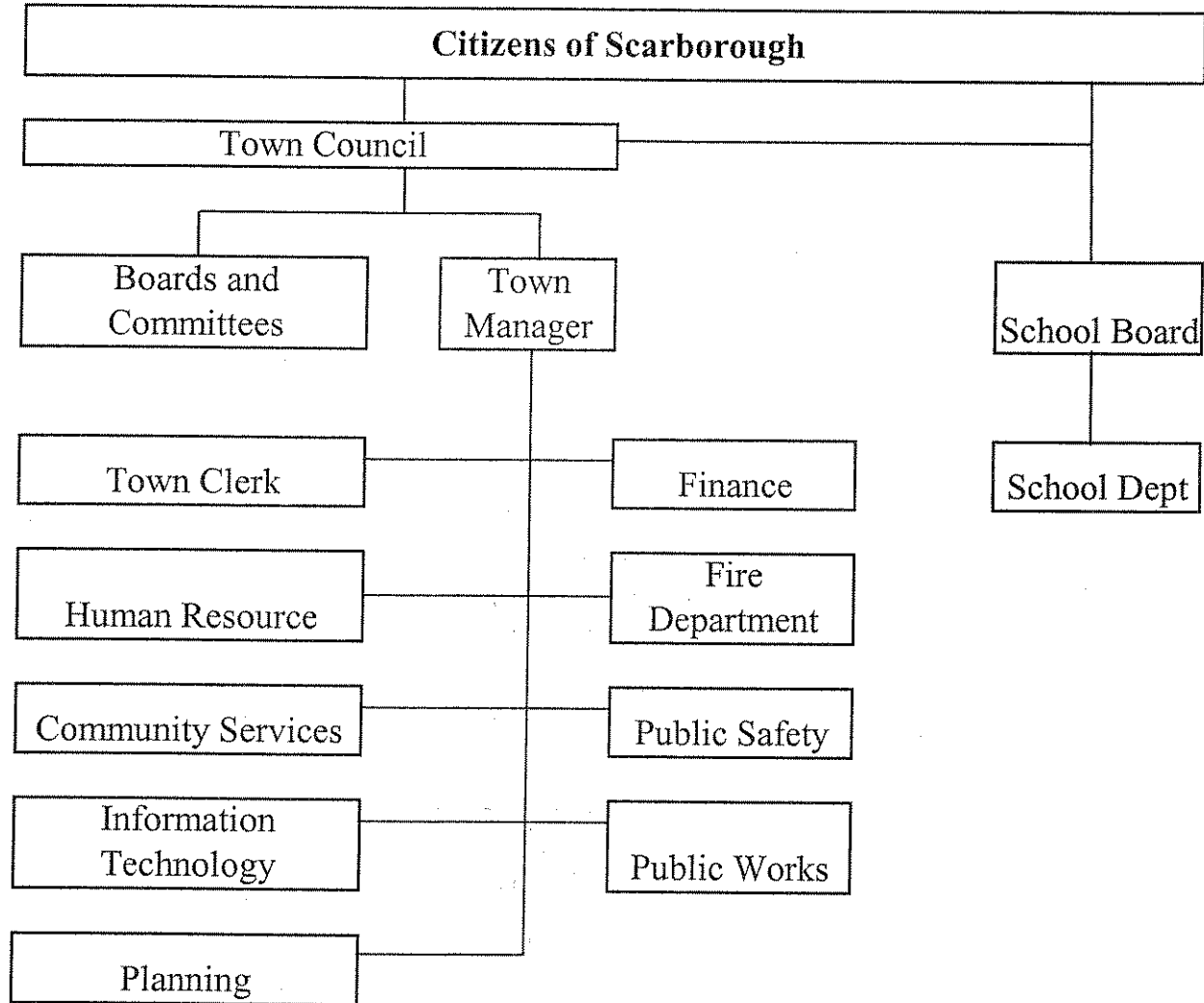
President

Executive Director



# Town of Scarborough, Maine

## Organizational Chart



**TOWN OF SCARBOROUGH, MAINE**  
**PRINCIPAL EXECUTIVE OFFICERS**

**AS OF JUNE 30, 2006**

**Elected Town Council**

Jeffrey A. Messer, Chair

|                     |                   |
|---------------------|-------------------|
| Shawn A. Babine     | Robert E. Patch   |
| Sylvia J. Most      | Carol S. Rancourt |
| Patrick J. O'Reilly | Steve N. Ross     |

**Appointed Town Staff**

|                       |                             |
|-----------------------|-----------------------------|
| Ronald W. Owens       | Town Manager                |
| Yolande P. Justice    | Town Clerk                  |
| Ruth D. Porter        | Finance Director            |
| Paul G. Lesperance    | Assessor                    |
| Thomas P. Guter       | Human Resource Director     |
| Stephen Tewhey        | Information Systems         |
| Joseph F. Ziepniewski | Town Planner                |
| Bruce W. Gullifer     | Community Services Director |
| B. Michael Thurlow    | Fire Chief                  |
| Robert A. Moulton     | Police Chief                |
| Michael E. Shaw       | Public Works Director       |
| William J. Michaud    | Superintendent of Schools   |

# *Financial Section*







## Independent Auditor's Report

Town Council  
Town of Scarborough, Maine

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2006, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2006, 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 November 21, 2006 on our consideration of the Town of Scarborough, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Rumon Kersten Ouellette*

November 21, 2006  
South Portland, Maine

**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

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, 2006. 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 2006 fiscal year by \$54,485 (net assets).
- The Town's total net assets increased \$7,096. Most of the increase is the difference between the capital outlays reported as expenditures on Statement 2 and the cost of those assets allocated over the useful life as depreciation expense.
- As of June 30, 2006, the Town's governmental funds reported combined fund balances of \$20,689, an increase of \$1,376 compared with the prior year. Of the approximately \$19,793 reported as unreserved fund balance, \$8,180 are special revenue funds authorized for specific projects, \$4,085 are for major capital construction projects and \$73 is for maintenance of the Town's cemeteries. The remaining amount of \$7,455 is available for the discrete purposes for which these funds are collected.
- As of June 30, 2006, unreserved undesignated fund balance for the general fund was \$5,520 or 9.42% of the total general fund expenditures of \$58,628. The Town of Scarborough's Fund Balance policy calls for 8.33% of the total operating budget or \$4,884.
- The Town of Scarborough's total debt increased by \$1,107 from the prior year. Total debt retired was \$5,907. Total debt issued was \$7,014 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., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements 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), capital improvements, education and county tax.

## 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 for which the Town of Scarborough is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the Town of Scarborough itself. The Scarborough Economic Development Corporation, although also legally separate, functions for all practical purposes as a department of the Town of Scarborough, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 31-32 of this report.

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

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

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

The Town of Scarborough maintains 32 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, General Town Improvements, and the General School Improvements all of which are considered to be major funds. Data from the remaining 27 funds (Special Revenue, Capital Projects, and Permanent) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in Exhibit C-1 through Exhibit E-2.

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

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

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

The Municipal Building Fund is not considered a major fund and is provided in the form of combining statements elsewhere in this report. The capital projects fund financial statements can be found on pages 81-82 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 85-86 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 89-91 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-57.

**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 61-96 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 \$54,485 as of June 30, 2006.

By far the largest portion of the Town of Scarborough's net assets (66.7%) 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>2006</u>   | <u>2005</u>   |
|--|---------------|---------------|
| Assets:  |               |               |
| Current and other assets                           | \$ 26,360     | \$ 25,832     |
| Capital Assets not depreciated                     | 44,366        | 37,629        |
| Capital assets                                     | <u>60,874</u> | <u>60,136</u> |
| Total Assets                                       | 131,600       | 123,597       |
| Liabilities:                                       |               |               |
| Long term liabilities outstanding                  | 64,208        | 62,352        |
| Other liabilities                                  | <u>12,907</u> | <u>13,857</u> |
| Total Liabilities                                  | 77,115        | 76,209        |
| Net assets:  |               |               |
| Invested in capital assets,<br>net of related debt | 36,323        | 29,885        |
| Restricted   | 4,210         | 7,631         |
| Unrestricted                                       | <u>13,952</u> | <u>9,873</u>  |
| Total Net Assets                                   | \$ 54,485     | \$ 47,389     |

7.73% 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 \$13,952, 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 \$3,421 in restricted net assets due mainly to the completion of the High School construction and expansion project.

During the fiscal year, the Town of Scarborough's net assets increased by \$7,096. Most of the increase is the difference between the capital outlays reported as expenditures on Statement 2 and the cost of those assets allocated over the useful life as depreciation expense.

**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 \$7,096, is due to the governmental activities of the Town. Key components of this increase are shown below:

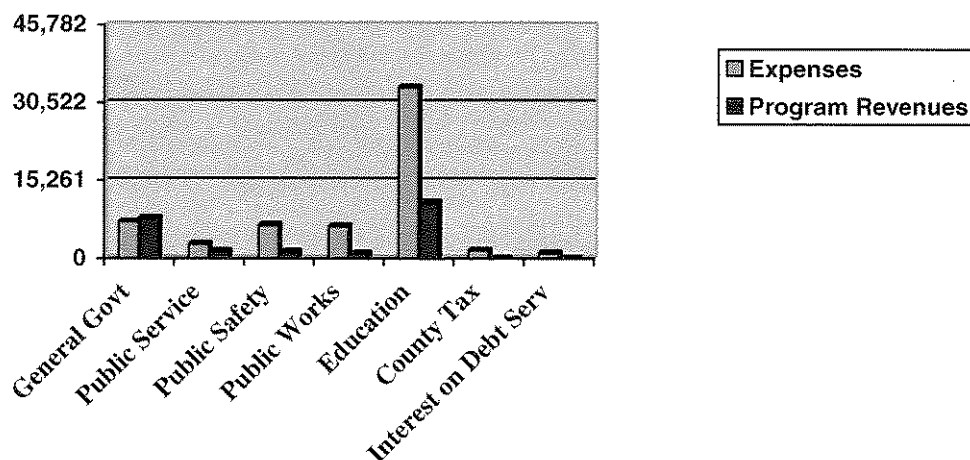
**Town of Scarborough's Changes in Net Assets**

|  | <u>2006</u>      | <u>2005</u>      |
|--|------------------|------------------|
| Revenues:  |                  |                  |
| Program Revenues:  |                  |                  |
| Charge for services  | \$ 7,024         | \$ 6,488         |
| Operating grants and contributions                           | 10,706           | 9,297            |
| Capital grants and contributions                             | 4,681            | -                |
| General Revenues:  |                  |                  |
| Property and excise taxes, levied for general purposes       | 41,260           | 39,932           |
| Franchise Fees   | 145              | 143              |
| Grants and contributions not restricted to specific programs | 1,777            | 1,850            |
| Unrestricted investment earnings                             | 261              | 160              |
| Other  | 285              | 101              |
| Total revenues   | 66,139           | 57,971           |
| Expenses:  |                  |                  |
| General government   | 7,199            | 3,984            |
| Public Services  | 2,871            | 2,658            |
| Public Safety  | 6,552            | 6,194            |
| Public Works   | 6,277            | 5,883            |
| Education  | 33,491           | 28,695           |
| County Tax   | 1,584            | 1,520            |
| Interest on Debt Service                                     | 1,069            | 1,168            |
| Capital Improvements   | -                | 1,770            |
| Program and Other Expenditures                               | -                | 2,680            |
| Total expenses   | 59,043           | 54,552           |
| Increase in net assets                                       | 7,096            | 3,419            |
| Net assets beginning   | 47,388           | 43,969           |
| <b>Net assets ending</b>                                     | <b>\$ 54,484</b> | <b>\$ 47,388</b> |

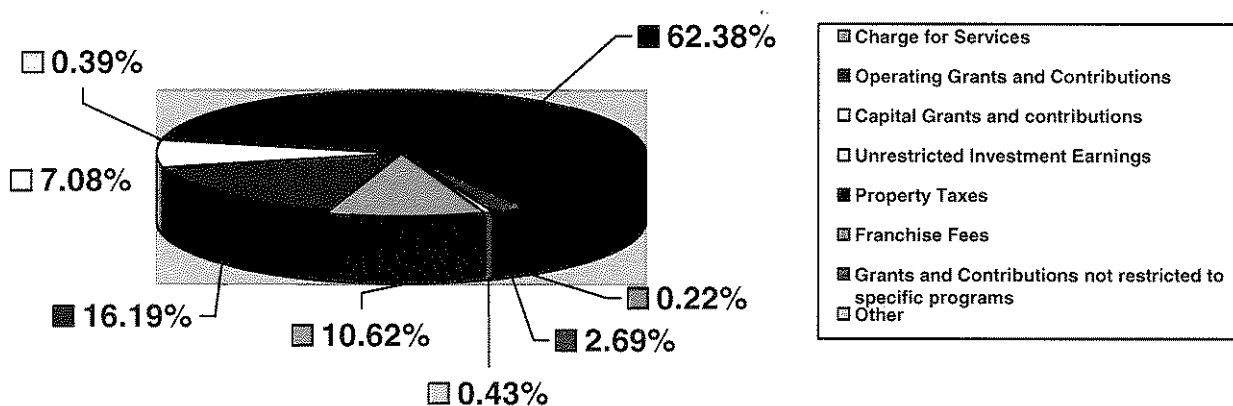
Capital Grants and Contributions increased by \$4,681 as a result of the implementation of the Haigis Parkway assessments. These assessments will help to fund a portion of the debt service for the Haigis Parkway infrastructure improvements recently completed.

TOWN OF SCARBOROUGH, MAINE  
Management Discussion and Analysis, Continued

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



## FINANCIAL ANALYSIS OF THE TOWN'S FUNDING

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

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

At June 30, 2006, the Town of Scarborough's governmental funds reported combined ending fund balances of \$20,689, an increase of \$1,376 in comparison with the prior year. This increase is the result of the creation of the



**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis, Continued**

---

Haigis Parkway Special Revenue Fund and High School construction project. The revenues generated for the Haigis Parkway will be used to pay the long-term debt service payments on the Haigis Parkway infrastructure construction. The high school construction project was mostly completed at June 30, 2006 and available funds were expended.

**Governmental Fund Balance Comparison**

|                       | <u>2006</u>      | <u>2005</u>      |
|-----------------------|------------------|------------------|
| General Fund          | \$ 8,226         | \$ 7,760         |
| Special Revenue Funds | 8,195            | 4,418            |
| Capital Project Funds | 4,085            | 6,963            |
| Permanent Funds       | 183              | 172              |
| <b>Total</b>          | <b>\$ 20,689</b> | <b>\$ 19,313</b> |

As noted earlier, governmental funds reported combined fund balances of \$20,689, an increase of \$1,376 compared with the prior year. Of the \$19,793 reported as unreserved fund balance, \$8,180 are special revenue funds authorized for specific projects, \$4,085 are for major capital construction projects and \$73 is for maintenance of the town's cemeteries. The remaining amount of \$7,455 is available for the discrete purposes for which these funds are collected.

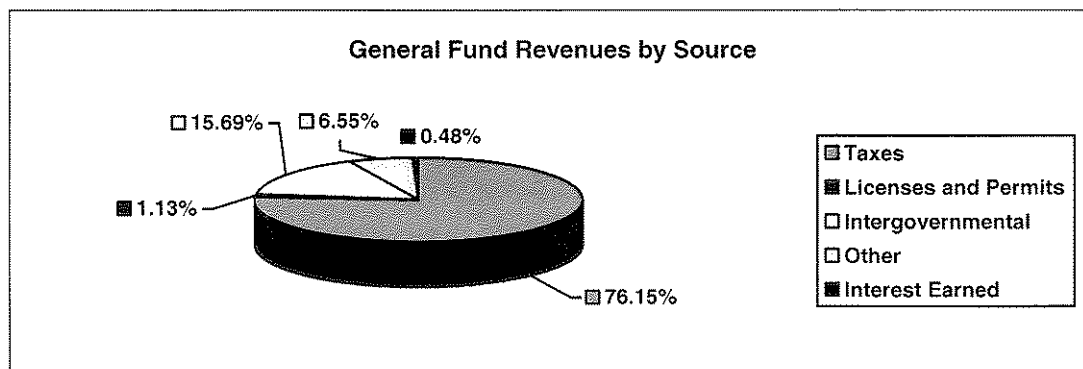
The remaining \$896 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

|              |  |
|--------------|--|
| \$771        | Non-current Fund Balances in the Special Revenue and Capital Projects Fund |
| 110          | Perpetual Care of Municipal Cemeteries                                     |
| <u>15</u>    | Food Service Inventory   |
| <u>\$896</u> | 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, 2006, unreserved fund balance in the General Fund was \$7,455 compared to total fund balance of \$8,226. As a measure of the General Fund's liquidity, we believe it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.72% of total general fund expenditures, while total fund balance represents 14.03% of the same amount. Thus, the year-end fund balance is in compliance with the Town's policy of maintaining a minimum fund balance of 8.33% of the total operating budget for the General Fund.

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



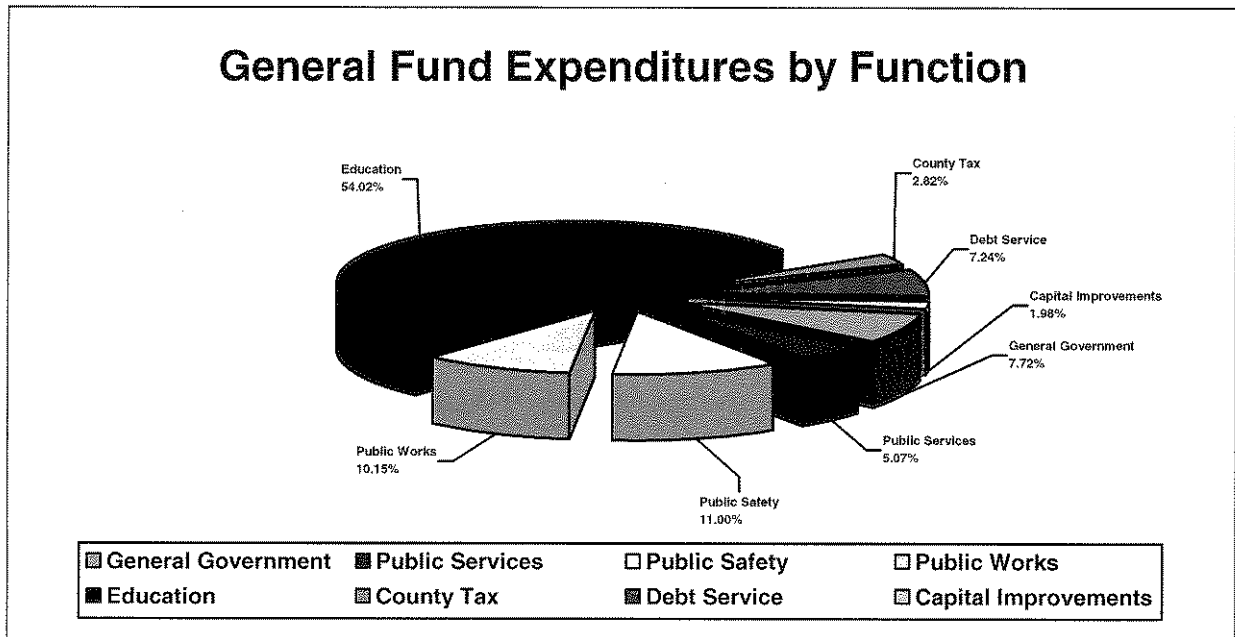
**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis, Continued**

---

Property Tax revenues increased \$1,102 from 2005 to 2006 compared to the 2004 to 2005 increase of \$2,687.

A comparison of the actual revenues to estimated revenues can be found on page 36 of the financial statements.

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



Total general fund expenditures increased \$3,251 or 6.14%. Some of the key factors in this increase are:

- General Government increased 16.46% due to the addition of a code enforcement officer, the increased usage of charge cards and the related fees, and legal fees.
- Public Service increased 7.81% due to the Community Service's programs although the program revenues help to offset this increase.
- Education increased 7.29% mostly due to the increase in debt as a result of the high school construction debt.

### **Capital Projects Fund Highlights**

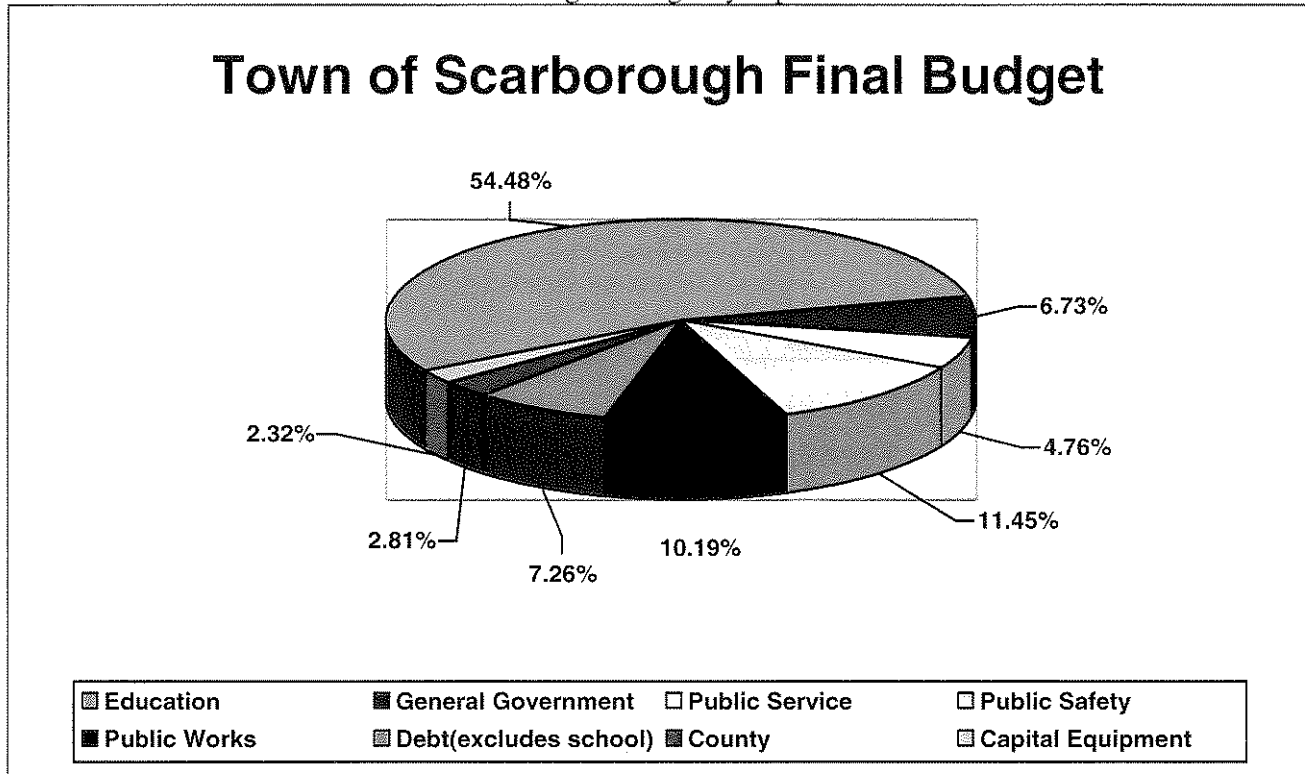
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased from \$6,963 in 2005 to \$4,085 in 2006. Expenditures decreased from \$21,699 in 2005 to \$9,259 in 2006 due to the completion or near completion of a number of capital projects including the high school construction and renovation project.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budget for the Town's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2006, a total of \$1,935 has been set aside for prior year encumbrances and commitments. Differences between the original budget and the final amended budget amounted to an increase of \$985. The original General Fund budget for fiscal year 2006 was \$55,449.

**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, 2006, amounts to \$105,239 (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 7.65%.

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

##### Governmental Activities

|                          | 2006              | 2005             |
|--------------------------|-------------------|------------------|
| Land                     | \$ 3,921          | \$ 3,625         |
| Buildings                | 32,941            | 32,766           |
| Vehicles                 | 5,280             | 4,705            |
| Equipment & Furniture    | 1,595             | 1,281            |
| Infrastructure           | 21,057            | 21,384           |
| Construction in Progress | 40,445            | 34,004           |
| <b>Total</b>             | <b>\$ 105,239</b> | <b>\$ 97,765</b> |

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.

**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis, Continued**

---

Additional information on the Town of Scarborough's capital assets can be found in Notes to the Basic Financial Statements on pages 46-47 of this report.

**Long-term Debt.** As of June 30, 2006, the Town had long-term bonds outstanding of \$68,844 compared to \$67,737 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 48-49 of this report.

**Outstanding Debt**  
**General Obligation Bonds**

|                   | <u>2006</u>      | <u>2005</u>      |
|-------------------|------------------|------------------|
| Municipal         | \$ 18,477        | \$ 15,552        |
| Education         | 39,846           | 41,204           |
| Sewer             | 10,521           | 10,981           |
| <b>Total Debt</b> | <b>\$ 68,844</b> | <b>\$ 67,737</b> |

Moody's Investors Service has affirmed a bond rating of "Aa3" and an "AA- (Stable)" rating was assigned from Standard and Poor's (S&P) to the Town of Scarborough, Maine's debt. Moody's prior assignment of "A1", first assigned in 1975, was upgraded in 2002 to an assignment of "AA3". S&P's "AA- (Stable)" was an "initial" rating for the Town of Scarborough in 2003. As of June 30, 2006, the Town's rating from both rating agencies remain stable.

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

**Note: Definitions of above ratings**

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

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

In adopting the budget for the ensuing fiscal year, the Town of Scarborough's officials considered may factors in making judgments and estimates about the finances of the upcoming year. A primary objective is to continue to provide level services to the citizens in the Town of Scarborough while keeping any increase in the property tax rate between three and five percent.

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.

**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis, Continued**

---

Below is a comparison of the 2006 budget with the 2007 budget.

|   | <u>2006</u>          | <u>2007</u>          |
|---|----------------------|----------------------|
| Administration                                    | \$ 1,559,226         | \$ 1,557,195         |
| Finance Department                                | 1,006,291            | 965,156              |
| Information Systems                               | 495,292              | 471,303              |
| Planning Department                               | 727,474              | 729,963              |
| Community Services                                | 1,815,995            | 1,738,270            |
| Library   | 645,679              | 629,939              |
| Economic Development                              | 209,068              | 208,225              |
| General Assistance/Affordable Hsg                 | 15,185               | 16,685               |
| Fire/Rescue/EMA Department                        | 2,559,336            | 2,335,352            |
| Public Safety Department                          | 3,901,944            | 3,591,661            |
| Public Works Department                           | 5,748,477            | 5,551,927            |
| Debt Service                                      | 4,098,398            | 4,309,239            |
| Capital Equipment                                 | 1,310,060            | 2,002,275            |
| Total Municipal Operating                         | 24,092,425           | 24,107,190           |
| Education   | 30,745,456           | 28,741,171           |
| County Tax  | 1,584,344            | 1,519,714            |
| Total Operating Budget                            | 32,329,800           | 30,260,885           |
| School Special Revenues                           | -                    | 762,900              |
| School Food Services                              | 1,065,279            | 1,053,580            |
| 350 <sup>th</sup> Celebration/Wellness Initiative | 20,000               | 15,000               |
| Capital Improvement-Municipal                     | 9,843,151            | 2,118,542            |
| Capital Improvement-School                        | 1,584,884            | 1,535,845            |
| TIFs and Overlay                                  | 959,142              | 870,805              |
| <b>Total Budget</b>                               | <b>\$ 69,894,681</b> | <b>\$ 60,724,747</b> |

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

**REQUEST FOR INFORMATION**

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

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

## **BASIC FINANCIAL STATEMENTS**

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***



**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Net Assets**  
**June 30, 2006**

|   | Governmental<br>Activities | Component<br>Unit |
|---|----------------------------|-------------------|
| <b>ASSETS</b>                                   |                            |                   |
| Cash and cash equivalents                       | \$ 12,049,165              | 99,071            |
| Investments                                     | 8,785,970                  | 307,034           |
| Receivables:                                    |                            |                   |
| Accounts  | 4,999,641                  | -                 |
| Intergovernmental                               | 30,595                     | -                 |
| Taxes receivable                                | 59,797                     | -                 |
| Tax liens                                       | 407,661                    | -                 |
| Notes   | 7,836                      | -                 |
| Tax acquired property                           | 7,231                      | -                 |
| Inventory                                       | 12,559                     | 1,592             |
| Prepaid items                                   | -                          | 99                |
| Capital assets, not being depreciated           | 44,365,770                 | -                 |
| Capital assets, net                             | 60,873,646                 | 894,857           |
| Total assets                                    | 131,599,871                | 1,302,653         |
| <b>LIABILITIES</b>                              |                            |                   |
| Accounts payable and other current liabilities  | 2,812,883                  | 25,189            |
| Accrued payroll and other related liabilities   | 2,557,556                  | 28,029            |
| Taxes collected in advance                      | 17,928                     | -                 |
| Accrued interest                                | 483,658                    | -                 |
| Noncurrent liabilities:                         |                            |                   |
| Due within one year                             | 7,034,893                  | -                 |
| Due in more than one year                       | 64,207,894                 | -                 |
| Total liabilities                               | 77,114,812                 | 53,218            |
| <b>NET ASSETS</b>                               |                            |                   |
| Invested in capital assets, net of related debt | 36,322,875                 | 894,857           |
| Restricted for:                                 |                            |                   |
| Nonexpendable trust principal                   | 124,776                    | 520,591           |
| Capital projects                                | 4,085,311                  | -                 |
| Unrestricted                                    | 13,952,097                 | (166,013)         |
| Total net assets                                | \$ 54,485,059              | 1,249,435         |

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2006**

| 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                |
| <b>Primary government:</b>      |                      |                      |                                    |   |                               |
| Governmental activities:        |                      |                      |                                    |   |                               |
| General government              | \$ 7,199,277         | 2,314,440            | 635,008                            | 4,680,951                                       | 431,122                       |
| Public services                 | 2,871,026            | 1,424,780            | -                                  | -   | (1,446,246)                   |
| Public safety                   | 6,552,131            | 1,374,106            | -                                  | -   | (5,178,025)                   |
| Public works                    | 6,276,324            | 655,416              | 347,440                            | -   | (5,273,468)                   |
| Education                       | 33,491,029           | 1,255,770            | 9,723,135                          | -   | (22,512,124)                  |
| County tax                      | 1,584,344            | -                    | -                                  | -   | (1,584,344)                   |
| Interest on debt service        | 1,068,767            | -                    | -                                  | -   | (1,068,767)                   |
| Total governmental activities   | 59,042,898           | 7,024,512            | 10,705,583                         | 4,680,951                                       | (36,631,852)                  |
| <b>Total primary government</b> | <b>\$ 59,042,898</b> | <b>7,024,512</b>     | <b>10,705,583</b>                  | <b>4,680,951</b>                                | <b>(36,631,852)</b>           |
| <b>Component unit:</b>          |                      |                      |                                    |   |                               |
| Scarborough Public Library      | \$ 1,164,605         | 982,392              | -                                  | -   | (182,213)                     |

## General revenues:

Property taxes, levied for general purposes  
Excise taxes  
Payments in lieu of taxes  
Interest and costs on taxes  
Cable franchise fees

Grants and contributions not restricted to specific programs:

Homestead exemption  
Other State aid  
State Revenue Sharing  
Unrestricted investment earnings  
Other

Total general revenues

Change in net assets

Net assets - beginning

**Net assets - ending**

\$

36,682,277

4,438,334

78,581

61,243

145,809

305,211

38,447

1,432,953

260,661

284,820

43,728,336

7,096,484

47,388,575

\$ 54,485,059

1,249,435  
See accompanying notes to financial statements.

**TOWN OF SCARBOROUGH, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

|  | General              | Performance<br>Bonds | Haigis<br>Parkway | General<br>Town<br>Improvements | General<br>School<br>Improvements | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|-------------------|---------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                      |                      |                   |                                 |                                   |                                |                                |
| Cash and cash equivalents                  | \$ 6,551,527         | 25,715               | -                 | 3,611,185                       | 1,572,364                         | 288,374                        | 12,049,165                     |
| Investments                                | 3,307,048            | 1,718,388            | 255,514           | -                               | -                                 | 3,505,020                      | 8,785,970                      |
| Receivables:                               |                      |                      |                   |                                 |                                   |                                |                                |
| Accounts                                   | 403,966              | 11,485               | 4,425,437         | 3,161                           | -                                 | 153,629                        | 4,997,678                      |
| Intergovernmental                          | -                    | -                    | -                 | -                               | -                                 | 30,595                         | 30,595                         |
| Taxes receivable                           | 59,797               | -                    | -                 | -                               | -                                 | -                              | 59,797                         |
| Tax liens                                  | 407,661              | -                    | -                 | -                               | -                                 | -                              | 407,661                        |
| Notes                                      | -                    | -                    | -                 | -                               | -                                 | 7,836                          | 7,836                          |
| Interfund loans receivable                 | 1,041,875            | -                    | -                 | 16,424                          | -                                 | 1,309,199                      | 2,367,498                      |
| Tax acquired property                      | 7,231                | -                    | -                 | -                               | -                                 | -                              | 7,231                          |
| Inventory                                  | -                    | -                    | -                 | -                               | -                                 | 12,559                         | 12,559                         |
| <b>Total assets</b>                        | <b>\$ 11,779,105</b> | <b>1,755,588</b>     | <b>4,680,951</b>  | <b>3,630,770</b>                | <b>1,572,364</b>                  | <b>5,307,212</b>               | <b>28,725,990</b>              |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                      |                   |                                 |                                   |                                |                                |
| Liabilities:                               |                      |                      |                   |                                 |                                   |                                |                                |
| Accounts payable                           | 695,103              | -                    | -                 | 262,272                         | 310,728                           | 179,623                        | 1,447,726                      |
| Accrued payroll                            | 2,457,799            | -                    | -                 | -                               | -                                 | 456                            | 2,458,255                      |
| Interfund loans payable                    | -                    | 390,431              | 692,303           | -                               | -                                 | 1,282,801                      | 2,365,535                      |
| Taxes collected in advance                 | 17,928               | -                    | -                 | -                               | -                                 | -                              | 17,928                         |
| Deferred tax revenue                       | 382,000              | -                    | -                 | -                               | -                                 | -                              | 382,000                        |
| Performance bond deposits                  | -                    | 1,365,157            | -                 | -                               | -                                 | -                              | 1,365,157                      |
| <b>Total liabilities</b>                   | <b>3,552,830</b>     | <b>1,755,588</b>     | <b>692,303</b>    | <b>262,272</b>                  | <b>310,728</b>                    | <b>1,462,880</b>               | <b>8,036,601</b>               |
| Fund balances:                             |                      |                      |                   |                                 |                                   |                                |                                |
| Reserved                                   | 771,193              | -                    | -                 | -                               | -                                 | 124,776                        | 895,969                        |
| Unreserved, reported in:                   |                      |                      |                   |                                 |                                   |                                |                                |
| General fund - undesignated                | 5,519,830            | -                    | -                 | -                               | -                                 | -                              | 5,519,830                      |
| General fund - designated                  | 1,935,252            | -                    | -                 | -                               | -                                 | -                              | 1,935,252                      |
| Special revenue funds                      | -                    | -                    | 3,988,648         | -                               | -                                 | 4,191,293                      | 8,179,941                      |
| Capital projects funds                     | -                    | -                    | -                 | 3,368,498                       | 1,261,636                         | (544,823)                      | 4,085,311                      |
| Permanent funds                            | -                    | -                    | -                 | -                               | -                                 | 73,086                         | 73,086                         |
| <b>Total fund balances</b>                 | <b>8,226,275</b>     | <b>-</b>             | <b>3,988,648</b>  | <b>3,368,498</b>                | <b>1,261,636</b>                  | <b>3,844,332</b>               | <b>20,689,389</b>              |
| <b>Total liabilities and fund balances</b> | <b>\$ 11,779,105</b> | <b>1,755,588</b>     | <b>4,680,951</b>  | <b>3,630,770</b>                | <b>1,572,364</b>                  | <b>5,307,212</b>               |                                |

Amounts reported for governmental activities in the statement of net assets are different because:

|   |              |
|---|--------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                   | 105,239,416  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.                  | 382,000      |
| 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   | (68,844,000) |
| Capital leases  | (72,541)     |
| Accrued interest  | (483,658)    |
| Landfill liability  | (449,634)    |
| IUUAL liability   | (99,301)     |
| Accrued compensated absences  | (1,876,612)  |

**Net assets of governmental activities** **\$ 54,485,059**

*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, 2006**

|   | General             | Performance Bonds | Haigis Parkway   | General Town Improvements | General School Improvements | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|------------------|---------------------------|-----------------------------|--------------------------|--------------------------|
| <b>Revenues:</b>  |                     |                   |                  |                           |                             |                          |                          |
| Taxes   | \$ 41,345,663       | -                 | -                | 31,100                    | -                           | -                        | 41,376,763               |
| Licenses and permits                                      | 611,420             | -                 | -                | -                         | -                           | -                        | 611,420                  |
| Intergovernmental   | 10,828,778          | -                 | -                | 7,500                     | -                           | 1,767,952                | 12,604,230               |
| Interest earned   | 260,661             | -                 | 6,057            | 91,900                    | 155,776                     | 130,108                  | 644,502                  |
| Donations   | -                   | -                 | -                | -                         | -                           | 97,856                   | 97,856                   |
| Sale of lots  | -                   | -                 | -                | -                         | -                           | 16,000                   | 16,000                   |
| Assessments and impact fees                               | -                   | -                 | 4,674,894        | -                         | -                           | 703,203                  | 5,378,097                |
| Other   | 3,553,702           | -                 | -                | -                         | -                           | 1,874,812                | 5,428,514                |
| Total revenues  | 56,600,224          | -                 | 4,680,951        | 130,500                   | 155,776                     | 4,589,931                | 66,157,382               |
| <b>Expenditures:</b>                                      |                     |                   |                  |                           |                             |                          |                          |
| Current:  |                     |                   |                  |                           |                             |                          |                          |
| General government  | 4,340,348           | -                 | -                | -                         | -                           | -                        | 4,340,348                |
| Public services   | 2,849,393           | -                 | -                | -                         | -                           | -                        | 2,849,393                |
| Public safety   | 6,179,751           | -                 | -                | -                         | -                           | -                        | 6,179,751                |
| Public works  | 5,702,033           | -                 | -                | -                         | -                           | -                        | 5,702,033                |
| Education   | 32,791,793          | -                 | -                | -                         | -                           | -                        | 32,791,793               |
| County tax  | 1,584,344           | -                 | -                | -                         | -                           | -                        | 1,584,344                |
| Debt service  | 4,065,377           | -                 | -                | -                         | -                           | -                        | 4,065,377                |
| Capital improvements                                      | 1,114,864           | -                 | -                | 3,105,596                 | 6,153,054                   | 1,373,037                | 11,746,551               |
| Program expenditures                                      | -                   | -                 | -                | -                         | -                           | 2,518,149                | 2,518,149                |
| Other   | -                   | -                 | 466              | -                         | -                           | 17,063                   | 17,529                   |
| Total expenditures  | 58,627,903          | -                 | 466              | 3,105,596                 | 6,153,054                   | 3,908,249                | 71,795,268               |
| Excess (deficiency) of revenues over (under) expenditures | (2,027,679)         | -                 | 4,680,485        | (2,975,096)               | (5,997,278)                 | 681,682                  | (5,637,886)              |
| <b>Other financing sources (uses):</b>                    |                     |                   |                  |                           |                             |                          |                          |
| Operating transfers - in                                  | 2,166,015           | -                 | -                | -                         | 65,656                      | 548,670                  | 2,780,341                |
| Operating transfers - out                                 | (608,069)           | -                 | (691,837)        | (3,638)                   | (52,049)                    | (1,424,748)              | (2,780,341)              |
| General obligation bonds                                  | 936,000             | -                 | -                | 4,485,116                 | 1,592,884                   | -                        | 7,014,000                |
| Total other financing sources (uses)                      | 2,493,946           | -                 | (691,837)        | 4,481,478                 | 1,606,491                   | (876,078)                | 7,014,000                |
| Net change in fund balances                               | 466,267             | -                 | 3,988,648        | 1,506,382                 | (4,390,787)                 | (194,396)                | 1,376,114                |
| Fund balances, beginning of year                          | 7,760,008           | -                 | -                | 1,862,116                 | 5,652,423                   | 4,038,728                | 19,313,275               |
| <b>Fund balances, end of year</b>                         | <b>\$ 8,226,275</b> | <b>-</b>          | <b>3,988,648</b> | <b>3,368,498</b>          | <b>1,261,636</b>            | <b>3,844,332</b>         | <b>20,689,389</b>        |

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, 2006**

---

|   |    |           |
|---|----|-----------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | 1,376,114 |
|---|----|-----------|

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            | \$ 9,694,443 |           |
| Depreciation expense       | (1,851,676)  |           |
| Loss on disposal of assets | (367,999)    | 7,474,768 |

|  |          |
|--|----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (18,000) |
|--|----------|

|   |           |
|---|-----------|
| 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. | (699,264) |
|---|-----------|

|   |        |
|---|--------|
| 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. | 69,433 |
|---|--------|

|  |             |
|--|-------------|
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$7,014,000) exceeded repayments (\$5,907,433). | (1,106,567) |
|--|-------------|

---

|   |    |           |
|---|----|-----------|
| Change in net assets of governmental activities (see Statement 2) | \$ | 7,096,484 |
|---|----|-----------|

*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, 2006**

|   | Budgeted amounts |             | Actual      | Variance with<br>final budget<br>positive<br>(negative) |
|---|------------------|-------------|-------------|---|
|   | Original         | Final       |             |   |
| Revenues:                                 |                  |             |             |   |
| Taxes                                     | \$ 41,187,802    | 41,187,802  | 41,345,663  | 157,861   |
| Licenses and permits                      | 531,735          | 531,735     | 611,420     | 79,685  |
| Intergovernmental                         | 8,491,924        | 8,491,924   | 8,520,307   | 28,383  |
| Interest earned                           | 130,000          | 130,000     | 260,661     | 130,661   |
| Unclassified                              | 3,040,045        | 3,040,045   | 3,553,702   | 513,657   |
| Total revenues                            | 53,381,506       | 53,381,506  | 54,291,753  | 910,247   |
| Expenditures:                             |                  |             |             |   |
| Current:                                  |                  |             |             |   |
| General government                        | 3,828,897        | 3,799,856   | 4,340,348   | (540,492)   |
| Public services                           | 2,678,394        | 2,685,927   | 2,849,393   | (163,466)   |
| Public safety                             | 6,327,942        | 6,461,280   | 6,179,751   | 281,529   |
| Public works                              | 5,669,561        | 5,748,477   | 5,702,033   | 46,444  |
| Education                                 | 30,745,456       | 30,745,456  | 30,348,883  | 396,573   |
| County tax                                | 1,584,344        | 1,584,344   | 1,584,344   | -   |
| Debt service                              | 4,098,398        | 4,098,398   | 4,065,377   | 33,021  |
| Capital improvements                      | 515,921          | 1,310,060   | 1,114,864   | 195,196   |
| Total expenditures                        | 55,448,913       | 56,433,798  | 56,184,993  | 248,805   |
| Deficiency of revenues under expenditures | (2,067,407)      | (3,052,292) | (1,893,240) | 1,159,052   |
| Other financing sources (uses):           |                  |             |             |   |
| Operating transfers - in                  | 2,170,549        | 2,170,549   | 2,166,015   | (4,534)   |
| Operating transfers - out                 | (589,987)        | (589,987)   | (608,069)   | (18,082)  |
| Utilization of surplus                    | 475,000          | 1,459,885   | -           | (1,459,885)   |
| Overlay                                   | (369,155)        | (369,155)   | -           | 369,155   |
| General obligation bonds                  | 381,000          | 381,000     | 936,000     | 555,000   |
| Total other financing sources (uses)      | 2,067,407        | 3,052,292   | 2,493,946   | (558,346)   |
| Net change in fund balances               | -                | -           | 600,706     | 600,706   |
| Reconciliation to GAAP:                   |                  |             |             |   |
| Change in accrued salaries                |                  |             | (134,439)   |   |
| Fund balance, beginning of year           |                  |             | 7,760,008   |   |
| Fund balance, end of year                 | \$               |             | 8,226,275   |   |

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

|                            | Private-purpose<br>Trust<br>Funds<br>(Scholarships) | Agency<br>Funds |
|----------------------------|---|-----------------|
| <b>ASSETS</b>              |   |                 |
| Cash and cash equivalents  | \$ -  | 174,185         |
| Investments                | 251,672   | -               |
| Interfund loans receivable | 1,087   | -               |
| <b>Total assets</b>        | <b>252,759</b>                                      | <b>174,185</b>  |
| <b>LIABILITIES</b>         |   |                 |
| Interfund loans payable    | 3,050   | -               |
| Accounts payable           | 1,950   | -               |
| Due to student groups      | -   | 174,185         |
| <b>Total liabilities</b>   | <b>5,000</b>  | <b>174,185</b>  |
| <b>NET ASSETS</b>          |   |                 |
| Held in trust              | \$ 247,759  | -               |

*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, 2006**

|                               | <b>Private-purpose<br/>Trust<br/>Funds<br/>(Scholarships)</b> |
|-------------------------------|---|
| Additions:                    |   |
| Donations                     | \$ 1,087  |
| Interest and dividends        | 8,481   |
| Total additions               | 9,568   |
| Deductions:                   |   |
| School scholarships           | 6,600   |
| Other                         | -   |
| Total deductions              | 6,600   |
| Change in net assets          | 2,968   |
| Net assets, beginning of year | 244,791   |
| Net assets, end of year       | \$ 247,759  |

*See accompanying notes to financial statements.*



**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

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

**A. Reporting Entity**

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

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Scarborough Economic Development Corporation (SEDCO) encourages and assists the development of business in the Town of Scarborough. All of the financial activity of SEDCO has been reported with the Town's general fund.

Scarborough Public Library promotes and maintains library facilities in and for the Town of Scarborough. The Scarborough Public Library has been included as part of these financial statements, using the discrete presentation method.

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

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 School Improvements fund accounts for certain school capital improvements.

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 fund accounts for assessments to be used for the Haigis Parkway project.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

Additionally, the Town reports the following fund type:

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

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

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. Assets, Liabilities, and Equity**

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

**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 market value at the date of donation.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

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 ranging from 3 to 60 years.

**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 is 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 employee resignations and retirements. All accumulated leave is accrued when incurred in the government-wide financial statements.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses 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.

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

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

---

**A. Budgetary Information**

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

|   | Revenues<br>and other<br><u>sources</u> | Expenditures<br>and other<br><u>uses</u> |
|---|---|--|
| 2005 -2006 budget as adopted              | \$ 56,408,055                           | 56,408,055                               |
| Budgetary adjustments:                    |   |  |
| Prior year encumbrances and carryforwards | 984,885                                 | 984,885                                  |
| <b><u>Total adjusted budget</u></b>       | <b><u>\$ 57,392,940</u></b>             | <b><u>57,392,940</u></b>                 |

**B. Excess of Expenditures over Appropriations**

The over-expenditure of the Public Service department was partially offset by an excess of actual over estimated grant and fee revenues.

The over-expenditure in General Government was the result of legal fees, risk management and planning exceeding budget.

**C. Deficit Fund Balance**

At June 30, 2006, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$88,474. 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 \$36,872. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The Departmental Grants and Programs Fund (a special revenue fund) had a deficit of \$101,024. It is expected that this deficit will be adequately funded in future years through additional grant and other revenues.

The Municipal Building Fund (a capital project fund) had a deficit of \$544,823. This deficit is expected to be adequately funded in future years with TIF revenues.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**DEPOSITS AND INVESTMENTS**

---

**A. Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk because it was not covered by F.D.I.C. insurance or additional collateral. As of June 30, 2006, the Town reported deposits of \$12,223,350 with a bank balance of \$13,416,771. Of the Town's bank balances of \$13,416,771, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

|                                |                      |
|--------------------------------|----------------------|
| Reported in governmental funds | \$ 12,049,165        |
| Reported in fiduciary funds    | 174,185              |
| <b>Total deposits</b>          | <b>\$ 12,223,350</b> |

At June 30, 2006, the Scarborough Public Library's cash balance was \$99,071 with a bank balance of \$86,676 all of which was covered by F.D.I.C. insurance.

**B. Investments**

At June 30, 2006, the Town had the following investments and maturities:

|                             | Fair<br>value       | Less than<br>1 year | 1-5 years      | More than<br>5 years |
|-----------------------------|---------------------|---------------------|----------------|----------------------|
| U. S. Government securities | \$ 197,920          | 197,920             | -              | -                    |
| Certificates of deposit     | 200,000             | 200,000             | -              | -                    |
| Mutual funds (1)            | 8,639,721           |                     | not applicable |                      |
| <b>Total investments</b>    | <b>\$ 9,037,641</b> | <b>397,920</b>      | <b>-</b>       | <b>-</b>             |

(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 | \$ 8,785,970        |
| Reported in fiduciary funds    | 251,671             |
| <b>Total investments</b>       | <b>\$ 9,037,641</b> |

*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 to it. The Town does not have a formal policy with respect to custodial credit risk. None of the Town's investments totaling \$9,037,641 was exposed to custodial credit risk. At June 30, 2006, the Scarborough Public Library's investment balance was \$307,034, none of which was exposed to custodial credit risk.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**PROPERTY TAX**

---

Property taxes for the current year were committed on August 29, 2005, 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 17, 2005 and 50% on March 15, 2006. Interest at the rate of 7.75% 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, 2006 and the Town's value was 113% of the 2006 State valuation of \$2,873,200,000.

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 \$369,185 for the year ended June 30, 2006.

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>2006</u>              | <u>2005</u>           |
|-----------------------------------|--------------------------|-----------------------|
| Assessed value                    | \$ 3,256,841,900         | 2,057,589,000         |
| Tax rate (per \$1,000)            | 11.30                    | 17.34                 |
| Commitment                        | 36,802,313               | 35,678,593            |
| Supplemental taxes assessed       | 22,334                   | 56,975                |
|                                   | 36,824,647               | 35,735,568            |
| Less - collections and abatements | 36,527,410               | 35,423,922            |
| <b>Receivable at June 30</b>      | <b><u>297,237</u></b>    | <b><u>311,646</u></b> |
| Consisting of:                    |                          |                       |
| Taxes                             | 17,129                   | 23,981                |
| Liens                             | 280,108                  | 287,665               |
| <b>Receivable at June 30</b>      | <b><u>\$ 297,237</u></b> | <b><u>311,646</u></b> |
| Collection rate                   | 99.19%                   | 99.13%                |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

|   | Balance<br>June 30,<br>2005 | Increases               | Decreases               | Balance<br>June 30,<br>2006 |
|---|-----------------------------|-------------------------|-------------------------|-----------------------------|
| <b>Governmental activities:</b>                           |                             |                         |                         |                             |
| Capital assets, not being depreciated:                    |                             |                         |                         |                             |
| Land  | \$ 3,625,100                | 295,400                 | -                       | 3,920,500                   |
| Construction in progress                                  | 34,003,856                  | 6,441,414               | -                       | 40,445,270                  |
| <u>Total capital assets, not being depreciated</u>        | <u>37,628,956</u>           | <u>6,736,814</u>        | <u>-</u>                | <u>44,365,770</u>           |
| Capital assets, being depreciated:                        |                             |                         |                         |                             |
| Buildings   | 39,321,595                  | 900,000                 | (195,798)               | 40,025,797                  |
| Vehicles  | 9,109,783                   | 1,387,411               | (741,090)               | 9,756,104                   |
| Equipment and furniture                                   | 2,980,616                   | 670,218                 | (110,325)               | 3,540,509                   |
| Infrastructure  | 28,595,767                  | -                       | -                       | 28,595,767                  |
| <u>Total capital assets being depreciated</u>             | <u>80,007,761</u>           | <u>2,957,629</u>        | <u>(1,047,213)</u>      | <u>81,918,177</u>           |
| Less accumulated depreciation for:                        |                             |                         |                         |                             |
| Buildings   | 6,555,551                   | 469,137                 | 59,671                  | 7,084,359                   |
| Vehicles  | 4,405,442                   | 679,090                 | (608,779)               | 4,475,753                   |
| Equipment and furniture                                   | 1,699,565                   | 357,666                 | (111,259)               | 1,945,972                   |
| Infrastructure  | 7,211,511                   | 345,784                 | (18,848)                | 7,538,447                   |
| <u>Total accumulated depreciation</u>                     | <u>19,872,069</u>           | <u>1,851,677</u>        | <u>(679,215)</u>        | <u>21,044,531</u>           |
| <u>Total capital assets being depreciated, net</u>        | <u>60,135,692</u>           | <u>1,105,952</u>        | <u>(367,998)</u>        | <u>60,873,646</u>           |
| <b><u>Governmental activities capital assets, net</u></b> | <b><u>\$97,764,648</u></b>  | <b><u>7,842,766</u></b> | <b><u>(367,998)</u></b> | <b><u>105,239,416</u></b>   |

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

|   |                            |
|---|----------------------------|
| <b>Governmental activities:</b>                                       |                            |
| General government  | \$ 260,730                 |
| Public services   | 21,633                     |
| Public safety   | 378,075                    |
| Public works, including depreciation of general infrastructure assets | 574,291                    |
| Education   | 616,948                    |
| <b><u>Total depreciation expense – governmental activities</u></b>    | <b><u>\$ 1,851,677</u></b> |

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

|   |                          |
|---|--------------------------|
| Buildings                                 | \$ 1,268,766             |
| Equipment, artwork and software           | 517,997                  |
| Books                                     | 736,906                  |
| <u>Total 2,523,669</u>                    |                          |
| <u>Less accumulated depreciation</u>      | <u>(1,628,812)</u>       |
| <b><u>Property and equipment, net</u></b> | <b><u>\$ 894,857</u></b> |
| <b><u>Depreciation expense</u></b>        | <b><u>\$ 89,776</u></b>  |



**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

**INTERFUND BALANCES**

Interfund balances result from the sharing of pooled cash and investments. Individual interfund receivables and payables at June 30, 2006, were as follows:

|                                      | Interfund<br>receivables | Interfund<br>payables |
|--------------------------------------|--------------------------|-----------------------|
| General Fund                         | \$ 1,041,875             | -                     |
| General Town Improvements            | 16,424                   | -                     |
| Haigis Parkway                       | -                        | 692,303               |
| Performance Bonds                    | -                        | 390,431               |
| Other Governmental Funds:            |                          |                       |
| Nonmajor Special Revenue Funds:      |                          |                       |
| Unemployment compensation            | -                        | 3,608                 |
| Ferry Beach                          | -                        | 10,723                |
| Recreational development             | -                        | 219,675               |
| Sewer expansion                      | 461,541                  | -                     |
| Hurd Park                            | 113,895                  | -                     |
| Scarborough Memorial improvement     | -                        | 2,000                 |
| Industrial Park                      | -                        | 40,721                |
| Payne Road improvements              | -                        | 52,654                |
| Payne Road impact fees               | 50,171                   | -                     |
| Boat launch                          | -                        | 36,872                |
| Police asset forfeiture              | 65,082                   | -                     |
| Hunnewell House                      | -                        | 692                   |
| Rescue equipment                     | 315,446                  | -                     |
| Fire Dept Equipment                  | 3,830                    | -                     |
| Departmental grants and programs     | 72,084                   | 324,874               |
| Friends of the Scarborough Marsh     | -                        | 10,220                |
| School development impact fees       | 219,150                  | -                     |
| Computer replacement fund            | -                        | 34,987                |
| Total Nonmajor Special Revenue Funds | 1,301,199                | 737,026               |
| Nonmajor Capital Project Funds:      |                          |                       |
| Municipal building fund              | -                        | 544,823               |
| Total Nonmajor Capital Project Funds | -                        | 544,823               |
| Permanent Funds:                     |                          |                       |
| Scarborough Memorial Cemetery        | 8,000                    | -                     |
| Dunstan Perpetual Care               | -                        | 952                   |
| Total Permanent Funds                | 8,000                    | 952                   |
| Total Other Governmental Funds       | 1,309,199                | 1,282,801             |
| Private-purpose Trust Funds          | 1,087                    | 3,050                 |
| Total all funds                      | \$ 2,368,585             | 2,368,585             |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic 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                | \$ 2,166,015        | 608,069              |
| General Town Improvements   | -                   | 3,638                |
| General School Improvements | 65,656              | 52,049               |
| Other Governmental Funds    | 548,670             | 2,116,585            |
| <b>Total</b>                | <b>\$ 2,780,341</b> | <b>2,780,341</b>     |

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, 2006, was as follows:

|                                  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance</u> | <u>Due within<br/>one year</u> |
|----------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| <b>Governmental activities:</b>  |                              |                  |                   |                           |                                |
| General obligation bonds         | \$ 67,737,433                | 7,014,000        | 5,907,433         | 68,844,000                | 5,999,000                      |
| Capital leases                   | 141,974                      | -                | 69,433            | 72,541                    | 72,541                         |
| Compensated absences             | 1,138,321                    | 738,291          | -                 | 1,876,612                 | 863,352                        |
| Landfill post-closure care costs | 449,634                      | -                | -                 | 449,634                   | -                              |
| <b>Governmental activity</b>     |                              |                  |                   |                           |                                |
| <b>Long-term liabilities</b>     | <b>\$ 69,467,362</b>         | <b>7,752,291</b> | <b>5,976,866</b>  | <b>71,242,787</b>         | <b>7,034,893</b>               |

As of June 30, 2006, the Town had authorized, but unissued debt totaling \$3,572,600. The General Fund typically pays all governmental activities long-term debt service requirements.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

**BONDS PAYABLE**

Bonds payable at June 30, 2006 is comprised of the following:

| General Obligation<br>Notes and Bonds | Amount<br>originally<br>issued | Percentage applicable to |               |              | Interest<br>rate | Final<br>maturity<br>date | Balance<br>end of<br>year |
|---------------------------------------|--------------------------------|--------------------------|---------------|--------------|------------------|---------------------------|---------------------------|
|                                       |                                | <u>Town</u>              | <u>School</u> | <u>Sewer</u> |                  |                           |                           |
| 1987 Capital improvements             | \$ 3,300,000                   | -                        | -             | 100.00%      | Varies           | 2008                      | 250,000                   |
| 1988 Capital improvements             | 6,615,000                      | 16.80%                   | -             | 83.20%       | Varies           | 2009                      | 825,000                   |
| 1989 Capital improvements             | 2,300,000                      | 100.00%                  | -             | -            | Varies           | 2009                      | 320,000                   |
| 1990 Capital improvements             | 7,415,000                      | -                        | 100.00%       | -            | Varies           | 2011                      | 1,635,000                 |
| 1993 Capital improvements             | 1,135,000                      | 100.00%                  | -             | -            | Varies           | 2012                      | 175,000                   |
| 1994 Capital improvements             | 6,775,000                      | -                        | 100.00%       | -            | Varies           | 2015                      | 2,070,000                 |
| 1995 Capital improvements             | 6,160,000                      | 1.89%                    | 98.11%        | -            | Varies           | 2016                      | 2,650,000                 |
| 1997 Capital improvements             | 4,230,000                      | 95.07%                   | 4.93%         | -            | Varies           | 2017                      | 1,305,000                 |
| 1998 Capital improvements             | 1,475,000                      | 78.38%                   | 21.62%        | -            | Varies           | 2008                      | 185,000                   |
| 1999 Capital improvements             | 6,493,000                      | 94.26%                   | 5.74%         | -            | Varies           | 2019                      | 1,890,000                 |
| 2000 Capital improvements             | 4,770,000                      | 71.17%                   | 28.83%        | -            | Varies           | 2020                      | 1,980,000                 |
| 2001 Capital improvements             | 4,932,000                      | 58.84%                   | 41.16%        | -            | Varies           | 2021                      | 2,065,000                 |
| 2002 Capital improvements             | 4,000,000                      | 48.86%                   | 51.14%        | -            | Varies           | 2022                      | 845,000                   |
| 2003 Capital improvements             | 24,579,000                     | 10.84%                   | 49.16%        | 40.00%       | Varies           | 2032                      | 22,310,000                |
| 2004 Capital improvements             | 14,628,000                     | 18.76%                   | 76.16%        | 5.08%        | Varies           | 2034                      | 12,975,000                |
| 2005 Capital improvements             | 10,665,000                     | 12.71%                   | 87.29%        | -            | Varies           | 2034                      | 10,350,000                |
| 2006 Capital improvements             | 7,014,000                      | 77.29%                   | 22.71%        | -            | Varies           | 2036                      | 7,014,000                 |
| <b>Total</b>                          |                                |                          |               |              |                  |                           | <b>\$ 68,844,000</b>      |

The annual requirements to amortize all debt outstanding as of June 30, 2006 are as follows:

| Year ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>   | <u>Total</u>      |
|--------------------------------|----------------------|-------------------|-------------------|
| 2007                           | \$ 5,999,000         | 2,820,923         | 8,819,923         |
| 2008                           | 5,480,000            | 2,596,091         | 8,076,091         |
| 2009                           | 4,960,000            | 2,377,320         | 7,337,320         |
| 2010                           | 4,090,000            | 2,189,039         | 6,279,039         |
| 2011                           | 3,970,000            | 2,021,929         | 5,991,929         |
| 2012-2016                      | 14,735,000           | 8,023,771         | 22,758,771        |
| 2017-2021                      | 10,625,000           | 5,429,263         | 16,054,263        |
| 2022-2026                      | 7,875,000            | 3,255,212         | 11,130,212        |
| 2027-2031                      | 6,590,000            | 1,828,798         | 8,418,798         |
| 2032-2035                      | 4,520,000            | 340,075           | 4,860,075         |
| <b>Totals</b>                  | <b>\$ 68,844,000</b> | <b>30,882,421</b> | <b>99,726,421</b> |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic 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, 2006<br>outstanding<br>bonds | Percent of 2006<br>State assessed value<br>of \$2,873,200,000 | <u>Amount</u>      | <u>Margin</u> |
|--|---------------------------------------|---|--------------------|---------------|
| For school purposes  | \$ 39,846,199                         | 10.00%  | 287,320,000        | 247,473,801   |
| For storm or<br>sanitary sewer                                   | 10,520,400                            | 7.50%   | 215,490,000        | 204,969,600   |
| For municipal airport,<br>water and special<br>district purposes | -                                     | 3.00%   | 86,196,000         | 86,196,000    |
| For all other purposes   | 18,477,401                            | 7.50%   | 215,490,000        | 197,012,599   |
| <b>Total</b>   | <b>\$ 68,844,000</b>                  | <b>15.00%</b>   | <b>430,980,000</b> |               |

---

**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. 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 following is an analysis of equipment leased under the capital lease as of June 30, 2006:

Municipal building - copiers  
School - various copiers

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2006:

|   |                  |
|---|------------------|
| 2007  | \$ 76,679        |
| Total minimum lease payments                              | 76,679           |
| Less: amount representing interest                        | 4,138            |
| <b>Present value of future minimum<br/>lease payments</b> | <b>\$ 72,541</b> |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic 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, 2006, the Town's State valuation of \$2,873,200,000 was 8.36% of the County's State valuation of \$34,366,000,000. The Town's share is 8.36% or \$882,878 of Cumberland County's \$10,560,000 long-term debt outstanding as of June 30, 2006.

The Town is also served by the Portland Water District. At June 30, 2006, the Town's share of self-supporting bonded water debt is 12.50% or \$2,665,492 of total debt of \$21,325,000.

**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, 2006, outstanding "Incinerator Debt" of ecomaine totaled \$43,076,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.29% or \$3,573,014.

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2006, the Town's share is 6.30% or \$316,827 of ecomaine's outstanding MRF debt of \$5,029,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$20,737,626 at June 30, 2005, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs 8.11%, or \$1,681,692.

**Total Debt and Contingencies**

| Governmental<br>Unit                 | As of June 30, 2006  |                     |                    |                   |
|--------------------------------------|----------------------|---------------------|--------------------|-------------------|
|                                      | Direct<br>debt       | Overlapping<br>debt | Contingent<br>debt | Total<br>debt     |
| Town of Scarborough                  | \$ 68,844,000        | -                   | -                  | 68,844,000        |
| Cumberland County                    | -                    | 882,878             | -                  | 882,878           |
| Portland Water District - water debt | -                    | 2,665,492           | -                  | 2,665,492         |
| Regional Waste Systems:              |                      |                     |                    |                   |
| Resource recovery system             | -                    | -                   | 3,573,014          | 3,573,014         |
| Material recovery facility           | -                    | -                   | 316,827            | 316,827           |
| Landfill closure/postclosure costs   | -                    | -                   | 1,681,692          | 1,681,692         |
| <b>Totals</b>                        | <b>\$ 68,844,000</b> | <b>3,548,370</b>    | <b>5,571,533</b>   | <b>77,963,903</b> |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic 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, 2006, substantially all such calculations have been performed.

**Grants**

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

---

**LANDFILL CLOSURE AND POSTCLOSURE COSTS**

---

Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill and has submitted a plan to the State for closure. The estimated total current cost of landfill closure, \$449,634, 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, 2006. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year. The total closure and postclosure care costs of \$449,634 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.

---

**DESIGNATED FUND BALANCES**

---

At June 30, 2006, portions of the General Fund fund balance were designated to future periods as follows:

|  | <u>2006</u> |
|--|-------------|
| General Fund:                            |             |
| Geographical Information                 | \$ 16,972   |
| Comprehensive Plan                       | 38,011      |
| Co-Op Boat Launch Improvements           | 4,932       |
| Finance – New equipment                  | 2,587       |
| Public Safety Night Vision Goggles       | 5,040       |
| Police Department - 2006 QED software    | 9,300       |
| Police Department – Auxiliary vehicles   | 700         |
| Fire Department – Squad Truck            | 10,676      |
| Fire Department – Municipal Holding Tank | 18,994      |
| Public Works – Employee Training         | 3,105       |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**DESIGNATED FUND BALANCES, CONTINUED**

---

|   | <u>2006</u>                |
|---|----------------------------|
| Rescue – New Patient Equipment                    | \$ 2,336                   |
| Municipal building design study                   | (4,033)                    |
| Community services child care program             | 2,946                      |
| State Revenue Sharing                             | 130,892                    |
| Summer recreation                                 | (4,284)                    |
| Cable TV programming                              | 53,705                     |
| Marine Resource Office – Inventory Management     | 7,020                      |
| Town-wide ADA projects                            | 23,509                     |
| Town-wide computer purchases                      | 66,996                     |
| Encumbered Purchase Orders                        | 632,588                    |
| Reserve for accrued sick pay                      | 913,260                    |
| <b>Total General Fund designated fund balance</b> | <b><u>\$ 1,935,252</u></b> |

---

**RESERVED FUND EQUITY**

---

At June 30, 2006, the Special Revenue fund equity for the School Lunch Program included a reserve for inventory on hand at June 30, 2006 of \$12,559. Also, at June 30, 2006, the Special Revenue fund equity was reserved in the Industrial Park Fund to reflect the noncurrent portion of notes receivable amounting to \$2,289. Fund balance has been reserved in the permanent funds for nonexpendable principal of \$109,928. The total reserved fund balance for other governmental funds on Statement 3 was \$124,776. As of June 30, 2006, the General Fund fund balance was reserved in the amount of \$771,193, reflecting the non-current portion of the interfund loan receivable from the Municipal Building Fund in the amount of \$544,823, the Boat Launch Fund deficit of \$36,872, the Departmental Grants & Programs deficit of \$101,024 and the Recreation Development Fund amount of \$88,474.

---

**SCHOOL OPERATIONS UNDESIGNATED DEFICIT/BUDGETARY VS. GAAP BASIS**

---

At June 30, 2006, School operations (General Fund and Adult Education) reported a fund balance of \$618,353 on a GAAP basis and a fund balance of \$2,752,451 on a budgetary basis, the difference resulting from the accrual of earned but unpaid summer salaries. The School Department's policy is to budget for teacher salaries when paid rather than when the obligation is incurred. Additionally, as required by accounting principles generally accepted in the United States of America (GAAP), the School Department has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Scarborough School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America. An intergovernmental revenue of \$2,308,471 and an education expenditure of \$2,308,471 have been included in the General Fund on Statement 4 and on Statement 2 (GAAP basis) and have not been reported on Statement 6 (budgetary basis). There is no effect on the fund balance at the end of the year.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SCHOOL OPERATIONS UNDESIGNATED DEFICIT/BUDGETARY VS. GAAP BASIS, CONTINUED**

---

The following reconciles the GAAP vs. budgetary basis fund balances:

|                              | <u>GAAP<br/>basis</u> | <u>Summer<br/>salary<br/>accrual</u> | <u>On-<br/>behalf<br/>payments</u> | <u>Budgetary<br/>basis</u> |
|------------------------------|-----------------------|--------------------------------------|------------------------------------|----------------------------|
| Balance, June 30, 2005       | \$ 693,048            | 2,134,138                            | -                                  | 2,827,186                  |
| Revenues and other sources   | 32,612,618            | -                                    | (2,308,471)                        | 30,304,147                 |
| Expenditures and other uses  | (32,821,792)          | 134,439                              | 2,308,471                          | (30,378,882)               |
| <b>Balance June 30, 2006</b> | <b>\$ 483,874</b>     | <b>2,268,577</b>                     | <b>-</b>                           | <b>2,752,451</b>           |

The GAAP basis fund balance of \$483,874 is comprised of the following components:

|                             |                   |
|-----------------------------|-------------------|
| General fund - undesignated | \$ 412,449        |
| Adult Education             | 71,425            |
| <b>Total</b>                | <b>\$ 483,874</b> |

The School Department has been designating a portion of budgetary fund balance to fund accrued summer salaries. It expects to fund a portion of future fund balances until the accrual is fully funded. As of June 30, 2006, \$2,200,000 of budgetary fund balance has been designated to fund summer salary obligations.

---

**MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN**

---

**Description of the Plan** - The Town contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State 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 State 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. The Town will pay this initial unpooled unfunded liability on a scheduled basis, in addition to making the normal contribution to the plan. The (IUUAL) is being amortized over nineteen years although the remaining balance will be paid off in eleven years at the rate of \$928 per month for both Town and School. The current rate (excluding IUUAL) is 2.8% of annual covered payroll for School employees participating in the District Plan, 2.8% for Town employees and 4.0% for Police. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the MSRS Consolidated Plan for the year ended June 30, 2006, 2005 and 2004 were \$49,282, \$48,977, and \$44,221 respectively including IUUAL payments of \$14,376 each year.



**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

---

**MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN,  
CONTINUED**

---

**Teacher Group** - All school teachers, plus other qualified educators, participate in the Maine State 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 State 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 State 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 \$2,308,471 (19.15%) for the fiscal year 2006. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

---

**DEFINED CONTRIBUTION PENSION PLAN**

---

**Defined Contribution Pension Plan** - 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 Maine State 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 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 \$344,932, which was 6% of its current year covered payroll. The covered payroll amounted to \$5,866,371, while the Town's total payroll was \$8,344,289.

Employee's required contributions amounted to \$344,932, 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.

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**DEFERRED COMPENSATION PLAN**

---

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

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, were removed from the Town's financial statements.

---

**TAX INCREMENT FINANCING DISTRICTS**

---

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

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

Scarborough Town Center Development District:

|                                     |              |
|-------------------------------------|--------------|
| Original assessed value             | \$ 6,915,000 |
| Maximum authorized captured value   | 6,900,000    |
| Amount captured as of June 30, 2006 | 6,900,000    |

Scarborough Eight Corners Development District:

|                                     |            |
|-------------------------------------|------------|
| Original assessed value             | 4,522,700  |
| Maximum authorized captured value   | 39,000,000 |
| Amount captured as of June 30, 2006 | 39,000,000 |

Enterprise Business Park TIF:

|                                     |           |
|-------------------------------------|-----------|
| Original assessed value             | 544,800   |
| Amount captured as of June 30, 2006 | 5,065,500 |

Haigis Parkway:

|                                     |            |
|-------------------------------------|------------|
| Original assessed value             | 8,563,500  |
| Amount captured as of June 30, 2006 | 10,808,200 |

**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

---

**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, 2006. 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.

---

**SUBSEQUENT EVENT**

---

Subsequent to year end, a review was conducted to determine the appropriateness of the original assessments levied to the owners of properties located within the Haigis Parkway Municipal Development and Tax Increment Financing District. As a result of the review, the original assessments were adjusted among the individual property owners and resulted in a reduction of \$990,323 to the original assessment as reported in the Haigis Parkway Fund.

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

## **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).

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

**TOWN OF SCARBOROUGH, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2006 and 2005**

|   | 2006                 | 2005              |
|---|----------------------|-------------------|
| <b>ASSETS</b>                             |                      |                   |
| Cash and cash equivalents                 | \$ 6,551,527         | 9,421,858         |
| Investments                               | 3,307,048            | 533,400           |
| Receivables:                              |                      |                   |
| Taxes receivable                          | 59,797               | 60,561            |
| Tax liens                                 | 407,661              | 421,274           |
| Accounts receivable                       | 403,966              | 472,345           |
| Interfund loans receivable                | 1,041,875            | 265,420           |
| Tax acquired property                     | 7,231                | 7,231             |
| <b>Total assets</b>                       | <b>\$ 11,779,105</b> | <b>11,182,089</b> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                      |                   |
| Liabilities:                              |                      |                   |
| Accounts payable and payroll withholdings | 695,103              | 586,549           |
| Accrued payroll                           | 2,457,799            | 2,419,588         |
| Taxes collected in advance                | 17,928               | 15,944            |
| Deferred tax revenues                     | 382,000              | 400,000           |
| <b>Total liabilities</b>                  | <b>3,552,830</b>     | <b>3,422,081</b>  |
| Fund balance:                             |                      |                   |
| Reserved                                  | 771,193              | 697,126           |
| Unreserved:                               |                      |                   |
| Designated - Town                         | 1,935,252            | 2,696,408         |
| Undesignated - Education                  | 483,874              | 693,048           |
| Undesignated - Town                       | 5,035,956            | 3,673,426         |
| <b>Total fund balance</b>                 | <b>8,226,275</b>     | <b>7,760,008</b>  |
| <b>Total liabilities and fund balance</b> | <b>\$ 11,779,105</b> | <b>11,182,089</b> |

**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, 2006**  
**(with comparative totals for June 30, 2005)**

|   |                      | 2006       |                    |            |                                    |                |
|---|----------------------|------------|--------------------|------------|------------------------------------|----------------|
|   | 2005<br>carryforward | Budget     | Total<br>Available | Actual     | Variance<br>positive<br>(negative) | 2005<br>Actual |
| Revenues:                                 |                      |            |                    |            |                                    |                |
| Taxes:                                    |                      |            |                    |            |                                    |                |
| Property taxes                            | \$ -                 | 36,756,213 | 36,756,213         | 36,682,277 | (73,936)                           | 35,548,830     |
| Change in deferred property tax revenue   | -                    | -          | -                  | 18,000     | 18,000                             | -              |
| Excise taxes                              | -                    | 4,225,000  | 4,225,000          | 4,438,334  | 213,334                            | 4,253,930      |
| Cable franchise fee                       | -                    | 137,000    | 137,000            | 145,809    | 8,809                              | 143,224        |
| Interest and costs on taxes               | -                    | 69,589     | 69,589             | 61,243     | (8,346)                            | 57,852         |
| Total taxes                               | -                    | 41,187,802 | 41,187,802         | 41,345,663 | 157,861                            | 40,003,836     |
| Licenses and permits:                     |                      |            |                    |            |                                    |                |
| Plumbing fees                             | -                    | 22,000     | 22,000             | 21,759     | (241)                              | 19,350         |
| Town Clerk fees                           | -                    | 77,150     | 77,150             | 124,556    | 47,406                             | 94,517         |
| Building permits                          | -                    | 334,410    | 334,410            | 347,226    | 12,816                             | 356,502        |
| Electrical permits                        | -                    | 20,000     | 20,000             | 26,079     | 6,079                              | 20,900         |
| Zoning Board of Appeals                   | -                    | 5,500      | 5,500              | 14,867     | 9,367                              | 4,575          |
| License plate fees                        | -                    | 62,675     | 62,675             | 68,033     | 5,358                              | 66,064         |
| Subdivision fees                          | -                    | 10,000     | 10,000             | 8,900      | (1,100)                            | 4,575          |
| Total licenses and permits                | -                    | 531,735    | 531,735            | 611,420    | 79,685                             | 566,483        |
| Intergovernmental:                        |                      |            |                    |            |                                    |                |
| Education state subsidies                 | -                    | 5,715,173  | 5,715,173          | 5,715,173  | -                                  | 4,532,559      |
| FEMA reimbursement                        | -                    | -          | -                  | -          | -                                  | 149,408        |
| FEMA fire account                         | -                    | -          | -                  | -          | -                                  | 50,687         |
| Homeland Security                         | -                    | -          | -                  | -          | -                                  | 53,160         |
| State Revenue Sharing                     | -                    | 1,418,000  | 1,418,000          | 1,432,953  | 14,953                             | 1,449,141      |
| Homestead exemption                       | -                    | 304,855    | 304,855            | 305,211    | 356                                | 300,361        |
| URIP (D.O.T. block grant)                 | -                    | 290,000    | 290,000            | 347,440    | 57,440                             | 292,196        |
| ecomaine payment in lieu of taxes         | -                    | 77,148     | 77,148             | 78,581     | 1,433                              | 71,450         |
| Adult education State subsidies           | -                    | 30,000     | 30,000             | 31,554     | 1,554                              | 30,425         |
| General assistance reimbursement          | -                    | 7,368      | 7,368              | 1,184      | (6,184)                            | 1,169          |
| Federal HIDA revenues                     | -                    | 100,000    | 100,000            | 90,660     | (9,340)                            | 84,760         |
| Medicaid                                  | -                    | 150,000    | 150,000            | 104,795    | (45,205)                           | 162,103        |
| Other Federal and State revenues - School | -                    | 373,087    | 373,087            | 374,309    | 1,222                              | 389,379        |
| Other Federal and State revenues - Town   | -                    | 26,293     | 26,293             | 38,447     | 12,154                             | 100,806        |
| Total intergovernmental                   | -                    | 8,491,924  | 8,491,924          | 8,520,307  | 28,383                             | 7,667,604      |
| Interest earned                           | -                    | 130,000    | 130,000            | 260,661    | 130,661                            | 159,450        |
| Unclassified:                             |                      |            |                    |            |                                    |                |
| School Department                         | -                    | 45,000     | 45,000             | 96,670     | 51,670                             | 63,553         |
| Adult education                           | -                    | 17,500     | 17,500             | 5,555      | (11,945)                           | 6,935          |
| Community services                        | -                    | 1,284,142  | 1,284,142          | 1,351,165  | 67,023                             | 1,320,470      |
| Police court time                         | -                    | 10,000     | 10,000             | 9,753      | (247)                              | 15,312         |
| Snow plowing service                      | -                    | 4,000      | 4,000              | 8,364      | 4,364                              | 4,100          |
| Alarm repair reimbursements               | -                    | 10,000     | 10,000             | 21,050     | 11,050                             | 11,625         |
| Insurance reimbursements                  | -                    | 15,000     | 15,000             | 33,511     | 18,511                             | 38,383         |
| Parking violations                        | -                    | 10,000     | 10,000             | 10,180     | 180                                | 10,649         |
| Special police                            | -                    | 103,000    | 103,000            | 100,677    | (2,323)                            | 93,293         |
| Inspection/review fees                    | -                    | 100,400    | 100,400            | 177,991    | 77,591                             | 180,631        |
| Rescue donations                          | -                    | 350,000    | 350,000            | 350,000    | -                                  | 330,000        |
| Rental income                             | -                    | 33,089     | 33,089             | 30,193     | (2,896)                            | 20,606         |
| Sale of Town-owned property               | -                    | 32,214     | 32,214             | 96,636     | 64,422                             | 46,810         |
| Legal/engineering salary reimbursement    | -                    | 416,325    | 416,325            | 374,199    | (42,126)                           | 383,281        |
| Vehicle fuel reimbursement                | -                    | 253,400    | 253,400            | 386,574    | 133,174                            | 294,668        |
| Vehicle maintenance reimbursement         | -                    | 265,775    | 265,775            | 216,364    | (49,411)                           | 264,935        |
| Lease revenue                             | -                    | -          | -                  | 151,270    | 151,270                            | -              |
| Miscellaneous                             | -                    | 90,200     | 90,200             | 133,550    | 43,350                             | 100,772        |
| Total unclassified                        | -                    | 3,040,045  | 3,040,045          | 3,553,702  | 513,657                            | 3,186,023      |
| Total revenues                            | -                    | 53,381,506 | 53,381,506         | 54,291,753 | 910,247                            | 51,583,396     |



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

|                                  |              | 2006       |            |            |                        |            |  |
|----------------------------------|--------------|------------|------------|------------|------------------------|------------|--|
|                                  | 2005         |            | Total      |            | Variance               | 2005       |  |
|                                  | carryforward | Budget     | available  | Actual     | positive<br>(negative) | Actual     |  |
| Expenditures:                    |              |            |            |            |                        |            |  |
| Current:                         |              |            |            |            |                        |            |  |
| General government:              |              |            |            |            |                        |            |  |
| Town Council                     | \$ -         | 11,573     | 11,573     | 11,573     | -                      | 11,572     |  |
| Administration                   | -            | 227,069    | 227,069    | 227,637    | (568)                  | 223,925    |  |
| Town Clerk                       | -            | 164,077    | 164,077    | 167,525    | (3,448)                | 169,076    |  |
| Planning                         | -            | 727,474    | 727,474    | 885,041    | (157,567)              | 746,862    |  |
| Assessing department             | -            | 229,823    | 229,823    | 229,606    | 217                    | 221,699    |  |
| Human resources                  | 186          | 179,347    | 179,533    | 170,671    | 8,862                  | 172,474    |  |
| Personnel benefits               | -            | 35,000     | 35,000     | 111,031    | (76,031)               | 39,737     |  |
| Management information systems   | -            | 495,292    | 495,292    | 494,303    | 989                    | 471,197    |  |
| Municipal building               | 20,000       | 260,422    | 280,422    | 284,616    | (4,194)                | 238,265    |  |
| General government               | -            | 100,745    | 100,745    | 79,462     | 21,283                 | 71,894     |  |
| Finance                          | -            | 362,052    | 362,052    | 349,413    | 12,639                 | 341,949    |  |
| Purchasing                       | -            | 72,232     | 72,232     | 59,311     | 12,921                 | 96,222     |  |
| Taxation/Treasury                | -            | 342,184    | 342,184    | 379,868    | (37,684)               | 308,593    |  |
| Legal                            | -            | 69,000     | 69,000     | 345,882    | (276,882)              | 84,944     |  |
| Risk management                  | -            | 421,729    | 421,729    | 475,398    | (53,669)               | 459,533    |  |
| Public information               | 5,005        | 9,600      | 14,605     | 8,603      | 6,002                  | 5,220      |  |
| Engineering                      | -            | 7,500      | 7,500      | 2,599      | 4,901                  | 6,742      |  |
| Outside agencies                 | -            | 59,546     | 59,546     | 57,809     | 1,737                  | 57,127     |  |
| Total general government         | 25,191       | 3,774,665  | 3,799,856  | 4,340,348  | (540,492)              | 3,727,031  |  |
| Public services:                 |              |            |            |            |                        |            |  |
| Library                          | -            | 645,679    | 645,679    | 645,679    | -                      | 629,939    |  |
| Public health and welfare        | -            | 15,185     | 15,185     | 12,927     | 2,258                  | 2,221      |  |
| Enterprise Park tax rebate       | -            | -          | -          | -          | -                      | 50,397     |  |
| Economic Development Corporation | -            | 209,068    | 209,068    | 210,133    | (1,065)                | 206,126    |  |
| Community services               | 895          | 1,815,100  | 1,815,995  | 1,980,654  | (164,659)              | 1,754,231  |  |
| Total public services            | 895          | 2,685,032  | 2,685,927  | 2,849,393  | (163,466)              | 2,642,914  |  |
| Public safety:                   |              |            |            |            |                        |            |  |
| Fire Department                  | 8,668        | 1,545,510  | 1,554,178  | 1,412,628  | 141,550                | 1,414,202  |  |
| Police Department                | 90,677       | 3,735,384  | 3,826,061  | 3,733,757  | 92,304                 | 3,493,267  |  |
| Emergency Management             | 439          | 35,288     | 35,727     | 27,687     | 8,040                  | 29,349     |  |
| Marine resources                 | -            | 75,883     | 75,883     | 76,720     | (837)                  | 69,829     |  |
| Emergency Medical Services       | -            | 969,431    | 969,431    | 928,959    | 40,472                 | 914,662    |  |
| Total public safety              | 99,784       | 6,361,496  | 6,461,280  | 6,179,751  | 281,529                | 5,921,309  |  |
| Public works:                    |              |            |            |            |                        |            |  |
| Public Works Department          | 56,521       | 2,313,996  | 2,370,517  | 2,290,275  | 80,242                 | 2,082,358  |  |
| Vehicle maintenance              | 4,234        | 1,210,627  | 1,214,861  | 1,294,614  | (79,753)               | 1,257,943  |  |
| Water charges                    | -            | 169,632    | 169,632    | 151,793    | 17,839                 | 163,602    |  |
| Street lighting                  | -            | 133,000    | 133,000    | 150,377    | (17,377)               | 139,201    |  |
| Traffic signals                  | 2,120        | 104,159    | 106,279    | 100,213    | 6,066                  | 87,317     |  |
| Cemetery care                    | -            | 26,595     | 26,595     | 25,291     | 1,304                  | 23,869     |  |
| Memorials                        | -            | 8,893      | 8,893      | 7,818      | 1,075                  | 8,576      |  |
| Shade trees                      | 2,000        | 24,600     | 26,600     | 30,305     | (3,705)                | 8,350      |  |
| Engineering services             | -            | 35,000     | 35,000     | 29,814     | 5,186                  | 16,591     |  |
| Solid waste program              | -            | 1,657,100  | 1,657,100  | 1,621,533  | 35,567                 | 1,582,515  |  |
| Total public works               | 64,875       | 5,683,602  | 5,748,477  | 5,702,033  | 46,444                 | 5,370,322  |  |
| Education:                       |              |            |            |            |                        |            |  |
| Regular high school (9-12)       | -            | 4,766,814  | 4,766,814  | 4,715,124  | 51,690                 | 4,357,551  |  |
| Regular middle school (6-8)      | -            | 3,534,994  | 3,534,994  | 3,540,408  | (5,414)                | 3,248,521  |  |
| Regular elementary school (3-5)  | -            | 3,419,367  | 3,419,367  | 3,390,106  | 29,261                 | 3,204,114  |  |
| Regular elementary school (K-2)  | -            | 3,143,265  | 3,143,265  | 3,112,435  | 30,830                 | 2,881,333  |  |
| Special services                 | -            | 4,801,918  | 4,801,918  | 4,729,712  | 72,206                 | 4,465,957  |  |
| Transportation                   | -            | 1,290,513  | 1,290,513  | 1,227,022  | 63,491                 | 1,172,590  |  |
| Maintenance                      | -            | 2,174,814  | 2,174,814  | 2,179,654  | (4,840)                | 2,025,541  |  |
| Central office                   | -            | 672,476    | 672,476    | 636,874    | 35,602                 | 635,597    |  |
| Debt service                     | -            | 4,728,407  | 4,728,407  | 4,728,407  | -                      | 4,272,027  |  |
| System-wide                      | -            | 1,780,324  | 1,780,324  | 1,700,574  | 79,750                 | 1,650,470  |  |
| Computer systems management      | -            | 323,538    | 323,538    | 316,802    | 6,736                  | 297,604    |  |
| Adult education                  | -            | 109,026    | 109,026    | 71,765     | 37,261                 | 76,438     |  |
| Total education                  | -            | 30,745,456 | 30,745,456 | 30,348,883 | 396,573                | 28,287,743 |  |

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

|   | 2006                 |             |                    |                     |                                    | 2005<br>Actual   |
|---|----------------------|-------------|--------------------|---------------------|------------------------------------|------------------|
|   | 2005<br>carryforward | Budget      | Total<br>available | Actual              | Variance<br>positive<br>(negative) |                  |
| Expenditures, continued:                                      |                      |             |                    |                     |                                    |                  |
| Current, continued:   |                      |             |                    |                     |                                    |                  |
| County tax  | \$ -                 | 1,584,344   | 1,584,344          | 1,584,344           | -                                  | 1,519,714        |
| Emergency management  | -                    | -           | -                  | -                   | -                                  | 40,638           |
| Debt service (excluding education):                           |                      |             |                    |                     |                                    |                  |
| Principal   | -                    | 2,957,054   | 2,957,054          | 2,957,054           | -                                  | 3,113,081        |
| Interest and other costs                                      | -                    | 1,141,344   | 1,141,344          | 1,108,323           | 33,021                             | 1,191,120        |
| Total debt service  | -                    | 4,098,398   | 4,098,398          | 4,065,377           | 33,021                             | 4,304,201        |
| Capital improvements  | 794,140              | 515,920     | 1,310,060          | 1,114,864           | 195,196                            | 1,119,917        |
| Total expenditures  | 984,885              | 55,448,913  | 56,433,798         | 56,184,993          | 248,805                            | 52,933,789       |
| Excess (deficiency) of revenues over<br>(under) expenditures  | (984,885)            | (2,067,407) | (3,052,292)        | (1,893,240)         | 1,159,052                          | (1,350,393)      |
| Other financing sources (uses):                               |                      |             |                    |                     |                                    |                  |
| Operating transfers - in                                      | -                    | 2,170,549   | 2,170,549          | 2,166,015           | (4,534)                            | 2,086,828        |
| Operating transfers - out                                     | -                    | (589,987)   | (589,987)          | (608,069)           | (18,082)                           | (795,906)        |
| General obligation bonds                                      | -                    | 381,000     | 381,000            | 936,000             | 555,000                            | 870,175          |
| Utilization of prior year surplus and carryforward<br>balance | 984,885              | 475,000     | 1,459,885          | -                   | (1,459,885)                        | -                |
| Overlay   | -                    | (369,155)   | (369,155)          | -                   | 369,155                            | -                |
| Total other financing sources (uses)                          | 984,885              | 2,067,407   | 3,052,292          | 2,493,946           | (558,346)                          | 2,161,097        |
| Net change in fund balances - budgetary basis                 | -                    | -           | -                  | 600,706             | 600,706                            | 810,704          |
| Reconciliation to GAAP:                                       |                      |             |                    |                     |                                    |                  |
| Change in accrued salaries                                    |                      |             |                    | (134,439)           |                                    | (56,271)         |
| Fund balances, beginning of year                              |                      |             |                    | 7,760,008           |                                    | 7,005,575        |
| <b>Fund balances, end of year</b>                             |                      |             |                    | <b>\$ 8,226,275</b> |                                    | <b>7,760,008</b> |

## **OTHER GOVERNMENTAL FUNDS**

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

**TOWN OF SCARBOROUGH, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2006**

|  | <b>Special<br/>Revenue<br/>Funds</b> | <b>Capital<br/>Projects<br/>Funds</b> | <b>Permanent<br/>Funds</b> | <b>Total Other<br/>Governmental<br/>Funds</b> |
|--|--------------------------------------|---------------------------------------|----------------------------|---|
| <b>ASSETS</b>                              |                                      |                                       |                            |   |
| Cash and cash equivalents                  | \$ 288,374                           | -                                     | -                          | 288,374                                       |
| Investments                                | 3,329,054                            | -                                     | 175,966                    | 3,505,020                                     |
| Accounts receivable                        | 153,629                              | -                                     | -                          | 153,629                                       |
| Notes receivable                           | 7,836                                | -                                     | -                          | 7,836   |
| Due from State of Maine                    | 30,595                               | -                                     | -                          | 30,595  |
| Interfund loans                            | 1,301,199                            | -                                     | 8,000                      | 1,309,199                                     |
| Inventory                                  | 12,559                               | -                                     | -                          | 12,559  |
| <b>Total assets</b>                        | <b>\$ 5,123,246</b>                  | <b>-</b>                              | <b>183,966</b>             | <b>5,307,212</b>                              |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                      |                                       |                            |   |
| Liabilities:                               |                                      |                                       |                            |   |
| Accounts payable                           | 179,623                              | -                                     | -                          | 179,623                                       |
| Accrued payroll                            | 456                                  | -                                     | -                          | 456   |
| Interfund loans                            | 737,026                              | 544,823                               | 952                        | 1,282,801                                     |
| <b>Total liabilities</b>                   | <b>917,105</b>                       | <b>544,823</b>                        | <b>952</b>                 | <b>1,462,880</b>                              |
| Fund balances (deficit):                   |                                      |                                       |                            |   |
| Reserved for:                              |                                      |                                       |                            |   |
| Noncurrent notes receivable                | 2,289                                | -                                     | -                          | 2,289   |
| Inventory                                  | 12,559                               | -                                     | -                          | 12,559  |
| Principal                                  | -                                    | -                                     | 109,928                    | 109,928                                       |
| Unreserved, undesignated                   | 4,191,293                            | (544,823)                             | 73,086                     | 3,719,556                                     |
| <b>Total fund balances (deficit)</b>       | <b>4,206,141</b>                     | <b>(544,823)</b>                      | <b>183,014</b>             | <b>3,844,332</b>                              |
| <b>Total liabilities and fund balances</b> | <b>\$ 5,123,246</b>                  | <b>-</b>                              | <b>183,966</b>             | <b>5,307,212</b>                              |

**TOWN OF SCARBOROUGH, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2006**

|  | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Funds | Permanent<br>Funds | Total Other<br>Governmental<br>Funds |
|--|-----------------------------|------------------------------|--------------------|--------------------------------------|
| <b>Revenues:</b>                           |                             |                              |                    |                                      |
| Intergovernmental                          | \$ 1,767,952                | -                            | -                  | 1,767,952                            |
| Contributions                              | 97,856                      | -                            | -                  | 97,856                               |
| Assessments and impact fees                | 703,203                     | -                            | -                  | 703,203                              |
| Sale of lots                               | 8,000                       | -                            | 8,000              | 16,000                               |
| Other revenue                              | 1,874,812                   | -                            | -                  | 1,874,812                            |
| Interest revenue                           | 125,845                     | -                            | 4,263              | 130,108                              |
| Total revenues                             | 4,577,668                   | -                            | 12,263             | 4,589,931                            |
| <b>Expenditures:</b>                       |                             |                              |                    |                                      |
| Current:                                   |                             |                              |                    |                                      |
| Capital expenditures                       | 1,373,037                   | -                            | -                  | 1,373,037                            |
| Program expenditures                       | 2,518,149                   | -                            | -                  | 2,518,149                            |
| Other                                      | 16,111                      | -                            | 952                | 17,063                               |
| Total expenditures                         | 3,907,297                   | -                            | 952                | 3,908,249                            |
| Excess of revenues<br>over expenditures    | 670,371                     | -                            | 11,311             | 681,682                              |
| <b>Other financing sources (uses):</b>     |                             |                              |                    |                                      |
| Transfer from other funds                  | 482,000                     | 66,670                       | -                  | 548,670                              |
| Transfer to other funds                    | (1,364,453)                 | (60,295)                     | -                  | (1,424,748)                          |
| Total other financing sources (uses)       | (882,453)                   | 6,375                        | -                  | (876,078)                            |
| Net change in fund balances                | (212,082)                   | 6,375                        | 11,311             | (194,396)                            |
| Fund balances (deficit), beginning of year | 4,418,223                   | (551,198)                    | 171,703            | 4,038,728                            |
| Fund balances (deficit), end of year       | \$ 4,206,141                | (544,823)                    | 183,014            | 3,844,332                            |



## **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**

To account for all fees collected from the sale of resident and non-resident parking stickers, and day-to-day parking fees. Fees from combination passes are split evenly between Pine Point Beach and Ferry Beach funds. The monies are used for the maintenance of the beach parking area.

### **Recreation Development**

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

### **Sewer Expansion**

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

### **Hurd Park**

To account for all fees collected from the sale of resident and non-resident parking stickers, and day-to-day parking fees. Funds from combination passes are split evenly between the Hurd Park fund and the Ferry Beach fund. The funds are used for the maintenance of the beach parking area.

### **Scarborough Memorial Improvement**

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

### **Dunstan Cemetery Improvement**

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

### **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.

## **NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED**

### **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.

### **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.

### **Police Asset Forfeiture**

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

### **Hunnewell House**

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

### **Rescue Equipment**

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

### **Fire Department**

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

### **Departmental Grants and Programs**

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



## **NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED**

### **School Development 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.

### **Friends of the Scarborough Marsh**

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

### **Pleasant Hill Area Drainage**

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

### **School Categorical Programs**

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

### **School Lunch Program**

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

### **Computer Replacement Fund**

This fund is used for the replacement of municipal computers.

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

|  | Unemploy-<br>ment<br>Compen-<br>sation | Ferry<br>Beach | Recrea-<br>tional<br>Develop-<br>ment | Sewer<br>Expansion | Hurd<br>Park   | Scarborough<br>Memorial<br>Improve-<br>ment | Dunstan<br>Cemetery<br>Improve-<br>ment | Prouts<br>Landing<br>Conserva-<br>tion<br>Park | Payne<br>Road<br>Improvements |
|--|--|----------------|---------------------------------------|--------------------|----------------|---|---|--|-------------------------------|
| <b>ASSETS</b>                              |  |                |                                       |                    |                |   |   |  |                               |
| Cash and cash equivalents                  | \$ -                                   | -              | 128,201                               | -                  | -              | -   | -                                       | -  | -                             |
| Investments                                | 168,684                                | 124,580        | -                                     | -                  | 147,072        | 72,614                                      | 1,137                                   | 21,951   | 135,067                       |
| Accounts receivable                        | -                                      | -              | 3,000                                 | -                  | -              | -   | -                                       | -  | -                             |
| Notes receivable                           | -                                      | -              | -                                     | -                  | -              | -   | -                                       | 2,289  | -                             |
| Due from State of Maine                    | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -  | -                             |
| Interfund loans receivable                 | -                                      | -              | -                                     | 461,541            | 113,895        | -   | -                                       | -  | -                             |
| Inventory                                  | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -  | -                             |
| <b>Total assets</b>                        | <b>\$ 168,684</b>                      | <b>124,580</b> | <b>131,201</b>                        | <b>461,541</b>     | <b>260,967</b> | <b>72,614</b>                               | <b>1,137</b>                            | <b>577,460</b>                                 | <b>135,067</b>                |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |                |                                       |                    |                |   |   |  |                               |
| <b>Liabilities:</b>                        |  |                |                                       |                    |                |   |   |  |                               |
| Accounts payable                           | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -  | -                             |
| Accrued wages                              | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -  | -                             |
| Interfund loans payable                    | 3,608                                  | 10,723         | 219,675                               | -                  | -              | 2,000                                       | -                                       | 40,721   | 52,654                        |
| <b>Total liabilities</b>                   | <b>3,608</b>                           | <b>10,723</b>  | <b>219,675</b>                        | <b>-</b>           | <b>-</b>       | <b>2,000</b>                                | <b>-</b>                                | <b>40,721</b>                                  | <b>52,654</b>                 |
| <b>Fund balances:</b>                      |  |                |                                       |                    |                |   |   |  |                               |
| Reserved                                   | -                                      | -              | -                                     | -                  | -              | -   | -                                       | 2,289  | -                             |
| Unreserved:                                |  |                |                                       |                    |                |   |   |  |                               |
| Undesignated                               | 165,076                                | 113,857        | (88,474)                              | 461,541            | 260,967        | 70,614                                      | 1,137                                   | 534,450  | 82,413                        |
| <b>Total fund balances (deficit)</b>       | <b>165,076</b>                         | <b>113,857</b> | <b>(88,474)</b>                       | <b>461,541</b>     | <b>260,967</b> | <b>70,614</b>                               | <b>1,137</b>                            | <b>536,739</b>                                 | <b>82,413</b>                 |
| <b>Total liabilities and fund balances</b> | <b>\$ 168,684</b>                      | <b>124,580</b> | <b>131,201</b>                        | <b>461,541</b>     | <b>260,967</b> | <b>72,614</b>                               | <b>1,137</b>                            | <b>577,460</b>                                 | <b>135,067</b>                |

75

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2006**

|  | Unemploy-<br>ment<br>Compen-<br>sation | Ferry<br>Beach | Recrea-<br>tional<br>Develop-<br>ment | Sewer<br>Expansion | Hurd<br>Park   | Scarborough<br>Memorial<br>Improve-<br>ment | Dunstan<br>Cemetery<br>Improve-<br>ment | Industrial<br>Park | Prouts<br>Landing<br>Conserva-<br>tion | Payne<br>Road<br>Improvements |
|--|--|----------------|---------------------------------------|--------------------|----------------|---|---|--------------------|--|-------------------------------|
| <b>Revenues:</b>   |  |                |                                       |                    |                |   |   |                    |  |                               |
| Intergovernmental  | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -                  | -                                      | -                             |
| Interest earned  | 6,142                                  | 6,967          | -                                     | -                  | 5,335          | 2,562                                       | 41                                      | 22,235             | 799                                    | 6,293                         |
| Contributions  | 4,000                                  | -              | -                                     | -                  | 53,058         | -   | -                                       | -                  | -                                      | -                             |
| Sale of Lots   | -                                      | -              | -                                     | -                  | -              | 8,000                                       | -                                       | -                  | -                                      | -                             |
| Other  | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -                  | -                                      | -                             |
| Assessments and impact fees                                      | -                                      | -              | 35,250                                | 346,704            | -              | -   | -                                       | -                  | -                                      | -                             |
| <b>Total revenues</b>  | <b>10,142</b>                          | <b>6,967</b>   | <b>35,250</b>                         | <b>346,704</b>     | <b>58,393</b>  | <b>10,562</b>                               | <b>41</b>                               | <b>22,235</b>      | <b>799</b>                             | <b>6,293</b>                  |
| <b>Expenditures:</b>   |  |                |                                       |                    |                |   |   |                    |  |                               |
| Construction and acquisitions                                    | -                                      | 10,723         | -                                     | -                  | 7,503          | -   | -                                       | 50,000             | -                                      | 52,654                        |
| Benefits paid  | 16,111                                 | -              | -                                     | -                  | -              | -   | -                                       | -                  | -                                      | -                             |
| Program expenditures   | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -                  | -                                      | -                             |
| Other  | -                                      | -              | -                                     | -                  | -              | -   | -                                       | -                  | -                                      | -                             |
| <b>Total expenditures</b>  | <b>16,111</b>                          | <b>10,723</b>  | <b>-</b>                              | <b>-</b>           | <b>7,503</b>   | <b>-</b>                                    | <b>-</b>                                | <b>50,000</b>      | <b>-</b>                               | <b>52,654</b>                 |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(5,969)</b>                         | <b>(3,756)</b> | <b>35,250</b>                         | <b>346,704</b>     | <b>50,890</b>  | <b>10,562</b>                               | <b>41</b>                               | <b>(27,765)</b>    | <b>799</b>                             | <b>(46,361)</b>               |
| <b>Other financing sources (uses):</b>                           |  |                |                                       |                    |                |   |   |                    |  |                               |
| Operating transfers - in   | -                                      | -              | -                                     | 452,000            | -              | -   | -                                       | -                  | -                                      | -                             |
| Operating transfers - out  | -                                      | -              | (17,738)                              | (1,041,515)        | -              | (10,000)                                    | -                                       | -                  | -                                      | -                             |
| <b>Total other financing sources (uses)</b>                      | <b>-</b>                               | <b>-</b>       | <b>(17,738)</b>                       | <b>(589,515)</b>   | <b>-</b>       | <b>(10,000)</b>                             | <b>-</b>                                | <b>-</b>           | <b>-</b>                               | <b>-</b>                      |
| <b>Net change in fund balances</b>                               | <b>(5,969)</b>                         | <b>(3,756)</b> | <b>17,512</b>                         | <b>(242,811)</b>   | <b>50,890</b>  | <b>562</b>                                  | <b>41</b>                               | <b>(27,765)</b>    | <b>799</b>                             | <b>(46,361)</b>               |
| <b>Fund balances (deficit), beginning of year</b>                | <b>171,045</b>                         | <b>117,613</b> | <b>(105,986)</b>                      | <b>704,352</b>     | <b>210,077</b> | <b>70,052</b>                               | <b>1,096</b>                            | <b>564,504</b>     | <b>21,152</b>                          | <b>128,774</b>                |
| <b>Fund balances (deficit), end of year</b>                      | <b>\$ 165,076</b>                      | <b>113,857</b> | <b>(88,474)</b>                       | <b>461,541</b>     | <b>260,967</b> | <b>70,614</b>                               | <b>1,137</b>                            | <b>536,739</b>     | <b>21,951</b>                          | <b>82,413</b>                 |

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

| Payee     | Boat Launch | Police Asset Forfeiture | Hunnewell House | Rescue Equipment | Fire Department | Departmental Grants & Programs | School Development Impact Fees | Friends of the Scarborough Marsh | Pleasant Hill Area Drainage | School Categorical Programs | School Lunch Program | Computer Replacement Fund | Totals      |
|-----------|-------------|-------------------------|-----------------|------------------|-----------------|--------------------------------|--------------------------------|----------------------------------|-----------------------------|-----------------------------|----------------------|---------------------------|-------------|
| -         | -           | 28,532                  | -               | -                | -               | 550,587                        | -                              | -                                | -                           | 978,332                     | 210,501              | -                         | 1,767,952   |
| 55,814    | -           | 90                      | 20              | 5,854            | 106             | 464                            | 9,605                          | 384                              | -                           | -                           | -                    | 3,134                     | 125,845     |
| -         | 8,235       | -                       | -               | 8,595            | 8,968           | 15,000                         | -                              | -                                | -                           | -                           | -                    | -                         | 97,856      |
| -         | -           | -                       | -               | -                | -               | -                              | -                              | -                                | -                           | -                           | -                    | -                         | 8,000       |
| -         | -           | -                       | -               | 652,310          | -               | 68,957                         | -                              | -                                | -                           | 122,234                     | 1,031,311            | -                         | 1,874,812   |
| 21,069    | -           | -                       | -               | -                | -               | -                              | 300,180                        | -                                | -                           | -                           | -                    | -                         | 703,203     |
| 76,883    | 8,235       | 28,622                  | 20              | 666,759          | 9,074           | 635,008                        | 309,785                        | 384                              | -                           | 1,100,566                   | 1,241,812            | 3,134                     | 4,577,668   |
| -         | 5,167       | 20,000                  | -               | 403,336          | 19,434          | 794,000                        | -                              | 10,220                           | -                           | -                           | -                    | -                         | 1,373,037   |
| -         | -           | -                       | -               | -                | -               | -                              | -                              | -                                | -                           | -                           | -                    | -                         | 16,111      |
| -         | -           | -                       | 692             | 143,662          | -               | -                              | -                              | -                                | -                           | 1,143,181                   | 1,230,614            | -                         | 2,518,149   |
| -         | -           | -                       | -               | -                | -               | -                              | -                              | -                                | -                           | -                           | -                    | -                         | -           |
| -         | 5,167       | 20,000                  | 692             | 546,998          | 19,434          | 794,000                        | -                              | 10,220                           | -                           | 1,143,181                   | 1,230,614            | -                         | 3,907,297   |
| 76,883    | 3,068       | 8,622                   | (672)           | 119,761          | (10,360)        | (158,992)                      | 309,785                        | (9,836)                          | -                           | (42,615)                    | 11,198               | 3,134                     | 670,371     |
| -         | -           | -                       | -               | -                | -               | -                              | -                              | -                                | -                           | -                           | 30,000               | -                         | 482,000     |
| -         | -           | -                       | -               | -                | -               | -                              | (295,200)                      | -                                | -                           | -                           | -                    | -                         | (1,364,453) |
| -         | -           | -                       | -               | -                | -               | -                              | (295,200)                      | -                                | -                           | -                           | 30,000               | -                         | (882,453)   |
| 76,883    | 3,068       | 8,622                   | (672)           | 119,761          | (10,360)        | (158,992)                      | 14,585                         | (9,836)                          | -                           | (42,615)                    | 41,198               | 3,134                     | (212,082)   |
| 1,502,845 | (39,940)    | 58,939                  | 787             | 355,323          | 17,147          | 57,968                         | 480,106                        | 10,146                           | 16,655                      | 65,041                      | (37,434)             | 47,961                    | 4,418,223   |
| 1,579,728 | (36,872)    | 67,561                  | 115             | 475,084          | 6,787           | (101,024)                      | 494,691                        | 310                              | 16,655                      | 22,426                      | 3,764                | 51,095                    | 4,206,141   |

**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, 2006**

|  | Fund<br>balances<br>beginning<br>of year | Revenues |         | Program<br>expenditures | Fund<br>balances<br>end<br>of year |
|--|--|----------|---------|-------------------------|------------------------------------|
|  |  | Grants   | Other   |                         |                                    |
| Federal education grant programs:      |  |          |         |                         |                                    |
| NCLB/Title IA                          | \$ 1,206                                 | 150,733  | -       | 150,138                 | 1,801                              |
| NCLB/Title IIA                         | (3,747)                                  | 85,337   | -       | 68,895                  | 12,695                             |
| NCLB/Title IID                         | 4,907                                    | 2,978    | -       | 4,611                   | 3,274                              |
| NCLB/Title IVA                         | 4,061                                    | 6,411    | -       | 3,731                   | 6,741                              |
| NCLB/Title VA                          | 1,735                                    | 13,916   | -       | 12,554                  | 3,097                              |
| Refugee Resettlement                   | 4,635                                    | 2,930    | -       | 1,645                   | 5,920                              |
| Local Entitlement                      | (979)                                    | 595,882  | -       | 665,092                 | (70,189)                           |
| Preschool handicapped                  | -  | 3,289    | -       | -                       | 3,289                              |
| Title II (Eisenhower Math and Science) | 4,108                                    | -        | -       | -                       | 4,108                              |
| Goals 2000                             | 48                                       | -        | -       | -                       | 48                                 |
| Total federal education grant programs | 15,974                                   | 861,476  | -       | 906,666                 | (29,216)                           |
| Other State grant programs:            |  |          |         |                         |                                    |
| State Agency Clients                   | 7,785                                    | 90,095   | -       | 96,912                  | 968                                |
| Professional Development Grant         | 34,898                                   | 29,691   | -       | 22,756                  | 41,833                             |
| Total other state grant programs       | 42,683                                   | 119,786  | -       | 119,668                 | 42,801                             |
| Co-curricular programs:                |  |          |         |                         |                                    |
| Red Storm Football                     | (159)                                    | -        | 17,977  | 16,842                  | 976                                |
| Ice Hockey                             | -  | -        | 13,070  | 13,063                  | 7                                  |
| HS Girls Ice Hockey                    | -  | -        | 7,490   | 7,491                   | (1)                                |
| HS Lacrosse                            | 2,577                                    | -        | 7,143   | 7,976                   | 1,744                              |
| Girl's Lacrosse                        | (1,859)                                  | -        | 4,000   | 4,055                   | (1,914)                            |
| Gym Dandies                            | 311                                      | -        | 13,194  | 13,167                  | 338                                |
| Varsity Track                          | -  | -        | -       | -                       | -                                  |
| Baseball and Softball                  | (3)                                      | -        | -       | -                       | (3)                                |
| High School/MS Swimming                | -  | -        | 10,840  | 7,792                   | 3,048                              |
| Field Hockey                           | (105)                                    | -        | 7,391   | 7,347                   | (61)                               |
| Foreign Language Club                  | (59)                                     | -        | -       | -                       | (59)                               |
| HS Volleyball                          | 105                                      | -        | 3,658   | 3,763                   | -                                  |
| HS Wrestling                           | (2,867)                                  | -        | 5,817   | 3,022                   | (72)                               |
| Maine Nutrition Program                | 500                                      | -        | -       | -                       | 500                                |
| Community Services transportation      | (1,035)                                  | -        | 23,927  | 26,086                  | (3,194)                            |
| Community Foundation Grant             | 98                                       | -        | 157     | 98                      | 157                                |
| Band                                   | -  | -        | 2,000   | 2,204                   | (204)                              |
| Wal Mart Adult Ed grant                | -  | -        | 1,000   | -                       | 1,000                              |
| SMS Math/UNUM                          | -  | -        | 2,000   | 1,998                   | 2                                  |
| MS Health Grant                        | (388)                                    | -        | -       | -                       | (388)                              |
| Total co-curricular programs           | (2,884)                                  | -        | 119,664 | 114,904                 | 1,876                              |
| Other special programs:                |  |          |         |                         |                                    |
| Wellness Activities                    | 105                                      | -        | 90      | 149                     | 46                                 |
| Winslow Homer Auditorium               | 4,286                                    | -        | (450)   | 950                     | 2,886                              |
| Beacon Learning Center                 | 4,877                                    | -        | -       | 844                     | 4,033                              |
| Total other special programs           | 9,268                                    | -        | (360)   | 1,943                   | 6,965                              |
| Total school categorical programs      | \$ 65,041                                | 981,262  | 119,304 | 1,143,181               | 22,426                             |



## **NONMAJOR CAPITAL PROJECT FUNDS**

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

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

### **Municipal Building Fund**

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

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Capital Project Fund**  
**Balance Sheet**  
**June 30, 2006**

|   |           | <b>Municipal<br/>Building<br/>Fund</b> |
|---|-----------|--|
| <b>ASSETS</b>                                 |           |  |
| Cash and cash equivalents                     | \$        | -                                      |
| Interfund loans receivable                    |           | -                                      |
| <b>Total assets</b>                           | <b>\$</b> | <b>-</b>                               |
| <b>LIABILITIES AND<br/>FUND BALANCE</b>       |           |  |
| Liabilities:                                  |           |  |
| Interfund loans payable                       |           | 544,823                                |
| <b>Total liabilities</b>                      |           | <b>544,823</b>                         |
| Fund balance (deficit):                       |           |  |
| Unreserved:                                   |           |  |
| Designated                                    |           | -                                      |
| Undesignated                                  |           | (544,823)                              |
| <b>Total fund deficit</b>                     |           | <b>(544,823)</b>                       |
| <b>Total liabilities<br/>and fund balance</b> | <b>\$</b> | <b>-</b>                               |

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Capital Project Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2006**

|  | <b>Municipal<br/>Building<br/>Fund</b> |
|--|--|
| Revenues:  |  |
| Interest earned  | \$ -                                   |
| Intergovernmental  | -                                      |
| Other  | -                                      |
| Total revenues   | -                                      |
| Expenditures:  |  |
| Construction and professional services                       | -                                      |
| Total expenditures   | -                                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                                      |
| Other financing sources (uses):                              |  |
| Operating transfers - in                                     | 66,670                                 |
| Operating transfers - out                                    | (60,295)                               |
| Proceeds of general obligation bonds                         | -                                      |
| Total other financing<br>sources (uses)                      | 6,375                                  |
| Net change in fund balances                                  | 6,375                                  |
| Fund deficit, beginning of year                              | (551,198)                              |
| <b>Fund deficit, end of year</b>                             | <b>\$ (544,823)</b>                    |



## **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.

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

|  | Scarborough<br>Memorial<br>Cemetery | Dunstan<br>Perpetual<br>Care | Mary A.<br>Tucker<br>Fund | Totals         |
|--|-------------------------------------|------------------------------|---------------------------|----------------|
| <b>ASSETS</b>                              |                                     |                              |                           |                |
| Investments                                | \$ 147,376                          | 25,777                       | 2,813                     | 175,966        |
| Interfund loans receivable                 | 8,000                               | -                            | -                         | 8,000          |
| <b>Total assets</b>                        | <b>\$ 155,376</b>                   | <b>25,777</b>                | <b>2,813</b>              | <b>183,966</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                     |                              |                           |                |
| Liabilities:                               |                                     |                              |                           |                |
| Interfund loans payable                    | -                                   | 952                          | -                         | 952            |
| <b>Total liabilities</b>                   | <b>-</b>                            | <b>952</b>                   | <b>-</b>                  | <b>952</b>     |
| Fund balances:                             |                                     |                              |                           |                |
| Principal                                  | 96,061                              | 13,367                       | 500                       | 109,928        |
| Unexpended income                          | 59,315                              | 11,458                       | 2,313                     | 73,086         |
| <b>Total fund balances</b>                 | <b>155,376</b>                      | <b>24,825</b>                | <b>2,813</b>              | <b>183,014</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 155,376</b>                   | <b>25,777</b>                | <b>2,813</b>              | <b>183,966</b> |

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2006**

|                                      | <b>Scarborough<br/>Memorial<br/>Cemetery</b> | <b>Dunstan<br/>Perpetual<br/>Care</b> | <b>Mary A.<br/>Tucker<br/>Fund</b> | <b>Totals</b> |
|--------------------------------------|--|---------------------------------------|------------------------------------|---------------|
| Revenues:                            |  |                                       |                                    |               |
| Interest and dividends               | \$ 3,292                                     | 952                                   | 19                                 | 4,263         |
| Sale of lots/perpetual care deposits | 8,000  | -                                     | -                                  | 8,000         |
| Total revenues                       | 11,292                                       | 952                                   | 19                                 | 12,263        |
| Expenditures:                        |  |                                       |                                    |               |
| Earnings retained by General Fund    | -  | 952                                   | -                                  | 952           |
| Other                                | -  | -                                     | -                                  | -             |
| Total expenditures                   | -  | 952                                   | -                                  | 952           |
| Net change in fund balances          | 11,292                                       | -                                     | 19                                 | 11,311        |
| Fund balances, beginning of year     | 144,084                                      | 24,825                                | 2,794                              | 171,703       |
| Fund balances, end of year           | \$ 155,376                                   | 24,825                                | 2,813                              | 183,014       |



## **PRIVATE-PURPOSE TRUST FUNDS**

### **Shirley Grover Fund**

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.

### **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.

## **PRIVATE-PURPOSE TRUST FUNDS, CONTINUED**

### **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.

### **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 in memory of Virginia Jackson established by her family to provide a \$1,500 annual scholarship to one Scarborough High School senior who will be attending college upon graduation.

**TOWN OF SCARBOROUGH, MAINE**  
**Trust Funds - Private-purpose**  
**Combining Statement of Fiduciary Net Assets**  
**June 30, 2006**

|   |    | Mary Campbell | Edith Waga  | Packy McFarland | Roy Nelson  | Daniel Tranchemontagne | Virginia Jackson | Evelyn J. Chadron | S. Dwight Howard Mem. | Bertha Libby-Lary | Academic Decathlon | Kathy Pearson |               |
|---|----|---------------|-------------|-----------------|-------------|------------------------|------------------|-------------------|-----------------------|-------------------|--------------------|---------------|---------------|
|   |    | Fund          | Scholarship | Scholarship     | Scholarship | Scholarship            | Scholarship      | Scholarship       | Scholarship           | Scholarship       | Scholarship        | Scholarship   |               |
|   |    |               |             |                 |             |                        |                  |                   |                       |                   |                    |               |               |
| <b>ASSETS</b>                           |    |               |             |                 |             |                        |                  |                   |                       |                   |                    |               | <b>Totals</b> |
| Cash and cash equivalents               |    |               |             |                 |             |                        |                  |                   |                       |                   |                    |               |               |
| Investments                             | \$ | 1,439         | 93,740      | 103,032         | 3,444       | 300                    | 1,032            | 26,851            | 3,357                 | 12,177            | 1,939              | 4,084         | 251,672       |
| Interfund loans                         |    |               |             |                 |             |                        | 1,000            | 87                |                       |                   |                    |               | 1,087         |
| <b>Total assets</b>                     | \$ | 1,439         | 93,740      | 103,032         | 3,444       | 300                    | 2,032            | 26,938            | 3,357                 | 12,177            | 1,939              | 4,084         | 252,759       |
| <b>LIABILITIES AND NET ASSETS</b>       |    |               |             |                 |             |                        |                  |                   |                       |                   |                    |               |               |
| <b>Liabilities:</b>                     |    |               |             |                 |             |                        |                  |                   |                       |                   |                    |               |               |
| Interfund loans                         |    |               | 1,000       |                 | 400         |                        |                  | 1,500             | 150                   |                   |                    |               | 3,050         |
| Accounts payable                        |    |               |             |                 |             |                        |                  |                   |                       | 1,500             |                    | 250           | 1,950         |
| <b>Total liabilities</b>                |    |               | 1,000       |                 | 400         |                        |                  | 1,500             | 150                   | 1,500             |                    | 250           | 5,000         |
| <b>Net assets:</b>                      |    |               |             |                 |             |                        |                  |                   |                       |                   |                    |               |               |
| Principal                               |    | 1,240         | 87,680      | 100,000         |             |                        |                  |                   | 2,026                 | 3,500             |                    | 3,810         | 198,756       |
| Undesignated                            |    | 199           | 5,060       | 3,032           | 3,044       | 300                    | 2,032            | 25,438            | 1,181                 | 7,177             | 1,939              | 24            | 49,003        |
| <b>Total net assets</b>                 |    | 1,439         | 92,740      | 103,032         | 3,044       | 300                    | 2,032            | 25,438            | 3,207                 | 10,677            | 1,939              | 3,834         | 247,759       |
| <b>Total liabilities and net assets</b> | \$ | 1,439         | 93,740      | 103,032         | 3,444       | 300                    | 2,032            | 26,938            | 3,357                 | 12,177            | 1,939              | 4,084         | 252,759       |

**TOWN OF SCARBOROUGH, MAINE**  
**Trust Funds - Private-purpose**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2006**

|                               | Mary Campbell Peterson Fund | Edith Waga Art Scholarship | Packy McFarland Scholarship | Roy Nelson Scholarship | Daniel Tranchemontagne Scholarship | Virginia Jackson Scholarship | Evelyn J. Chaddon Mem. Scholarship | S. Dwight Howard Mem. Scholarship | Bertha Libby-Lary Scholarship | Academic Decathlon Scholarship | Kathy Pearson Scholarship | Totals     |
|-------------------------------|-----------------------------|----------------------------|-----------------------------|------------------------|------------------------------------|------------------------------|------------------------------------|-----------------------------------|-------------------------------|--------------------------------|---------------------------|------------|
| <b>Additions</b>              |                             |                            |                             |                        |                                    |                              |                                    |                                   |                               |                                |                           |            |
| Donations                     | -                           | -                          | -                           | -                      | -                                  | -                            | -                                  | -                                 | -                             | -                              | -                         | -          |
| Interest and dividends        | 48                          | 3,286                      | 3,608                       | 124                    | 17                                 | 1,000                        | 87                                 | -                                 | -                             | -                              | -                         | 1,087      |
| Total additions               | 48                          | 3,286                      | 3,608                       | 124                    | 17                                 | 1,019                        | 983                                | 10                                | 78                            | 71                             | 108                       | 8,481      |
|                               |                             |                            |                             |                        |                                    |                              | 1,070                              | 10                                | 78                            | 71                             | 108                       | 9,568      |
| <b>Deductions:</b>            |                             |                            |                             |                        |                                    |                              |                                    |                                   |                               |                                |                           |            |
| School scholarships           | -                           | 1,000                      | 2,000                       | 400                    | 300                                | 1,000                        | 1,500                              | -                                 | 150                           | 250                            | -                         | 6,600      |
| Total deductions              | -                           | 1,000                      | 2,000                       | 400                    | 300                                | 1,000                        | 1,500                              | -                                 | 150                           | 250                            | -                         | 6,600      |
| Changes in net assets         | 48                          | 2,286                      | 1,608                       | (276)                  | (283)                              | 19                           | (430)                              | 10                                | (72)                          | (121)                          | 108                       | 2,968      |
| Net assets, beginning of year | 1,391                       | 90,454                     | 101,424                     | 3,320                  | 583                                | 2,013                        | 25,868                             | 67                                | 3,279                         | 10,798                         | 3,726                     | 244,791    |
| Net assets, end of year       | \$ 1,439                    | \$ 92,740                  | \$ 103,032                  | \$ 3,044               | \$ 300                             | \$ 2,032                     | \$ 25,438                          | \$ 77                             | \$ 3,207                      | \$ 10,677                      | \$ 3,834                  | \$ 247,759 |

**TOWN OF SCARBOROUGH, MAINE**  
**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2006**

|                            |    | Balance<br>July 1, 2005 | Additions | Deletions | Balance<br>June 30, 2006 |
|----------------------------|----|-------------------------|-----------|-----------|--------------------------|
| <b>STUDENT ACTIVITIES:</b> |    |                         |           |           |                          |
| <b>ASSETS</b>              |    |                         |           |           |                          |
| Cash                       | \$ | 193,461                 | 222,523   | 241,799   | 174,185                  |
| <b>LIABILITIES</b>         |    |                         |           |           |                          |
| Payable to student groups  | \$ | 193,461                 | 222,523   | 241,799   | 174,185                  |

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***



## **GENERAL LONG-TERM DEBT**

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***



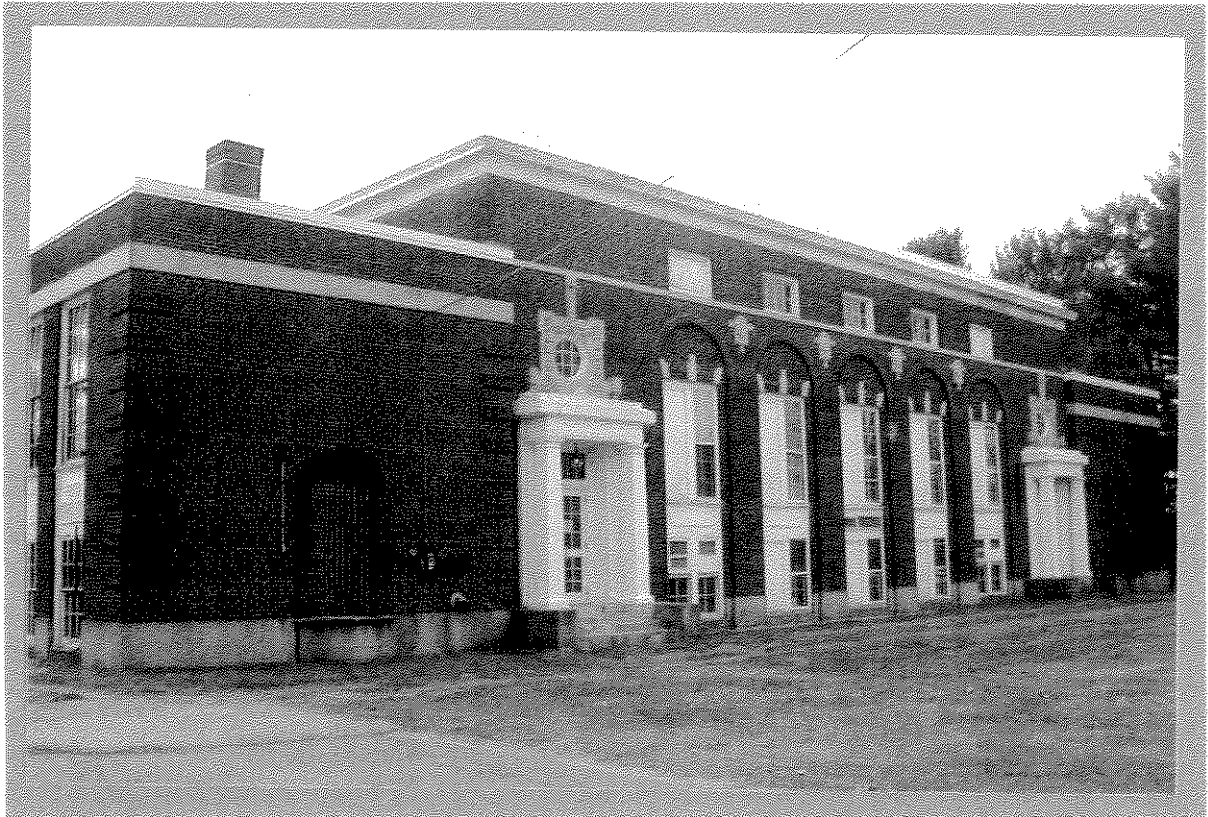
**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Changes in Long-term Debt**  
**For the year ended June 30, 2006**

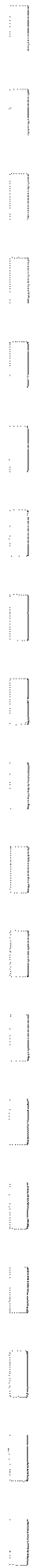
|                           | Interest<br>rate | Final<br>maturity<br>date |    | Annual<br>principal<br>payments | Balance<br>beginning<br>of year | Current Year |           | Balance<br>end<br>of year |
|---------------------------|------------------|---------------------------|----|---------------------------------|---------------------------------|--------------|-----------|---------------------------|
|                           |                  |                           |    |                                 |                                 | Issued       | Retired   |                           |
| General Obligation Bonds  |                  |                           |    |                                 |                                 |              |           |                           |
| 1987 Capital Improvements | Varies           | 2008                      | \$ | 125,000 to 2008                 | 375,000                         |              | 125,000   | 250,000                   |
| 1988 Capital Improvements | Varies           | 2009                      |    | 275,000 to 2009                 | 1,100,000                       |              | 275,000   | 825,000                   |
| 1989 Capital Improvements | Varies           | 2009                      |    | 110,000 to 2008                 |                                 |              |           |                           |
|                           |                  |                           |    | 100,000 in 2009                 | 430,000                         |              | 110,000   | 320,000                   |
| 1990 Capital Improvements | Varies           | 2011                      |    | 335,000 to 2007                 |                                 |              |           |                           |
|                           |                  |                           |    | 325,000 to 2010                 | 1,970,000                       |              | 335,000   | 1,635,000                 |
| 1993 Capital Improvements | Varies           | 2013                      |    | 25,000 to 2013                  | 200,000                         |              | 25,000    | 175,000                   |
| 1994 Capital Improvements | Varies           | 2015                      |    | 230,000 to 2015                 | 2,300,000                       |              | 230,000   | 2,070,000                 |
| 1995 Capital Improvements | 6.00%            | 2006                      |    | 12,433.22 in 2006               | 12,433                          |              | 12,433    | -                         |
| 1995 Capital Improvements | Varies           | 2016                      |    | 305,000 to 2006                 |                                 |              |           |                           |
|                           |                  |                           |    | 265,000 to 2016                 | 2,955,000                       |              | 305,000   | 2,650,000                 |
| 1997 Capital Improvements | Varies           | 2017                      |    | 205,000 to 2007                 |                                 |              |           |                           |
|                           |                  |                           |    | 110,000 to 2017                 | 1,510,000                       |              | 205,000   | 1,305,000                 |
| 1998 Capital Improvements | Varies           | 2008                      |    | 100,000 to 2007                 |                                 |              |           |                           |
|                           |                  |                           |    | 85,000 in 2008                  | 285,000                         |              | 100,000   | 185,000                   |
| 1999 Capital Improvements | Varies           | 2019                      |    | 400,000 to 2007                 |                                 |              |           |                           |
|                           |                  |                           |    | 395,000 to 2009                 |                                 |              |           |                           |
|                           |                  |                           |    | 70,000 to 2019                  | 2,290,000                       |              | 400,000   | 1,890,000                 |
| 2000 Capital Improvements | Varies           | 2020                      |    | 210,000 to 2008                 |                                 |              |           |                           |
|                           |                  |                           |    | 205,000 to 2010                 |                                 |              |           |                           |
|                           |                  |                           |    | 155,000 to 2020                 | 2,190,000                       |              | 210,000   | 1,980,000                 |
| 2001 Capital Improvements | Varies           | 2021                      |    | 510,000 in 2006                 |                                 |              |           |                           |
|                           |                  |                           |    | 190,000 in 2007                 |                                 |              |           |                           |
|                           |                  |                           |    | 180,000 to 2011                 |                                 |              |           |                           |
|                           |                  |                           |    | 120,000 in 2012                 |                                 |              |           |                           |
|                           |                  |                           |    | 115,000 to 2021                 | 2,575,000                       |              | 510,000   | 2,065,000                 |
| 2002 Capital Improvements | 2.375%           | 2007                      |    | 850,000 in 2006                 |                                 |              |           |                           |
|                           | 2.700%           |                           |    | 845,000 in 2007                 | 1,695,000                       |              | 850,000   | 845,000                   |
| 2003 Capital Improvements | Varies           | 2033                      |    | 1,070,000 in 2006               |                                 |              |           |                           |
|                           |                  |                           |    | 890,000 in 2007                 |                                 |              |           |                           |
|                           |                  |                           |    | 995,000 in 2008                 |                                 |              |           |                           |
|                           |                  |                           |    | 655,000 in 2009                 |                                 |              |           |                           |
|                           |                  |                           |    | 685,000 in 2010                 |                                 |              |           |                           |
|                           |                  |                           |    | 750,000 in 2011                 |                                 |              |           |                           |
|                           |                  |                           |    | 840,000 in 2012                 |                                 |              |           |                           |
|                           |                  |                           |    | 925,000 in 2013                 |                                 |              |           |                           |
|                           |                  |                           |    | 595,000 in 2014                 |                                 |              |           |                           |
|                           |                  |                           |    | 685,000 in 2015                 |                                 |              |           |                           |
|                           |                  |                           |    | 780,000 in 2016                 |                                 |              |           |                           |
|                           |                  |                           |    | 885,000 in 2017                 |                                 |              |           |                           |
|                           |                  |                           |    | 1,005,000 in 2018               |                                 |              |           |                           |
|                           |                  |                           |    | 1,135,000 in 2019               |                                 |              |           |                           |
|                           |                  |                           |    | 1,280,000 in 2020               |                                 |              |           |                           |
|                           |                  |                           |    | 1,435,000 in 2021               |                                 |              |           |                           |
|                           |                  |                           |    | 1,610,000 in 2022               |                                 |              |           |                           |
|                           |                  |                           |    | 1,800,000 in 2023               |                                 |              |           |                           |
|                           |                  |                           |    | 430,000 in 2024                 |                                 |              |           |                           |
|                           |                  |                           |    | 450,000 in 2025                 |                                 |              |           |                           |
|                           |                  |                           |    | 475,000 in 2026                 |                                 |              |           |                           |
|                           |                  |                           |    | 495,000 in 2027                 |                                 |              |           |                           |
|                           |                  |                           |    | 520,000 in 2028                 |                                 |              |           |                           |
|                           |                  |                           |    | 545,000 in 2029                 |                                 |              |           |                           |
|                           |                  |                           |    | 570,000 in 2030                 |                                 |              |           |                           |
|                           |                  |                           |    | 595,000 in 2031                 |                                 |              |           |                           |
|                           |                  |                           |    | 625,000 in 2032                 |                                 |              |           |                           |
|                           |                  |                           |    | 655,000 in 2033                 | 23,380,000                      |              | 1,070,000 | 22,310,000                |
| 2004 Capital Improvements | 2.250%           | 2034                      |    | 830,000 in 2006                 |                                 |              |           |                           |
|                           |                  |                           |    | 975,000 to 2008                 |                                 |              |           |                           |
|                           |                  |                           |    | 985,000 in 2009                 |                                 |              |           |                           |
|                           |                  |                           |    | 665,000 in 2010                 |                                 |              |           |                           |

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

|                                 | Interest<br>rate | Final<br>maturity<br>date | Annual<br>principal<br>payments   | Balance<br>beginning<br>of year | Current Year |           | Balance<br>end<br>of year |
|---------------------------------|------------------|---------------------------|---|---------------------------------|--------------|-----------|---------------------------|
|                                 |                  |                           |   |                                 | Issued       | Retired   |                           |
| <u>General Obligation Bonds</u> |                  |                           |   |                                 |              |           |                           |
| 2004 Capital Improvements       | con'td           | 2034                      | 680,000 to 2012<br>690,000 in 2013<br>555,000 in 2014<br>215,000 in 2015<br>225,000 in 2016<br>235,000 in 2017<br>245,000 in 2018<br>255,000 in 2019<br>265,000 in 2020<br>280,000 in 2021<br>290,000 in 2022<br>305,000 in 2023<br>320,000 in 2024<br>335,000 in 2025<br>350,000 in 2026<br>365,000 in 2027<br>385,000 in 2028<br>400,000 in 2029<br>420,000 in 2030<br>440,000 in 2031<br>460,000 in 2032<br>480,000 in 2033  |                                 |              |           |                           |
| 2005 Capital Improvements       | Varies           | 2034                      | 500,000 in 2034<br>340,000 in 2006<br>510,000 in 2007<br>520,000 in 2008<br>525,000 in 2009<br>385,000 in 2010<br>390,000 in 2011<br>395,000 in 2012<br>305,000 in 2013<br>315,000 in 2014<br>250,000 in 2015<br>230,000 in 2016<br>240,000 in 2017<br>250,000 in 2018<br>260,000 in 2019<br>270,000 in 2020<br>280,000 in 2021<br>290,000 in 2022<br>300,000 in 2023<br>315,000 in 2024<br>325,000 in 2025<br>340,000 in 2026<br>355,000 in 2027<br>370,000 in 2028<br>385,000 in 2029<br>405,000 in 2030<br>420,000 in 2031<br>440,000 in 2032<br>460,000 in 2033 | 13,805,000                      | -            | 830,000   | 12,975,000                |
| 2006 Capital Improvements       | Varies           | 2021                      | 480,000 in 2034<br>479,000 in 2007<br>665,000 in 2008<br>690,000 in 2009<br>805,000 in 2010<br>835,000 in 2011<br>480,000 in 2012<br>510,000 in 2013<br>515,000 in 2014<br>530,000 in 2015<br>505,000 in 2016<br>185,000 in 2017<br>190,000 in 2018<br>195,000 in 2019<br>210,000 in 2020<br>220,000 in 2021  | 10,665,000                      | -            | 315,000   | 10,350,000                |
|                                 |                  |                           |   | -                               | 7,014,000    | -         | 7,014,000                 |
| Total bonds                     |                  |                           |   | 67,737,433                      | 7,014,000    | 5,907,433 | 68,844,000                |
| Total long-term debt            |                  | \$                        | 67,737,433  |                                 | 7,014,000    | 5,907,433 | 68,844,000                |

# *Statistical Section*





## 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

1-7

*These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.*

#### Revenue Capacity

8-12

*These schedules contain information to help the reader assess the Town's most significant local revenue source, property tax.*

#### Debt Capacity

13-15

*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.*

#### Demographic and Economic Information

15-16

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.*

#### Operating Information

17-19

*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.*

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

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

Table 1

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

|  | 2003             | 2004             | 2005             | 2006             |
|--|------------------|------------------|------------------|------------------|
| <b>Governmental activities:</b>                    |                  |                  |                  |                  |
| Invested in capital assets,<br>net of related debt | \$ 6,893         | \$ 6,689         | \$ 29,885        | \$ 36,323        |
| Restricted   | 21,040           | 19,332           | 7,629            | 4,210            |
| Unrestricted                                       | 10,187           | 9,709            | 9,874            | 13,952           |
| <b>Total governmental activities net assets</b>    | <b>\$ 38,120</b> | <b>\$ 35,730</b> | <b>\$ 47,388</b> | <b>\$ 54,485</b> |

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

Table 2

## TOWN OF SCARBOROUGH, MAINE

## Changes in Net Assets

## Last Four Fiscal Years (1)

(accrual basis of accounting)

(amounts expressed in thousands)

|  | 2003            | 2004            | 2005            | 2006            |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Revenues:</b>   |                 |                 |                 |                 |
| <b>Program revenues:</b>                                     |                 |                 |                 |                 |
| Charges for services   | \$ 2,728        | \$ 5,363        | \$ 6,488        | \$ 7,024        |
| Operating grants and activities                              | 6,992           | 8,744           | 9,297           | 10,706          |
| Capital grants and contributions                             | 312             | -               | -               | 4,681           |
| <b>General revenues:</b>                                     |                 |                 |                 |                 |
| Property and excise taxes, levies for general purposes       | 34,472          | 37,182          | 40,075          | 41,406          |
| Grants and contributions not restricted to specific programs | 6,667           | 2,096           | 1,952           | 2,062           |
| Unrestricted investment earnings                             | 209             | 105             | 159             | 261             |
| <b>Total revenues</b>  | <b>51,380</b>   | <b>53,490</b>   | <b>57,971</b>   | <b>66,140</b>   |
| <b>Expenses:</b>   |                 |                 |                 |                 |
| General government   | 8,596           | 7,180           | 8,476           | 7,199           |
| Public services  | 2,701           | 2,597           | 2,658           | 2,871           |
| Public safety  | 5,552           | 6,127           | 6,153           | 6,552           |
| Public works   | 5,175           | 5,266           | 5,882           | 6,276           |
| Education  | 23,444          | 25,442          | 28,695          | 33,491          |
| County tax   | 1,306           | 1,442           | 1,520           | 1,584           |
| Interest on debt service                                     | 895             | 2,610           | 1,168           | 1,069           |
| <b>Total expenses</b>  | <b>47,669</b>   | <b>50,664</b>   | <b>54,552</b>   | <b>59,042</b>   |
| <b>Change in Net Assets</b>                                  | <b>\$ 3,711</b> | <b>\$ 2,826</b> | <b>\$ 3,419</b> | <b>\$ 7,098</b> |

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



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

|   | Fiscal Year     |                 |                 |                 |                 |                 |                  |                  |                  |                  |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
|   | 1997            | 1998            | 1999            | 2000            | 2001            | 2002            | 2003             | 2004             | 2005             | 2006             |
| <b>General Fund</b>                       |                 |                 |                 |                 |                 |                 |                  |                  |                  |                  |
| Reserved                                  | \$ 1,643        | \$ 1,373        | \$ 991          | \$ 936          | \$ 889          | \$ 800          | \$ 752           | \$ 710           | \$ 697           | \$ 771           |
| Unreserved                                | 792             | 926             | 1,735           | 2,778           | 3,669           | 5,753           | 6,211            | 5,919            | 7,063            | 7,455            |
| <b>Total general fund</b>                 | <b>\$ 2,435</b> | <b>\$ 2,299</b> | <b>\$ 2,726</b> | <b>\$ 3,714</b> | <b>\$ 4,558</b> | <b>\$ 6,553</b> | <b>\$ 6,963</b>  | <b>\$ 6,629</b>  | <b>\$ 7,760</b>  | <b>\$ 8,226</b>  |
| <b>All Other Governmental Funds</b>       |                 |                 |                 |                 |                 |                 |                  |                  |                  |                  |
| Reserved                                  | 42              | 254             | 374             | 469             | 753             | 140             | 132              | 123              | 117              | 125              |
| Unreserved, reported in:                  |                 |                 |                 |                 |                 |                 |                  |                  |                  |                  |
| Special revenue funds                     | 316             | 1,016           | 1,878           | 3,040           | 3,756           | 4,288           | 5,010            | 5,011            | 4,403            | 8,180            |
| Capital projects funds                    | 416             | (330)           | (201)           | 207             | 864             | 239             | 20,278           | 18,611           | 6,963            | 4,085            |
| Permanent funds                           | 42              | 45              | 47              | 50              | 54              | 67              | 68               | 69               | 70               | 73               |
| <b>Total all other governmental funds</b> | <b>\$ 816</b>   | <b>\$ 985</b>   | <b>\$ 2,098</b> | <b>\$ 3,766</b> | <b>\$ 5,427</b> | <b>\$ 4,734</b> | <b>\$ 25,488</b> | <b>\$ 23,814</b> | <b>\$ 11,553</b> | <b>\$ 12,463</b> |

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

|   | Fiscal Years Ending |              |                 |                 |                 |                 |                  |                   |                    |              |
|---|---------------------|--------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------------|--------------------|--------------|
|   | 1997                | 1998         | 1999            | 2000            | 2001            | 2002            | 2003             | 2004              | 2005               | 2006         |
| <b>Revenues</b>   |                     |              |                 |                 |                 |                 |                  |                   |                    |              |
| Taxes   | \$ 23,258           | \$ 25,015    | \$ 25,260       | \$ 27,560       | \$ 29,311       | \$ 32,380       | \$ 34,582        | \$ 37,191         | \$ 40,066          | \$ 41,377    |
| Licenses and permits                                      | 390                 | 386          | 419             | 653             | 433             | 413             | 429              | 480               | 567                | 611          |
| Intergovernmental   | 7,203               | 7,899        | 8,700           | 10,186          | 11,006          | 11,212          | 11,600           | 10,823            | 11,219             | 12,604       |
| Interest earned   | 382                 | 405          | 327             | 392             | 533             | 272             | 209              | 348               | 442                | 644          |
| Other   | 2,442               | 2,574        | 3,031           | 3,310           | 3,266           | 3,640           | 4,877            | 4,648             | 5,677              | 10,921       |
| Total revenues  | 33,675              | 36,279       | 37,737          | 42,101          | 44,549          | 47,917          | 51,697           | 53,490            | 57,971             | 66,157       |
| <b>Expenditures</b>                                       |                     |              |                 |                 |                 |                 |                  |                   |                    |              |
| General government  | 2,221               | 2,358        | 2,538           | 2,756           | 2,923           | 3,041           | 3,425            | 3,568             | 3,727              | 4,340        |
| Public services   | 1,668               | 1,960        | 1,996           | 2,305           | 2,504           | 2,325           | 2,653            | 2,572             | 2,643              | 2,849        |
| Public safety   | 3,395               | 3,552        | 3,850           | 4,271           | 4,465           | 4,706           | 5,275            | 5,934             | 5,962              | 6,180        |
| Public works  | 3,017               | 3,318        | 3,642           | 3,585           | 4,103           | 4,108           | 4,767            | 4,877             | 5,370              | 5,702        |
| Education (Includes School Debt)                          | 17,564              | 17,998       | 19,468          | 21,130          | 22,901          | 25,091          | 26,880           | 28,862            | 30,919             | 32,792       |
| County tax  | 882                 | 900          | 902             | 842             | 933             | 1,062           | 1,307            | 1,442             | 1,520              | 1,584        |
| Debt service (Principal-Town Only)                        | 1,615               | 1,690        | 1,711           | 2,023           | 2,171           | 2,206           | 2,423            | 3,918             | 3,176              | 2,957        |
| Debt service (Interest-Town Only)                         | 715                 | 778          | 741             | 796             | 875             | 834             | 769              | 1,128             | 1,128              | 1,108        |
| Capital improvements                                      | 6,311               | 4,069        | 5,797           | 4,882           | 4,256           | 4,643           | 4,908            | 15,820            | 23,374             | 11,467       |
| Other   | 716                 | 1,856        | 2,051           | 1,631           | 1,857           | 2,612           | 2,704            | 2,003             | 2,323              | 2,816        |
| Total expenditures  | 38,104              | 38,479       | 42,696          | 44,221          | 46,988          | 50,628          | 55,111           | 70,124            | 80,142             | 71,795       |
| Excess (deficiency) of revenues over (under) expenditures | (4,429)             | (2,200)      | (4,959)         | (2,120)         | (2,439)         | (2,711)         | (3,414)          | (16,634)          | (22,171)           | (5,638)      |
| <b>Other financing sources (uses)</b>                     |                     |              |                 |                 |                 |                 |                  |                   |                    |              |
| Transfers in  | 2,159               | 2,763        | 1,711           | 2,144           | 2,040           | 2,402           | 1,538            | 2,115             | 2,923              | 2,780        |
| Transfers out   | (2,159)             | (2,763)      | (1,711)         | (2,144)         | (2,040)         | (2,402)         | (1,538)          | (2,115)           | (2,923)            | (2,780)      |
| General obligation bonds                                  | 4,230               | 2,225        | 6,493           | 4,770           | 4,932           | 4,000           | 24,579           | 14,628            | 10,665             | 7,014        |
| Total other financing sources (uses)                      | 4,230               | 2,225        | 6,493           | 4,770           | 4,932           | 4,000           | 24,579           | 14,628            | 10,665             | 7,014        |
| <b>Net change in fund balances</b>                        | <b>\$ (199) \$</b>  | <b>25 \$</b> | <b>1,534 \$</b> | <b>2,650 \$</b> | <b>2,493 \$</b> | <b>1,289 \$</b> | <b>21,165 \$</b> | <b>(2,006) \$</b> | <b>(11,506) \$</b> | <b>1,376</b> |
| <b>Debt Service as a % of non-capital expenditures</b>    | <b>7.33%</b>        | <b>7.17%</b> | <b>6.65%</b>    | <b>7.17%</b>    | <b>7.13%</b>    | <b>6.61%</b>    | <b>6.36%</b>     | <b>9.29%</b>      | <b>7.58%</b>       | <b>6.74%</b> |

Table 5

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

| Years ended | General government | Public service | Public safety | Public works | Education | County tax | Debt service | Other | Capital expenditures | Total     |
|-------------|--------------------|----------------|---------------|--------------|-----------|------------|--------------|-------|----------------------|-----------|
| 1997        | \$ 2,221           | \$ 1,668       | \$ 3,395      | \$ 3,017     | \$ 15,180 | \$ 882     | \$ 2,330     | \$ 93 | \$ -                 | \$ 28,786 |
| 1998        | 2,358              | 1,960          | 3,552         | 3,318        | 16,298    | 900        | 2,468        | 92    | -                    | 30,946    |
| 1999        | 2,538              | 1,996          | 3,850         | 3,642        | 17,403    | 902        | 2,452        | 47    | -                    | 32,830    |
| 2000        | 2,756              | 2,305          | 4,271         | 3,585        | 19,138    | 842        | 2,819        | 50    | -                    | 35,766    |
| 2001        | 2,923              | 2,504          | 4,465         | 4,103        | 20,721    | 933        | 3,046        | 57    | -                    | 38,752    |
| 2002**      | 3,041              | 2,325          | 4,706         | 4,108        | 22,688    | 1,062      | 3,040        | 102   | 1,234                | 42,306    |
| 2003        | 3,425              | 2,653          | 5,275         | 4,767        | 24,172    | 1,307      | 3,192        | 148   | 1,209                | 46,148    |
| 2004        | 3,568              | 2,572          | 5,934         | 4,877        | 26,281    | 1,442      | 5,046        | -     | 653                  | 50,373    |
| 2005        | 3,727              | 2,643          | 5,962         | 5,370        | 28,288    | 1,520      | 4,304        | -     | 1,120                | 52,934    |
| 2006        | 4,340              | 2,849          | 6,180         | 5,702        | 30,483    | 1,584      | 4,065        | 280   | 835                  | 56,318    |

*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<br>Year | Property<br>tax | Interest and<br>Costs on taxes | Vehicle Excise<br>tax | Boat Excise<br>tax | Franchise<br>tax fees | Total     |
|----------------|-----------------|--------------------------------|-----------------------|--------------------|-----------------------|-----------|
| 1997           | \$ 20,673       | \$ 129                         | \$ 2,434              | \$ 22              | \$ -                  | \$ 23,258 |
| 1998           | 22,187          | 154                            | 2,652                 | 22                 | -                     | 25,015    |
| 1999           | 22,184          | 120                            | 2,929                 | 27                 | -                     | 25,260    |
| 2000           | 24,145          | 120                            | 3,269                 | 26                 | -                     | 27,560    |
| 2001           | 25,778          | 102                            | 3,412                 | 19                 | -                     | 29,311    |
| 2002           | 28,611          | 105                            | 3,637                 | 27                 | -                     | 32,380    |
| 2003           | 30,547          | 179                            | 3,828                 | 27                 | -                     | 34,581    |
| 2004           | 32,862          | 72                             | 4,143                 | 27                 | -                     | 37,104    |
| 2005           | 35,549          | 58                             | 4,228                 | 26                 | 143                   | 40,004    |
| 2006           | 36,700          | 61                             | 4,409                 | 29                 | 146                   | 41,345    |

Table 7

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

| Fiscal Year | Real property     |                        | Personal property |                        | Totals            |                        | Ratio of total assessed value to total estimated actual value |
|-------------|-------------------|------------------------|-------------------|------------------------|-------------------|------------------------|---|
|             | Assessed property | Estimated actual value | Assessed property | Estimated actual value | Assessed property | Estimated actual value |   |
| 1997        | \$ 1,083,312      | \$ 1,083,312           | \$ 55,652         | \$ 55,652              | \$ 1,138,964      | \$ 1,138,964           | 100%  |
| 1998        | 1,125,960         | 1,125,960              | 60,195            | 60,195                 | 1,186,155         | 1,186,155              | 100%  |
| 1999        | 1,138,292         | 1,138,292              | 67,852            | 67,852                 | 1,206,144         | 1,206,144              | 100%  |
| 2000        | 1,180,279         | 1,180,279              | 79,051            | 79,051                 | 1,259,330         | 1,259,330              | 100%  |
| 2001        | 1,230,378         | 1,230,378              | 83,306            | 83,306                 | 1,313,684         | 1,313,684              | 100%  |
| 2002        | 1,764,041         | 1,764,041              | 94,304            | 94,304                 | 1,858,345         | 1,858,345              | 100%  |
| 2003        | 1,831,117         | 1,831,117              | 99,459            | 99,459                 | 1,930,576         | 1,930,576              | 100%  |
| 2004        | 1,903,869         | 1,903,869              | 99,118            | 99,118                 | 2,002,987         | 2,002,987              | 100%  |
| 2005        | 1,951,952         | 1,951,952              | 105,637           | 105,637                | 2,057,589         | 2,057,589              | 100%  |
| 2006        | 3,143,853         | 3,143,853              | 112,989           | 112,989                | 3,256,842         | 3,256,842              | 100%  |

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

| Fiscal Year | Town  | School | Community Services | County Tax | Tax Increment Financing District | Overlay | State Revenue Sharing (1) | Total Property Tax Rates by Year |
|-------------|-------|--------|--------------------|------------|----------------------------------|---------|---------------------------|----------------------------------|
| 1997        | 7.116 | 10.009 | 0.338              | 0.774      | 0.390                            | 0.319   | (0.746)                   | 18.20                            |
| 1998        | 6.919 | 10.333 | 0.346              | 0.758      | 0.642                            | 0.160   | (0.759)                   | 18.40                            |
| 1999        | 6.826 | 11.107 | 0.349              | 0.748      | 0.702                            | 0.103   | (1.435)                   | 18.40                            |
| 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                            |

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

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

| 1997  |                         |             |   | 2006                        |                         |             |   |
|---|-------------------------|-------------|---|-----------------------------|-------------------------|-------------|---|
| <u>Taxpayer</u>                                   | <u>Taxable Assessed</u> |             | <u>Percentage of Total Taxable Assessed</u> | <u>Taxpayer</u>             | <u>Taxable Assessed</u> |             | <u>Percentage of Total Taxable Assessed</u> |
|   | <u>Value</u>            | <u>Rank</u> | <u>Value</u>                                |                             | <u>Value</u>            | <u>Rank</u> | <u>Value</u>                                |
| James McBrady                                     | \$ 21,000,600           | 1           | 1.84%                                       | Maine Life Care             | \$ 61,629,500           | 1           | 1.89%                                       |
| Wal-Mart  | 15,759,300              | 2           | 1.38%                                       | Hannaford Brothers          | 30,414,300              | 2           | 0.93%                                       |
| Gavin Ruotolo                                     | 9,541,800               | 3           | 0.84%                                       | Wal-Mart/Sam's Club         | 26,416,900              | 3           | 0.81%                                       |
| Hannaford Brothers                                | 8,954,300               | 4           | 0.79%                                       | Black Point Inn             | 16,406,400              | 4           | 0.50%                                       |
| Konica Quality Photo                              | 8,838,400               | 5           | 0.78%                                       | MMC Realty                  | 14,471,500              | 5           | 0.44%                                       |
| Shaw's Supermarket                                | 7,466,100               | 6           | 0.66%                                       | Gavin Ruotolo               | 12,641,500              | 6           | 0.39%                                       |
| Central Maine Power                               | 6,587,000               | 7           | 0.58%                                       | ERP Operating LP            | 11,922,600              | 7           | 0.37%                                       |
| Ram Trust 2 and 3                                 | 6,007,900               | 8           | 0.53%                                       | Shaw's Supermarket          | 9,458,900               | 8           | 0.29%                                       |
| Davric Maine Corp.                                | 5,412,000               | 9           | 0.48%                                       | Davric Maine Corp.          | 9,447,500               | 9           | 0.29%                                       |
| Black Point Inn                                   | 4,485,900               | 10          | 0.39%                                       | Central Maine Power         | 8,622,800               | 10          | 0.26%                                       |
| Total Principal Taxpayers                         | <u>94,053,300</u>       |             | <u>8.26%</u>                                |                             | <u>201,431,900</u>      |             | <u>6.18%</u>                                |
| <br><b>Total Assessed Value: \$ 1,138,964,400</b> |                         |             |   | <br><b>\$ 3,256,841,900</b> |                         |             |   |

Table 10

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

| Fiscal Year<br>Ended<br>June 30 | Total Tax<br>Levy for<br>Fiscal Year | Collections Within Year of Levy |                       | Collections in<br>Subsequent<br>Years | Total Collections<br>to Date |                       |
|---------------------------------|--------------------------------------|---------------------------------|-----------------------|---------------------------------------|------------------------------|-----------------------|
|                                 |                                      | Amount                          | Percentage<br>of Levy |                                       | Amount                       | Percentage<br>of Levy |
| 1997                            | \$ 20,753,098                        | \$ 20,114,112                   | 96.9%                 | \$ 635,756                            | \$ 20,749,868                | 100.0%                |
| 1998                            | 21,888,873                           | 21,381,876                      | 97.7%                 | 503,319                               | 21,885,195                   | 100.0%                |
| 1999                            | 22,202,538                           | 21,745,877                      | 97.9%                 | 450,499                               | 22,196,376                   | 100.0%                |
| 2000                            | 24,185,214                           | 23,716,155                      | 98.1%                 | 462,098                               | 24,178,253                   | 100.0%                |
| 2001                            | 25,765,523                           | 25,339,458                      | 98.3%                 | 419,490                               | 25,758,948                   | 100.0%                |
| 2002                            | 28,450,220                           | 28,120,508                      | 98.8%                 | 322,879                               | 28,443,387                   | 100.0%                |
| 2003                            | 30,348,015                           | 30,103,820                      | 99.2%                 | 232,987                               | 30,336,807                   | 100.0%                |
| 2004                            | 32,969,169                           | 32,747,946                      | 99.3%                 | 211,630                               | 32,959,576                   | 100.0%                |
| 2005                            | 35,735,569                           | 35,423,923                      | 99.1%                 | 215,762                               | 35,639,685                   | 99.7%                 |
| 2006                            | 36,824,648                           | 36,527,411                      | 99.2%                 | -                                     | 36,527,411                   | 99.2%                 |



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

| <b>Fiscal<br/>Year</b> | <b>Real Estate<br/>Valuation</b> | <b>Personal Property<br/>Valuation</b> | <b>Total Assessed<br/>Valuation</b> | <b>Tax Rate</b> | <b>Tax Levy</b> |
|------------------------|----------------------------------|--|-------------------------------------|-----------------|-----------------|
| 1997                   | \$ 1,083,312                     | \$ 55,652                              | \$ 1,138,964                        | 18.20           | \$ 20,729       |
| 1998                   | 1,125,960                        | 60,195                                 | 1,186,155                           | 18.40           | 21,825          |
| 1999                   | 1,138,292                        | 67,851                                 | 1,206,143                           | 18.40           | 22,193          |
| 2000                   | 1,180,279                        | 79,051                                 | 1,259,330                           | 19.20           | 24,179          |
| 2001                   | 1,230,378                        | 83,306                                 | 1,313,684                           | 19.60           | 25,748          |
| 2002                   | 1,764,013                        | 94,303                                 | 1,858,316                           | 15.30           | 28,433          |
| 2003                   | 1,831,117                        | 99,459                                 | 1,930,576                           | 15.70           | 30,310          |
| 2004                   | 1,903,869                        | 99,118                                 | 2,002,987                           | 16.46           | 32,969          |
| 2005                   | 1,951,952                        | 105,637                                | 2,057,589                           | 17.34           | 35,679          |
| 2006                   | 3,143,853                        | 112,989                                | 3,256,842                           | 11.30           | 36,802          |

Table 12

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

| <b>Fiscal Year</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Assessed<br/>Value</b> | <b>Percentage of<br/>Estimated Actual<br/>Taxable Value<br/>of Property</b> | <b>Population*</b> | <b>Debt<br/>Per<br/>Capita</b> |
|--------------------|---|---------------------------|---|--------------------|--------------------------------|
| 1997               | \$ 32,499,641                           | \$ 1,138,964,400          | 2.85%   | 12,518             | 2,596                          |
| 1998               | 31,531,840                              | 1,186,155,300             | 2.66%   | 12,518             | 2,519                          |
| 1999               | 34,071,571                              | 1,206,143,900             | 2.82%   | 12,518             | 2,722                          |
| 2000               | 35,059,806                              | 1,259,330,100             | 2.78%   | 16,970             | 2,066                          |
| 2001               | 35,787,515                              | 1,313,684,200             | 2.72%   | 16,970             | 2,109                          |
| 2002               | 35,095,667                              | 1,858,344,800             | 1.89%   | 16,970             | 2,068                          |
| 2003               | 54,759,228                              | 1,930,576,300             | 2.84%   | 16,970             | 3,227                          |
| 2004               | 62,952,163                              | 2,002,987,200             | 3.14%   | 16,970             | 3,710                          |
| 2005               | 67,737,433                              | 2,057,589,000             | 3.29%   | 18,812             | 3,601                          |
| 2006               | 68,844,000                              | 3,256,841,900             | 2.11%   | 18,812             | 3,660                          |

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

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

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

| <b>Fiscal<br/>year</b> | <b>Principal</b> |       | <b>Interest</b> |       | <b>Total<br/>debt<br/>service</b> | <b>Total<br/>general<br/>fund<br/>expenditures</b> | <b>Ratio of<br/>debt service to<br/>general fund<br/>expenditures</b> |
|------------------------|------------------|-------|-----------------|-------|-----------------------------------|--|---|
| 1997                   | \$               | 2,772 | \$              | 1,890 | \$ 4,662                          | \$ 30,051  | 15.51%  |
| 1998                   |                  | 3,193 |                 | 1,991 | 5,184                             | 30,945   | 16.75%  |
| 1999                   |                  | 3,203 |                 | 1,927 | 5,130                             | 32,829   | 15.63%  |
| 2000                   |                  | 3,782 |                 | 1,905 | 5,687                             | 35,766   | 15.90%  |
| 2001                   |                  | 4,204 |                 | 1,858 | 6,062                             | 38,752   | 15.64%  |
| 2002                   |                  | 4,692 |                 | 1,895 | 6,587                             | 42,305   | 15.57%  |
| 2003                   |                  | 4,915 |                 | 1,634 | 6,549                             | 46,463   | 14.10%  |
| 2004                   |                  | 6,435 |                 | 2,358 | 8,793                             | 50,373   | 17.46%  |
| 2005                   |                  | 5,880 |                 | 2,634 | 8,514                             | 52,934   | 16.08%  |
| 2006                   |                  | 5,907 |                 | 2,846 | 8,753                             | 56,185   | 15.58%  |

Table 14

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

|   | Fiscal Year |            |            |            |            |            |            |            |            |            |
|---|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | 1997        | 1998       | 1999       | 2000       | 2001       | 2002       | 2003       | 2004       | 2005       | 2006       |
| Debt limit  | \$ 159,053  | \$ 166,425 | \$ 173,295 | \$ 188,018 | \$ 206,243 | \$ 235,755 | \$ 279,720 | \$ 323,745 | \$ 380,820 | \$ 430,980 |
| Total net debt applicable to limit                                      | 32,500      | 31,532     | 34,072     | 35,060     | 35,788     | 35,096     | 54,759     | 62,952     | 67,737     | 68,844     |
| Legal debt margin   | 126,553     | 134,893    | 139,223    | 152,958    | 170,455    | 200,659    | 224,961    | 260,793    | 313,083    | 362,136    |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 20.43%      | 18.95%     | 19.66%     | 18.65%     | 17.35%     | 14.89%     | 19.58%     | 19.44%     | 17.79%     | 15.97%     |

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**

| <b>Fiscal<br/>Year</b> | <b>Population (a)</b> | <b>Per Capita</b>              |                                | <b>Median<br/>Age (a)</b> | <b>School<br/>Enrollment (c)</b> | <b>Unemployment<br/>Rate (d)</b> |
|------------------------|-----------------------|--------------------------------|--------------------------------|---------------------------|----------------------------------|----------------------------------|
|                        |                       | <b>Personal<br/>Income (b)</b> | <b>Personal<br/>Income (a)</b> |                           |                                  |                                  |
| 1997                   | 12,518                | \$                             | 223,433,782                    | \$                        | 17,849                           | 35.20                            |
| 1998                   | 12,518                |                                | 223,433,782                    |                           | 17,849                           | 35.20                            |
| 1999                   | 12,518                |                                | 223,433,782                    |                           | 17,849                           | 35.20                            |
| 2000                   | 16,970                |                                | 302,897,530                    |                           | 17,849                           | 35.20                            |
| 2001                   | 16,970                |                                | 302,897,530                    |                           | 17,849                           | 35.20                            |
| 2002                   | 16,970                |                                | 302,897,530                    |                           | 17,849                           | 35.20                            |
| 2003                   | 16,970                |                                | 446,667,370                    |                           | 26,321                           | 38.80                            |
| 2004                   | 16,970                |                                | 446,667,370                    |                           | 26,321                           | 38.80                            |
| 2005                   | 18,812                |                                | 495,150,652                    |                           | 26,321                           | 38.80                            |
| 2006                   | 18,812                |                                | 495,150,652                    |                           | 26,321                           | 38.80                            |
|                        |                       |                                |                                |                           | 2,547                            | 2.20%                            |
|                        |                       |                                |                                |                           | 2,676                            | 1.90%                            |
|                        |                       |                                |                                |                           | 2,785                            | 1.80%                            |
|                        |                       |                                |                                |                           | 2,893                            | 1.40%                            |
|                        |                       |                                |                                |                           | 3,037                            | 1.80%                            |
|                        |                       |                                |                                |                           | 3,137                            | 2.00%                            |
|                        |                       |                                |                                |                           | 3,210                            | 2.20%                            |
|                        |                       |                                |                                |                           | 3,234                            | 2.90%                            |
|                        |                       |                                |                                |                           | 3,308                            | 3.00%                            |
|                        |                       |                                |                                |                           | 3,324                            | 3.00%                            |

(a) For years 1997 through 2000, 1990 Census, U.S. Department of Commerce, Bureau of Census and for years 2001 through 2006, 2000 Census, U.S. Department of Commerce, Bureau of Census.

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

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

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

Table 16

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

| 1997                 |                  |             | 2006                          |                  |             |
|----------------------|------------------|-------------|-------------------------------|------------------|-------------|
| <u>Employer</u>      | <u>Employees</u> | <u>Rank</u> | <u>Employer</u>               | <u>Employees</u> | <u>Rank</u> |
| Town of Scarborough  | 1,172            | 1           | Town of Scarborough           | 1,354            | 1           |
| Hannaford Brothers   | 780              | 2           | Hannaford Brothers            | 1,157            | 2           |
| Konica Quality Photo | 450              | 3           | NordX                         | 262              | 3           |
| Hanover Insurance    | 185              | 4           | Wal-Mart                      | 249              | 4           |
| Wal-Mart             | 161              | 5           | Shaw's                        | 183              | 5           |
| Humpty Dumpty        | 155              | 6           | R.C. Moore Trucking           | 150              | 6           |
| Rock-Team Converting | 120              | 7           | Sam's Club                    | 146              | 7           |
| Gabriel Electronics  | 116              | 8           | Rich Tool International       | 111              | 8           |
| R.C. Moore Trucking  | 95               | 9           | Inverness Medical Innovations | 109              | 9           |
| N.E. Tech Air, Inc.  | 85               | 10          | RTS Packaging                 | 98               | 10          |

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

|                                       | Fiscal Year |       |       |       |       |       |       |       |       |       |
|---------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                       | 1997        | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  |
| Function:                             |             |       |       |       |       |       |       |       |       |       |
| Police:                               |             |       |       |       |       |       |       |       |       |       |
| Physical arrests                      | 531         | 469   | 273   | 349   | 429   | 587   | 634   | 401   | 332   | 822   |
| Traffic violations                    | 2,957       | 3,158 | 1,754 | 2,892 | 2,263 | 2,637 | 2,455 | 1,976 | 1,077 | 1,337 |
| No. of full time employees            |             |       |       |       |       |       |       |       |       | 47    |
| No. of part time employees            |             |       |       |       |       |       |       |       |       | 37    |
| Fire:                                 |             |       |       |       |       |       |       |       |       |       |
| Number of calls answered (1)          | 1,145       | 1,366 | 1,501 | 1,452 | 1,114 | 2,646 | 2,868 | 2,251 | 2,450 | 2,356 |
| No. of full time employees            |             |       |       |       |       |       |       |       |       | 4     |
| No. of part time employees            |             |       |       |       |       |       |       |       |       | 172   |
| Rescue:                               |             |       |       |       |       |       |       |       |       |       |
| Number of calls answered              |             |       |       |       |       |       |       | 2,407 | 2,506 | 2,247 |
| No. of full time employees            |             |       |       |       |       |       |       |       |       | 11    |
| No. of part time employees            |             |       |       |       |       |       |       |       |       | 15    |
| Public Works (2):                     |             |       |       |       |       |       |       |       |       |       |
| Street resurfacing (miles)            |             |       |       |       |       |       |       | 1.94  | 5.26  | 6.03  |
| Pot holes repaired (qty used in tons) |             |       |       |       |       |       |       | 43    | 82    | 71    |
| No. times plows dispatched            |             |       |       |       |       |       |       | 19    | 24    | 53    |
| No. of full time employees            |             |       |       |       |       |       |       |       |       | 32    |
| No. of part time employees            |             |       |       |       |       |       |       |       |       | 3     |

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

| Division                   | Department  | Function                 | Division             | Department    | Function           |
|----------------------------|---|--------------------------|----------------------|---------------|--------------------|
| <b>General Government:</b> | Legislative                                       | Town Council             | <b>Public Works:</b> | Public Works: | Road/Highway Maint |
|                            |   | Administration           |                      |               | Vehicle Maint.     |
|                            | Administration:                                   | Town Clerk               |                      |               | Traffic Signals    |
|                            |   | Elections                |                      |               | Engineering        |
|                            |   | Human Resources          |                      |               | Solid Waste        |
|                            |   | Legal                    |                      |               | Water Charges      |
|                            |   | Municipal Insurance      |                      |               | Street Lighting    |
|                            |   | Municipal Building       |                      |               | Cemetery Care      |
|                            |   | Public Information       |                      |               | Memorials          |
|                            |   | Outside Agency Requests  |                      |               | Shade Trees        |
|                            |   | Accounting               | <b>Education:</b>    | Kindergarten  |                    |
|                            | Finance:  | Tax/Treasury             |                      |               | Elementary         |
|                            |   | Purchasing               |                      |               | Secondary          |
|                            |   | Assessing                |                      |               | Special Services   |
|                            | Planning:   | Planning                 |                      |               | Transportation     |
|                            |   | Code Enforcement         |                      |               | Adult Education    |
|                            |   | Zoning & Planning Boards |                      |               | Computer Mgmt      |
|                            | Information Syst.                                 |                          |                      |               |                    |
|                            |   |                          |                      |               |                    |
| <b>Public Service:</b>     | Community Serv:                                   | Recreation               |                      |               |                    |
|                            |   | Parks                    |                      |               |                    |
|                            |   | Child Care               |                      |               |                    |
|                            |   | Beach Care               |                      |               |                    |
|                            |   | Grounds Maintenance      |                      |               |                    |
|                            |   | Local Access Cable TV    |                      |               |                    |
|                            | Public Assistance<br>Economic Develop.<br>Library | Welfare/Health Assist,   |                      |               |                    |
|                            |   |                          |                      |               |                    |
|                            |   |                          |                      |               |                    |
|                            |   |                          |                      |               |                    |
| <b>Public Safety:</b>      | Fire:   | Fire Suppression         |                      |               |                    |
|                            |   | Fire Prevention          |                      |               |                    |
|                            |   | Rescue                   |                      |               |                    |
|                            |   | Emergency Preparedness   |                      |               |                    |
|                            |   |                          |                      |               |                    |
|                            | Police:   | Patrol                   |                      |               |                    |
|                            |   | Dispatch                 |                      |               |                    |
|                            |   | Marine Resources         |                      |               |                    |



Table 19

**TOWN OF SCARBOROUGH, MAINE**  
**Unemployment Data**  
**Last Seven Fiscal Years**

| <b>Fiscal<br/>Year<br/>ending<br/>June 30,</b> | <b>Portland<br/>Metropolitan<br/>Statistical<br/>Area (PMSA)*</b> | <b>State of<br/>Maine</b> |
|--|---|---------------------------|
| 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%                      |

\* 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](http://www.state.me.us/labor/lmis/laus.html)

***THIS PAGE WAS INTENTIONALLY LEFT BLANK.***

**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINION**

[This page left intentionally blank.]

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 \$4,000,000 aggregate principal amount of 2007 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 May 15, 2007, and will mature on the dates and in the respective principal amounts and will bear interest from their date, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2007, at the respective rates per annum, as follows:

| <u>Year of</u><br><u>Maturity</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Year of</u><br><u>Maturity</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> |
|-----------------------------------|---------------|--------------------------------|-----------------------------------|---------------|--------------------------------|
| 2007                              | \$550,000     | %                              | 2015                              | \$225,000     | %                              |
| 2008                              | 550,000       |                                | 2016                              | 225,000       |                                |
| 2009                              | 550,000       |                                | 2017                              | 25,000        |                                |
| 2010                              | 550,000       |                                | 2018                              | 25,000        |                                |
| 2011                              | 550,000       |                                | 2019                              | 25,000        |                                |
| 2012                              | 225,000       |                                | 2020                              | 25,000        |                                |
| 2013                              | 225,000       |                                | 2021                              | 25,000        |                                |
| 2014                              | 225,000       |                                |                                   |               |                                |

The Bonds maturing on and before November 1, 2016 are not subject to redemption prior to their respective dates of maturity. The Bonds maturing after November 1, 2016 are subject to redemption prior to maturity, at the option of the Issuer, on and after November 1, 2016.

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. The 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 statutes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989). 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,

[This page left intentionally blank.]



**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE CERTIFICATE**

[This page left intentionally blank.]

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

In connection with the issuance by the Town of Scarborough, Maine (the "Issuer") of its \$4,000,000 2007 General Obligation Bonds, dated as of May 15, 2007 (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 \_\_, 2007 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 each nationally recognized municipal securities information repository ("NRMSIR") and the appropriate state information depository for the State of Maine ("SID"), if any (as of the date hereof there is no SID for Maine): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2006, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles. Any filing under this certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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

2. The Issuer will provide in a timely manner to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
  - g. Modifications to the rights of securities holders;
  - h. Bond calls;
  - i. Defeasances;
  - j. The release, substitution, or sale of property securing repayment of the Bonds; or
  - k. Rating changes.

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

3. The Issuer will provide, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure to satisfy the requirements of Paragraph 1 herein.

4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. The NRMSIRs as of the date of this Continuing Disclosure Certificate are set forth in EXHIBIT A hereto.
7. Except for a late filing for fiscal year ended June 30, 2003, due to its initial compliance with GASB Rule 34, the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.
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.

TOWN OF SCARBOROUGH, MAINE

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

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

Dated: \_\_\_\_\_, 2007

## **EXHIBIT A**

### **NRMSIRs:**

#### **Bloomberg Financial Markets**

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

#### **DPC Data, Inc.**

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

#### **Standard & Poor's Securities Evaluations, Inc.**

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

#### **FT Interactive Data**

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

### **OR TO THE CPO:**

#### **Disclosure USA (\*)**

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

---

NOTE: (\*) Paper or facsimile filings to the CPO (Central Post Office) incur a \$25.00 filing scanning fee through December 31, 2005; then \$35.00 to December 31, 2006; and \$45.00 through December 31, 2007. After 2007 paper filings will not be accepted.

[This page left intentionally blank.]