



**MOORS & CABOT**  
INVESTMENTS

*Banking & Advisory Group*

**NEW ISSUE**

**Moody's: Aa2**

**S&P: AA**

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

**TOWN OF SCARBOROUGH, MAINE**  
**\$5,600,000**  
**2011 GENERAL OBLIGATION BONDS**

**Dated: June 15, 2011**

**Due: November 1, as shown below**

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$545,000	2.00%	0.30	2021	\$115,000	3.00%	2.85
2012	540,000	2.00	0.60	2022	115,000	3.00	100
2013	540,000	2.00	0.80	2023	115,000	3.00	3.17
2014	540,000	2.00	1.00	2024	115,000	3.25	3.33
2015	525,000	2.00	1.15	2025	115,000	3.50	100
2016	360,000	2.00	1.35	2026	110,000	3.625	3.65
2017	360,000	2.00	1.75	2027	110,000	3.75	100
2018	355,000	2.25	2.10	2028	110,000	4.00	3.85
2019	355,000	2.50	2.40	2029	110,000	4.00	100
2020	355,000	2.75	2.65	2030	110,000	4.00	4.10

The Bonds will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2011 and semi-annually on each May 1 and November 1 thereafter until maturity or redemption prior to maturity.

The legal opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Portland, Maine, Bond Counsel, will be provided to the initial purchaser and will indicate that the Bonds are valid general obligations of the Town of Scarborough, Maine and unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The \$1,249,570 of Bonds issued for the School Department are not subject to the property tax limit set forth in Section 5721-A. See "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein. The Finance Director has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the initial purchaser.

Bonds maturing on and before November 1, 2020 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after November 1, 2020 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2020 as more fully set forth herein. See "THE BONDS - OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Bernstein, Shur, Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about June 23, 2011.

**Fidelity Capital Markets**

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

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

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

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**CERTIFICATE  
CONCERNING OFFICIAL STATEMENT**

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

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

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

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

Ruth D. Porter  
Finance Director  
Town of Scarborough, Maine



**OFFICIAL STATEMENT  
TOWN OF SCARBOROUGH, MAINE  
\$5,600,000  
2011 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 2011 General Obligation Bonds (the “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 June 15, 2011 and will bear interest, payable on November 1, 2011, 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>
\$545,000	2011	806075VV6	\$115,000	2021	806075WF0
540,000	2012	806075VW4	115,000	2022	806075WG8
540,000	2013	806075VX2	115,000	2023	806075WH6
540,000	2014	806075VY0	115,000	2024	806075WJ2
525,000	2015	806075VZ7	115,000	2025	806075WK9
360,000	2016	806075WA1	110,000	2026	806075WL7
360,000	2017	806075WB9	110,000	2027	806075WM5
355,000	2018	806075WC7	110,000	2028	806075WN3
355,000	2019	806075WD5	110,000	2029	806075WP8
355,000	2020	806075WE3	110,000	2030	806075WQ6

It is expected that the Bonds will be available for delivery at DTC on or about June 23, 2011.

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

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before November 1, 2020 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after November 1, 2020 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2020, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine, at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

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

### **Notice of Redemption**

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

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

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

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

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

### **Cancellation**

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

### **Partial Redemption of Bonds**

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

## **RECORD DATE; PAYMENT**

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

## **AUTHORIZATION AND PURPOSE**

The authority to issue the Bonds is granted under Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and Sections 204.3, 901.3, and 907 of the Town's Charter (the "Charter"). Section 204.3 of the Charter authorizes the Town Council to make ordinances; Section 901.3 of the Charter provides for a petition for overrule of Council action of orders or resolves authorizing bond issues of \$100,000 or more for a single capital improvement or capital equipment, by the initiative and referendum provisions of Article IX of the Town's Charter providing that the procedure is within twenty days following the enactment of such ordinance; and Section 907 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 readings of the Town Council at its meetings held on September 2, 2008 and September 17, 2008 (for Order #08-123); February 3, 2010 and February 17, 2010 (for Order #10-12); April 20, 2011 and May 4, 2011 (for Orders #11-30 and 11-31) 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 table "THE BONDS - THE PROJECTS".

The amount and the weighted average life of the Refunding Bonds (as defined herein) will not exceed the amount and the weighted average life of the 2001 Bonds (as defined herein). The Refunding Bonds are being issued pursuant to orders adopted by final readings of the Town Council at its meetings held on May 3, 2000 (for Orders #00-63 and 00-64); May 17, 2000 (for Orders #00-62 and 00-72); February 27, 2001 (for Order #01-15); March 21, 2001 (for Orders #01-25, 01-26, 01-27 and 01-28); and May 2, 2001 (for Order #01-53).

### **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>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>2011 Bonds</u>	<u>Authorized Unissued</u>
2006/2007	M	11-30	Com Pier Project	\$400,000		(\$400,000)	\$0
2008/2009	S	08-123	Building Envelope	35,000	0	(35,000)	0
2008/2009	S	08-123	IS Equip	210,460	(100,000)	(110,460)	0
2008/2009	S	08-123	New Tech Equip & Apps	39,500	0	(39,500)	0
2009/2010	S	10-12	Building Envelope	65,000	0	(65,000)	0
2009/2010	S	10-12	DW Equip	75,000	(20,000)	(35,000)	20,000
2009/2010	S	10-12	DW Flooring	150,000	(100,000)	(50,000)	0
2009/2010	S	10-12	DW Roofing	425,000	(300,000)	(50,000)	75,000
2009/2010	S	10-12	DW VVAC Mech	90,000	0	(45,000)	45,000
2009/2010	S	10-12	IS Equip	260,610	0	(200,610)	60,000
2010/2011	M	11-30	Fire Depart Station	85,000	0	(85,000)	0
2010/2011	M	11-30	Haigis Pky/Route One	2,235,000	0	(1,704,000)	531,000
2010/2011	M	11-30	Higgins Beach Pkg	300,000	0	(200,000)	100,000
2010/2011	M	11-30	HS Turf Field Lighting	85,650	0	(85,640)	10
2010/2011	M	11-30	Lib Pkg and Sidewalk	255,000	0	(255,000)	0
2010/2011	M	11-30	Library Equip	145,175	0	(145,175)	0
2010/2011	M	11-30	Mid-Level Rd Rehab	441,000	0	(441,000)	0
2010/2011	M	11-30	Payne Rd Island	35,800	0	(35,800)	0
2010/2011	M	11-30	PW Backhoe	121,000	0	(103,815)	17,185
2010/2011	M	11-30	PW Plow Truck	170,000	0	(170,000)	0
2010/2011	M	11-30	Direct Signage	20,000	0	(20,000)	0
2010/2011	S	11-31	Teacher Laptops	144,000	0	(74,000)	70,000
2010/2011	S	11-31	Utility Tractor	23,000	0	(23,000)	0
2010/2011	S	11-31	Windows/Blue Point Roof	72,000	0	(72,000)	0
<b>The Bonds</b>						<b><u>(\$4,445,000)</u></b>	

NOTE: "M" indicates a Municipal Project; "S" indicates a School Project.

## THE REFUNDING BONDS

The 2011 Bonds, in the amount of \$1,155,000, represent the remaining principal amount outstanding of the Town's 2001 General Obligation Bonds, dated June 15, 2001 (the "2001 Bonds"). The 2001 Bonds maturing after November 1, 2010 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2010 at any time at the redemption price of 101% (declining to 100.5% on November 1, 2011; 100% on and after November 1, 2012). The Town intends to use a portion of the proceeds of the 2011 Bonds, plus bid premium if any, to refund the \$1,155,000 remaining principal balance of the 2001 Bonds, on a current basis, approximately 30 days following the settlement date of the 2011 Bonds. To the extent available, bid premium will be used to pay for costs of issuance, including call premium; and any residual bid premium not used for costs of issuance will be used to reduce principal or pay interest on the 2001 Bonds accrued and unpaid to the redemption date.

The Town achieved an Absolute Savings of \$143,474.34; a Present Value savings of \$132,862.37; or a 11.5032% PV savings.

## The Remaining 2001 Bonds

Details regarding the remaining 2001 Bonds that are expected to be refunded are as follows:

<u>Amount</u>	<u>Nov. 1,</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Nov. 1,</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u>
\$120,000	2011	4.20%	806075MG9	\$115,000	2016	4.70%	806075MM6
115,000	2012	4.30	806075MH7	115,000	2017	4.80	806075MN4
115,000	2013	4.40	806075MJ3	115,000	2018	5.00	806075MP9
115,000	2014	4.50	806075MK0	115,000	2019	5.00	806075MQ7
115,000	2015	4.60	806075ML8	115,000	2020	5.00	806075MR5

**Wgt. Ave Life of 4.816666 yrs.; 5,611.333 bond yrs.**

## AMORTIZATION OF THE BONDS

Due Nov. 1,	School					Town Projects							The Bonds
	5 yr	10 yr	Sub-total	Refdgd	Total	4 yr	5 yr	10 yr	20 yr	Sub-total	Refdgd	Total	
2011	\$139,914	\$10,000	\$149,914	\$45,000	\$194,914	\$13,950	\$29,036	\$114,045	\$118,055	\$275,086	\$75,000	\$350,086	\$545,000
2012	139,914	10,000	149,914	45,000	194,914	13,950	29,036	114,045	118,055	275,086	70,000	345,086	540,000
2013	139,914	10,000	149,914	45,000	194,914	13,950	29,036	114,045	118,055	275,086	70,000	345,086	540,000
2014	139,914	10,000	149,914	45,000	194,914	13,950	29,035	114,046	118,055	275,086	70,000	345,086	540,000
2015	139,914	10,000	149,914	45,000	194,914		29,035	114,046	117,005	260,086	70,000	330,086	525,000
2016		10,000	10,000	45,000	55,000			114,045	120,955	235,000	70,000	305,000	360,000
2017		10,000	10,000	45,000	55,000			114,045	120,955	235,000	70,000	305,000	360,000
2018		10,000	10,000	45,000	55,000			114,045	115,955	230,000	70,000	300,000	355,000
2019		10,000	10,000	45,000	55,000			114,045	115,955	230,000	70,000	300,000	355,000
2020		10,000	10,000	45,000	55,000			114,045	115,955	230,000	70,000	300,000	355,000
2021									115,000	115,000		115,000	115,000
2022									115,000	115,000		115,000	115,000
2023									115,000	115,000		115,000	115,000
2024									115,000	115,000		115,000	115,000
2025									115,000	115,000		115,000	115,000
2026									110,000	110,000		110,000	110,000
2027									110,000	110,000		110,000	110,000
2028									110,000	110,000		110,000	110,000
2029									110,000	110,000		110,000	110,000
2030									110,000	110,000		110,000	110,000
	\$699,570	\$100,000	\$799,570	\$450,000	\$1,249,570	\$55,800	\$145,178	\$1,140,452	\$2,304,000	\$3,645,430	\$705,000	\$4,350,430	\$5,600,000

## 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 \$1,249,570 portion of Bonds, issued for the School Department, are not subject to the property tax limit set forth in Section 5721-A. The Finance Director has certified that a tax base sharing agreement does not now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts. Within the limits established by statute, the Town has the right to designate additional development districts or affordable housing development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. (See “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” section herein). There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

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

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

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

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

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

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

The Town may increase or exceed the Property Tax Levy Limit by a majority vote of the entire Town Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Section 5721-A(7)(B) this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote.

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

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

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

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

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

## **TAX MATTERS**

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, based on existing statutes, regulations and court decisions interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax upon corporations and will be taken into account in the computation of the foreign branch profits tax. In addition, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations and court decisions.

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

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

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences. In the opinion of Bond Counsel, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals.

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

In the opinion of Bond Counsel, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals based on existing statutes, regulations and court decisions. See "Proposed Form of Legal Opinion" in APPENDIX B herein.

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

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

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

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." For federal income tax purposes, bond premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser's adjusted tax basis. Bond purchasers should consult their own tax 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 Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

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

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

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

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

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

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

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

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

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## **RATINGS**

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

## **CONTINUING DISCLOSURE**

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule") the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

Except for a late filing for fiscal year ended June 30, 2003, the Town has not failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule. Furthermore, recognizing the importance of the Rule, the Town's undertaking thereof, and prompt compliance thereon, the Town amended Section 215.1 of its Charter on November 2, 2004, effective December 1, 2004, such that *"The audit shall be completed and delivered to the Town Council not later than December 30<sup>th</sup> following the end of the municipal year of the subject audit"*.

## **CUSIP IDENTIFICATION NUMBERS**

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

## **FINANCIAL ADVISOR**

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

## **STATUTORY REFERENCES**

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

## **CONDITIONS PRECEDENT TO DELIVERY**

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

### **No Litigation**

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

**Approval of Legality**

The legality of the Bonds will be approved by Bernstein, Shur, Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

**Certification of the Bonds**

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

**Certificate With Respect to Finance Director**

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

**Certificate With Respect to Official Statement**

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

## TOWN OF SCARBOROUGH

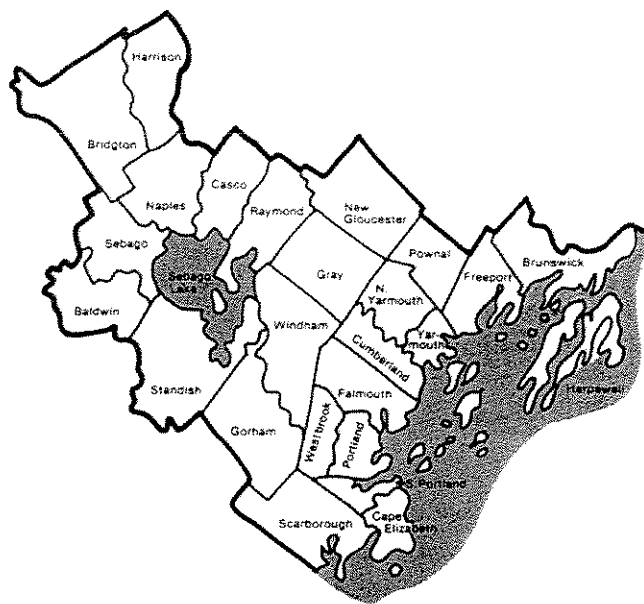
### GENERAL

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



**CUMBERLAND  
COUNTY**

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 81.5% are owner occupied. The land area of the Town is comprised of residential, local business, industrial, medical, commercial and resource protection zones, as well as recreation, oceanfront, open space, farmland and woodland areas. The area of the Town totals 27,919 acres or approximately 54 square miles.

## **GOVERNMENT**

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

The Town operates under a charter first adopted on October 7, 1969 and amended most recently by voter approval at the City's election held November 2, 2010, effective January 1, 2011, (the "Charter"), providing for a *Council/Manager* form of government with a seven-member Town Council, elected at-large who serve for three-year staggered terms. The Charter grants to the Town Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies, giving effect to any vote of the Town authorizing the issuance of debt, and providing for an annual audit of the Town's accounts. Voter approval is required for a single capital improvement that requires the issuance of \$400,000 or more issuance of debt. The Town Manager is the chief administrative officer of the Town.

## **MUNICIPAL SERVICES**

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

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

## **Public Safety**

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

The Fire Department operates from one central fire station and five sub-stations lead by a Fire Chief, a Deputy Fire Chief of Operations/Suppression and a deputy Chief of Emergency Medical Services. The department's personnel include two full-time Administrative Assistants, four career Paramedic Lieutenants, 16 career Firefighter/EMTs and 167 per diem and call Firefighters. Through its Fire Department, the Town operates three Marine Units, on a seasonal basis.

## **Public Works**

The Public Works Department is comprised of three divisions managed by a Director of Publics Works as discussed below: The *Operations Division* is comprised of a Supervisor 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 and processes "Excavator Licenses," "Street Opening Permits," and "Building Permit Coordination Forms." The *Vehicle Maintenance Division* consists of a Supervisor and seven fleet technicians and is responsible for the maintenance of all Town-owned vehicles including Fire Trucks, Rescue Vehicles, Police Cruisers, School Buses, Public Works equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment and for overseeing the town-wide fuel distribution program. The *Traffic/Electrical Division* is manned by one person who oversees the town-wide alarm system, traffic signals and associated equipment. In addition, Public Works is staffed by two full-time office personnel, and a full-time GIS coordinator.

In 1996 the Town ceased using its landfill and has closed the site in conformance with the State of Maine Department of Environmental Protection procedures. The Town began transporting its solid waste to the ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 21 member municipalities ("Member Municipalities"), including the Town, that maintains a waste-to-energy resource recovery system ("RRS") for which the Member Municipalities are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing. In 1991, six participating municipalities ("Participating Municipalities") entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. See "INDEBTEDNESS – CONTINGENT DEBT – ecomaine" herein.

## **PUBLIC EDUCATION**

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

The School Consolidation Law was enacted by the State with the goal of reorganizing and consolidating existing School Administrative Units ("SAU") into Regional School Units ("RSUs"). The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize

into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs.

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

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

### **Department of Education**

The Town operates its educational program for grades K through 12 under its own supervision. Article IV of the Town’s Charter, as amended, provides that the Department of Education for the Town be administered by a Board of Education (the “School Board”) comprised of seven members, who are elected by the voters of the Town at-large for three-year staggered terms. The School Board performs all duties and functions in regard to the care and management of the public schools of the Town. The School Board prepares and submits its budget to the Town Manager, who includes it in the budget process. See also “TOWN FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, an Assistant Superintendent one Business Office Manager, one Director of Special Education, one Director of Curriculum/Assessment, 10 full-time equivalent Principals or Assistant Principals, 540 teachers and various other professional and non-professional staff.

<b>Schools</b>	<b>Grade</b>	<b>Estimated Capacity</b>	<b>Enrollment<sup>(2)</sup></b>
Blue Point School	K-2	250 <sup>(1)</sup>	268
Eight Corners School	K-2	250 <sup>(1)</sup>	265
Pleasant Hill School	K-2	200 <sup>(1)</sup>	192
Benjamin Wentworth Intermediate	3-5	750 <sup>(1)</sup>	754
Scarborough Middle	6-8	800 <sup>(1)</sup>	796
Scarborough High	9-12	1,200	1,070

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

### **Portland Arts and Technology High School**

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for “career and technical education” or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via a center (a “Center”), a satellite program (a “Satellite Program”) or a region (a “Region”). A Center is an administrative entity established to provide career and technical education to secondary students. Unless otherwise specifically provided for, a Center is governed, operated and administered by a single School Administrative Units



("SAU"). A Center shall make its programs available to serve secondary students from SAUs with which it is affiliated. A Center may include within its administrative structure Satellite Programs operated by SAUs with which it is affiliated. A Satellite Program means a program providing career and technical education to secondary students that is operated by an SAU affiliated with a Center. A Region is a quasi-municipal corporation established by the Legislature to provide career and technical education to secondary students that is comprised of all the SAUs within the geographical boundaries set forth for each career and technical education region. A Region is governed by a cooperative board formed and operating in accordance with this chapter. A participating SAU is responsible for its proportionate share of a Region's operating expenses, including debt repayment, which is included in the respective SAU's annual assessment to the Region. A Center is governed by a single SAU and its obligations are those of that SAU.

The law regarding the funding of Portland Arts and Technology High School ("PATHS") was changed by Private and Special Laws of Maine for its 2000/2001 school year such that Scarborough no longer pays per student tuition to Portland but pays for attendance through a cost sharing agreement. State subsidy for PATHS no longer goes entirely to Portland; rather each sending school receives some subsidy for CTE based on their costs for student enrollment at PATHS. For the school year 2010/2011, the Scarborough School Department's assessment is 4.3% of the total of the 2010/2011 Part I cost and the 2010/2011 Part II cost for PATHS. This represents the enrollment average for October 1, 2010, being 23.5 FTE students from Scarborough of the 546.5 student total enrollment average for PATHS.

### Enrollment Trends

April 1,	Grades					Total Enrollment
	K-2	3-5	6-8	9-12	Other	
2010	725	754	796	1,070	6	3,351
2009	750	728	810	1,048	7	3,343
2008	714	772	828	1,024	9	3,347
2007	718	790	797	993	8	3,306
2006	724	790	803	1,007	0	3,324
2005	727	799	805	977	0	3,308
2004	723	777	811	923	0	3,234
2003	715	789	754	850	102	3,210
2002	724	754	782	785	92	3,137
2001	746	736	729	749	77	3,037

### THE SCARBOROUGH PUBLIC LIBRARY

Inspired by a group of women of the First Parish Church on the Black Point Road in Scarborough who collected and shared books, on August 2, 1899 a first meeting was held of people desiring to become incorporated as proprietors of a social library such that the Scarborough Public Library Corporation was organized and recorded. On December 6, 1899, it was voted to build a library building and Architect Fred A. Thompson, donating his time, drew up plans for a one room building. On August 28, 1900, the first meeting of trustees was held in the new building. Annie Louise Cary, world famous Metropolitan Opera singer and summer patroness of the Atlantic House, established the Atlantic House Fund for the benefit of the library and, following her death, in 1921, a trust fund was left for the library. Another guest of the Atlantic House, Margaret Jewell, gave generously to the building fund, and upon her death, in 1970, she left an endowment fund to the library.

In 1937, the Town purchased land on the south side of the corporation's building and, with a gift of two additional parcels of land on the north and west sides of the building, an addition to the one-room library

was planned. The north wing, known as the Fiction Room, was completed in 1938. Another building fund, starting in 1947, led to a south wing completion in October 1951, to become the Reference Room. In 1976, the library underwent extensive renovation including an addition to the rear of the building for an expansion of the children's section, added office space and moving the circulation desk to a central location. Additionally, a public meeting room was built and storage space provided. A one-floor 12,000 square feet library building, located in the central Oak Hill area, opened in 1990.

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

## LABOR RELATIONS

The Town employs approximately 546 full-time and various part-time personnel, and approximately 774 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union <sup>(1)</sup>	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	32	July 1, 2010	June 30, 2011
SPA	Dispatchers	11	July 1, 2011	June 30, 2012
SPA	Paramedics	20	July 1, 2010	June 30, 2011
SEA	Teachers	282	Sept 1, 2010	Aug 31, 2013
SAA	School Administrators	11	July 1, 2010	June 30, 2013
SESPA	School Staff and Teacher's Aids	106	Oct 16, 2008	June 30, 2011
SEA	School Custodians	26	July 1, 2007	June 30, 2011
SEA	Bus Drivers	22	July 1, 2009	June 30, 2011
SEA	Food Service Workers	24	Sept 8, 2007	Aug 31, 2011

NOTE: <sup>(1)</sup> "SPBA" indicates the Scarborough Police Benevolent Association; "SPA" includes Scarborough Paramedics Association or the Scarborough Public Safety Dispatchers Association, affiliated with the International Association of Firefighters ("IAFF") affiliate of the American Federation of Labor & Congress of Industrial Organizations ("AFL/CIO") as separate bargaining units; "SEA" indicates the Scarborough Educators Association; "SAA" indicates the Scarborough Administrators Association; "SESPA" indicates the Scarborough Educational Support Professionals Association, of which the various components are affiliated with the Maine Teachers Association s ("MEA"), as separate bargaining units.

## EMPLOYMENT

Representative Employer	Type of Business	Approximate Number of Employees
Hannaford Brothers	Supermarket Chain & Corporate Office	1,108
Postal Service Distribution Ctr	Distribution	635
Cabela's	Sports Equipment	325
NorDX	Medical Laboratory	293
Maine Medical Center	Hospital	278
Wal-Mart	Retail Department Store	275
Shaw's	Supermarket Chain	215
Piper Shores	Nursing Home	192
Sam's Wholesale Club	Wholesale Department Store	186
Johnson & Jordan	Mechanical Contractors	167

## COMMUTER TRENDS

People who commute to Scarborough, but live in:	Number of Workers	% Scarborough Workforce	People who live in Scarborough, but commute to:	Number of Workers	% Scarborough Workers
Scarborough	2,387	24.52%	Portland	2,709	31.05%
Portland	1,061	10.90	Scarborough	2,387	27.36
South Portland	649	6.67	South Portland	1,410	16.16
Saco	525	5.39	Westbrook	380	4.36
Biddeford	448	4.60	Gorham	223	2.56
Old Orchard Beach	414	4.25	Saco	220	2.52
Westbrook	389	4.00	Freeport	119	1.36
Gorham	338	3.47	Falmouth	116	1.33
Buxton	311	3.20	Biddeford	115	1.32
Windham	246	2.53	Cape Elizabeth	106	1.22
All Other	2,965	30.46	All Other	939	10.76
	9,733	100.00%		8,724	100.00%

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

## BUILDING PERMITS

Year Ended Dec. 31,	Commercial (\$/000)				Residential (\$/000)				Total (\$/000)	
	New Construction		Alterations		New Construction		Alterations			
	Permits	Cost	Permits	Cost	Permits	Cost	Permits	Cost	Permits	Cost
2010	1	\$0.0	70	\$96,903.9	58	\$84,399.5	401	\$62,448.9	530	\$243,852.3
2009	16	30,286.2	53	21,820.3	47	62,154.1	268	61,243.5	384	175,504.1
2008	10	35,447.4	80	55,559.8	75	100,517.1	359	79,765.4	524	271,329.7
2007	19	56,828.5	123	13,410.1	75	32,653.6	364	6,366.0	581	109,258.2
2006	86	40,296.6	72	12,103.9	86	24,508.5	356	9,163.6	600	86,072.6
2005	6	2,495.0	298	5,637.5	107	26,146.9	300	10,086.7	711	44,366.1
2004	14	26,077.8	222	11,033.8	120	32,104.1	286	10,286.1	642	79,501.8
2003	10	8,210.0	61	6,770.5	169	36,338.5	243	7,717.7	483	59,036.7
2002	7	5,357.0	214	5,037.8	147	30,400.4	366	6,697.9	734	47,493.1
2001	7	2,318.0	261	6,048.2	214	38,743.1	309	6,869.3	791	53,978.6

## RETAIL TRADE

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

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2010	37,530	44,048	22,326	145,410	77,685	29,551	57,293	413,843	376,313
2009	47,569	41,367	21,975	129,496	71,546	26,774	54,457	393,184	345,615
2008	59,956	53,132	21,863	119,227	61,808	26,598	50,302	392,886	332,930
2007	64,616	38,068	21,611	121,064	20,874	28,526	43,324	338,083	273,467
2006	74,371	31,443	19,950	126,021	19,906	27,932	42,248	341,872	267,501
2005	68,042	27,163	18,554	126,485	15,767	29,575	40,514	326,100	258,057
2004	62,306	23,339	17,834	132,589	14,957	28,798	39,129	318,951	256,645
2003	51,560	19,497	16,803	128,063	14,531	29,212	36,824	296,489	244,929
2002	48,284	18,740	15,445	122,010	13,074	24,926	37,267	279,747	231,462
2001	55,189	18,181	15,819	115,495	12,988	21,018	35,720	274,410	219,221
2000	66,947	18,406	17,990	102,166	12,338	20,615	34,305	272,766	205,820

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

## FORMER PORTLAND METROPOLITAN STATISTICAL AREA

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



The map displays the three cities and 19 towns that comprised the former Portland MSA.

## ECONOMIC CHARACTERISTICS

	-----% Change-----			
<b>Population</b>	<b>Town of Scarborough</b>	<b>Town</b>	<b>State</b>	<b>USA</b>
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
2010	18,919	11.5	4.2	8.9

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

<b>Population Characteristics</b>	<b>Town of Scarborough</b>	<b>Cumberland County</b>	<b>State of 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 Scarborough</b>	<b>Cumberland County</b>	<b>State of 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 Scarborough</b>	<b>Cumberland County</b>	<b>State of 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 Scarborough</b>	<b>Cumberland County</b>	<b>State of Maine</b>	<b>USA</b>
2010	5.4%	6.3%	7.9%	9.6%
2009	5.6	6.4	8.0	9.3
2008	3.3	4.0	5.4	5.8
2007	2.9	3.5	4.6	4.7
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1
2004	2.9	3.3	4.6	5.5
2003	2.2	3.0	5.1	6.0
2002	2.0	2.8	4.4	5.8
2001	1.8	2.3	4.0	4.8

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,

	2007	2008	2009	2010	2011
<b>EXPENDITURES</b>					
General government	\$4,093,567	\$4,250,361	\$4,358,084	\$4,598,652	\$4,612,151
Public services	2,869,959	2,924,357	3,134,633	3,175,563	3,191,728
Public safety	6,755,786	6,995,577	7,563,495	7,840,302	8,201,277
Public works	6,135,470	6,305,800	6,501,204	6,539,503	6,349,595
Education	32,033,553	33,489,615	35,145,994	35,199,614	35,084,868
County Tax	1,614,651	1,735,302	1,836,509	1,885,984	1,922,952
Debt service	4,409,714	4,717,767	4,935,548	4,750,145	4,814,046
CIP	1,368,569	1,878,746	947,360	1,055,426	789,928
<b>TOTAL EXPENDITURES</b>	<b>59,281,269</b>	<b>62,297,525</b>	<b>64,422,827</b>	<b>65,045,189</b>	<b>64,966,545</b>
<b>REVENUES</b>					
Taxes	42,800,875	44,611,816	46,929,139	47,279,994	49,175,751
Licenses and permits	713,008	667,115	602,140	406,890	433,280
Intergovernmental	9,368,710	9,372,942	9,908,963	9,937,412	8,045,187
Interest earned	182,000	227,000	227,000	100,000	95,000
Other	3,957,635	3,807,265	4,629,952	4,536,004	5,397,978
<b>TOTAL REVENUES</b>	<b>57,022,228</b>	<b>58,686,138</b>	<b>62,297,194</b>	<b>62,260,300</b>	<b>63,147,196</b>
<b>OTHER SOURCES</b>					
Operating transfers	1,149,718	2,253,882	1,399,606	532,747	314,020
Prior year fund balance	475,000	540,000	799,770	1,700,000	1,150,000
Overlay	(101,427)	(99,688)	(73,743)	(274,184)	(100,849)
Bond and note proceeds	735,750	917,193	0	826,326	456,178
<b>TOTAL OTHER</b>	<b>2,259,041</b>	<b>3,611,387</b>	<b>2,125,633</b>	<b>2,784,889</b>	<b>1,819,349</b>
<b>TOTAL BUDGET</b>	<b>\$59,281,269</b>	<b>\$62,297,525</b>	<b>\$64,422,827</b>	<b>\$65,045,189</b>	<b>\$64,966,545</b>

## CAPITAL IMPROVEMENT PLAN

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

## PROPERTY TAX LEVY LIMIT

As previously discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the Town is limited to an increase in the Town's property tax levy from one year to the next of not more than its Municipal Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Municipal Property Tax Limit for subsequent fiscal years is the 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 Municipal 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' Municipal property tax levy.

Fiscal year:	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
State Personal Income Factor:	2.62%	2.47%	2.24%	2.28%	1.78%
Town Prop Growth Factor:	<u>1.83</u>	<u>2.34</u>	<u>2.57</u>	<u>2.64</u>	<u>0.89</u>
Growth Limitation Factor:	4.45%	4.81%	4.81%	4.92%	2.67%
Property Tax Levy Limit:	\$11,297,115	\$11,857,392	\$12,437,733	\$13,211,025	\$13,749,067
Property Tax Levy:	<u>11,210,876</u>	<u>11,587,653</u>	<u>12,567,077</u>	<u>13,426,693</u>	<u>14,136,022</u>
Over/(below) Property Tax Levy Limit:	(\$86,239)	(\$269,739)	\$129,344	\$215,668	\$386,955

## INVESTMENT POLICY

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

## FUND BALANCE POLICY

The Town has established, and follows, a formal Fund Balance Policy that recognizes the importance of maintaining an appropriate level of unrestricted fund balance. After evaluating the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes goals regarding to the unrestricted fund balances of the General Fund of the Town.

The Town's goal is to maintain a level of unrestricted fund balance in an amount equal to 8.3% (or 1/12th) of its annual Operating Budget but not to fall below 5.0%. Once the Town achieves an unrestricted fund balance equal to 8.3% of the Town's Operating Budget, any excess above 10.0% is to be assigned for capital needs or property tax stabilization. At year-end, capital and certain other budget items, in which appropriated amounts exceed actual expenditures, are reviewed to determine if they should be designated to be carried over to the next year. Annually, the Finance Director presents to the Town Manager a list of items for approval to be designated to be carried forward. To the extent that the fund balance is not maintained to the level of its goal, the unrestricted fund balance target, achieved through savings or through appropriations, should be realized in a period not to exceed five years.

### Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Unreserved General Fund Balance	\$8,226,275	\$8,317,308	\$8,974,492	\$8,173,847	\$4,755,708
Total Revenues (Current Year)	54,291,753	57,194,572	61,362,787	65,367,223	64,114,724
Fund Bal as % Revenues	15.15%	14.54%	14.63%	12.50%	7.42%
Undesignated General Fund Balance	\$5,519,830	\$5,646,355	\$6,222,425	\$6,355,529	\$3,286,399
Total Revenues (Current Year)	54,291,753	57,194,572	61,362,787	65,367,223	64,114,724
Fund Bal as % Revenues	10.17%	9.87%	10.14%	9.72%	5.13%

### Special Event Regarding Use of Fund Balance

The Town typically budgets use of a portion of General Fund Balance, in amounts from \$500,000 to \$800,000, each year. Due to softness in the economy an extraordinary amount, of \$1,700,000, was budgeted for use in fiscal year 2010. This amount was reduced by \$550,000, to \$1,150,000, in fiscal year 2011 and is expected to be further reduced by \$550,000, to \$600,000, in fiscal year 2012.

## FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and 204.6 of the Town's Charter provide for independent annual audits of the Town's accounts and establishes procedures for such audits. The Town, in conformance with this statute and its Charter currently engages the services of Macdonald Page & Co., LLC, Certified Public Accountants for this review.

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

The Town's fiscal year 2010 Annual Financial Report, audited by Macdonald Page & Co., LLC, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of Macdonald Page for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.



The Government Finance Officers Association (the “GFOA”) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Town for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2009. This is the fourth year that the Town has received this prestigious award. In order to be awarded the certificate, the Town published an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles (“GAAP”) and applicable legal requirements.

## **FUNDS**

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Town has the following fund types and account groups:

### **Governmental Fund Types**

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

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

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

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

### **Fiduciary Funds**

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

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

### **Permanent Funds.**

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

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

	2010	2009	2008	2007	2006
<b>ASSETS</b>					
Cash and cash equivalents	\$4,062,681	\$4,691,357	\$3,972,040	\$7,916,097	\$6,551,527
Investments	4,410,997	4,803,188	7,724,325	3,019,928	3,307,048
Receivables:					
Accounts receivable	546,871	617,828	487,613	606,045	403,966
Intergovernmental	45,238				
Taxes receivable	166,781	136,958	132,608	103,975	59,797
Tax liens	651,207	559,400	456,920	363,401	407,661
Interfund receivable	2,794,632	3,152,886	877,117	483,340	1,041,875
Tax acquired property	7,231	7,231	7,231	7,231	7,231
<b>TOTAL ASSETS</b>	<b>12,685,638</b>	<b>13,968,848</b>	<b>13,657,854</b>	<b>12,500,017</b>	<b>11,779,105</b>
<b>LIABILITIES</b>					
Accounts payable	1,158,183	1,057,383	1,005,571	806,517	695,103
Accrued payroll	3,581,414	3,459,260	3,189,200	2,599,530	2,457,799
Accrued absences	22,559	22,425	65,218	0	0
Taxes collected advance	50,845	69,250	15,003	31,279	17,928
Deferred tax revenue	634,571	556,721	408,370	370,000	382,000
<b>TOTAL LIABILITIES</b>	<b>5,447,572</b>	<b>5,165,039</b>	<b>4,683,362</b>	<b>3,807,326</b>	<b>3,552,830</b>
<b>EQUITY</b>					
Fund balances:					
Reserved	2,482,358	629,962	617,834	674,006	771,193
Unreserved:					
Undesignated	3,286,399	6,355,529	6,222,425	6,021,738	5,519,830
Designated	1,469,309	1,818,318	2,134,233	1,996,947	1,935,252
<b>TOTAL EQUITY</b>	<b>7,238,066</b>	<b>8,803,809</b>	<b>8,974,492</b>	<b>8,692,691</b>	<b>8,226,275</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$12,685,638</b>	<b>\$13,968,848</b>	<b>\$13,657,854</b>	<b>\$12,500,017</b>	<b>\$11,779,105</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,)**

	2010	2009	2008	2007	2006
<b>REVENUES</b>					
Taxes	\$46,879,920	\$46,401,191	\$44,581,175	\$42,712,153	\$41,345,663
Licenses and permits	573,438	482,314	817,847	753,026	611,420
Intergovernmental	11,875,110	13,526,908	12,605,805	11,794,756	10,828,778
Interest earned	141,496	137,533	344,371	404,622	260,661
Other	4,644,760	4,819,277	6,197,182	3,955,173	3,553,702
<b>TOTAL REVENUES</b>	<b>64,114,724</b>	<b>65,367,223</b>	<b>64,546,380</b>	<b>59,619,730</b>	<b>56,600,224</b>
<b>EXPENDITURES</b>					
General government	4,701,884	4,533,475	4,482,678	4,400,675	4,340,348
Public services	3,730,927	3,703,541	3,102,548	3,070,038	2,849,393
Public safety	7,720,965	7,399,328	6,986,430	6,641,973	6,179,751
Public works	6,224,169	6,259,412	6,765,228	5,846,056	5,702,033
Education	37,337,662	37,551,686	36,113,916	33,652,081	32,791,793
County tax	1,885,984	1,836,509	1,735,302	1,614,651	1,584,344
Debt service	4,956,091	5,070,061	4,720,620	4,396,007	4,065,377
Capital improvements	1,262,059	2,177,893	3,675,867	2,618,995	1,114,864
<b>TOTAL EXPENDITURES</b>	<b>67,819,741</b>	<b>68,531,905</b>	<b>67,582,589</b>	<b>62,240,476</b>	<b>58,627,903</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(3,705,017)</b>	<b>(3,164,682)</b>	<b>(3,036,209)</b>	<b>(2,620,746)</b>	<b>(2,027,679)</b>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers in	1,551,027	2,570,284	2,782,635	1,855,084	2,166,015
Operating transfers out	(111,543)	(395,967)	(886,474)	(602,222)	(608,069)
Proceeds from Capital Lease	51,585	819,682	1,010,422	1,199,550	0
Bond or note proceeds	648,205	0	786,810	634,750	936,000
<b>TOTAL OTHER FINANCING:</b>	<b>2,139,274</b>	<b>2,993,999</b>	<b>3,693,393</b>	<b>3,087,162</b>	<b>2,493,946</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>(1,565,743)</b>	<b>(170,683)</b>	<b>657,184</b>	<b>466,416</b>	<b>466,267</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>8,803,809</b>	<b>8,974,492</b>	<b>8,317,308</b>	<b>8,226,275</b>	<b>7,760,008</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$7,238,066</b>	<b>\$8,803,809</b>	<b>\$8,974,492</b>	<b>\$8,692,691</b>	<b>\$8,226,275</b>

Prepared from Audited Financial Statements

## **PROPERTY TAXATION**

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2010/2011 due dates are October 15, 2010 and March 15, 2011. All taxes paid after the due dates are subject to interest, at the rate of 7.0% per annum.

### **Real Estate Taxes**

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

### **Business Personal Property Taxes**

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

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

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

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

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

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

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

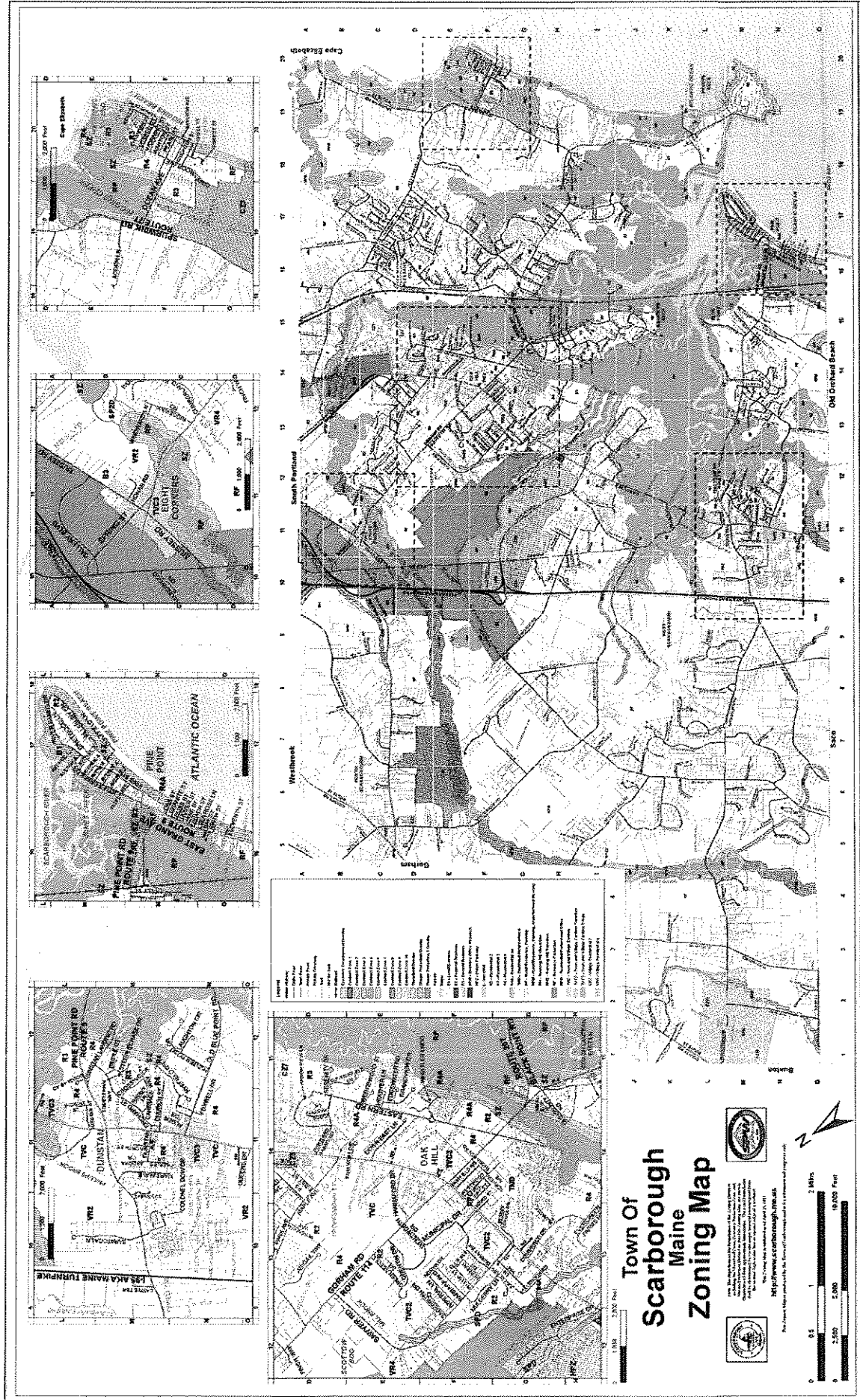
The value of all property made exempt by this law in the Town will also be considered part of that municipality's equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district.

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

### Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Commit. (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 5/1/11
2011	\$3,564,150	\$3,556,552	\$12.63	\$44,919	---- In Process ----		
2010	3,620,450	3,524,772	12.15	42,826	\$42,319	98.82%	99.55%
2009	3,563,250	3,487,005	12.15	42,367	41,891	98.88	99.92
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01	99.92
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.30	99.94
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.92	100.00
2005	2,538,800	2,057,589	17.34	35,678	35,423	99.13	100.00
2004	2,158,300	2,002,987	16.46	32,969	32,747	99.33	100.00
2003	1,864,800	1,930,576	15.70	30,311	30,104	99.20	100.00
2002	1,571,700	1,858,345	15.30	28,433	28,121	98.84	100.00
2001	1,374,950	1,313,684	19.60	25,748	25,339	98.35	100.00
2000	1,253,450	1,259,330	19.20	24,179	23,716	98.06	100.00

# ZONING MAP



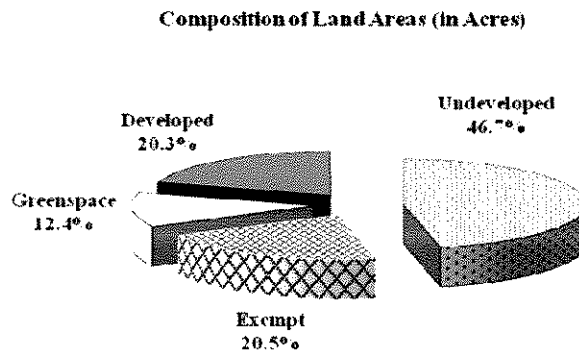
## LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2010 (\$/000)				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$59,963	\$1,192	\$61,155	\$772,388	1.72%
Walmart/Sam's Club	Wholesale/Retail	33,856	6,633	40,490	511,382	1.14
New England Exped.	Retail/Restaurants	35,132	0	35,132	443,718	0.99
Hannaford Brothers	Supermarket/Corp Off	16,931	6,971	23,902	301,887	0.68
MMC Realty	Maine Health	18,744	3,419	22,163	279,916	0.62
Scarborough Gallery	Retail/Restaurants	22,019	0	22,019	278,100	0.62
Gavin Ruotolo	Commercial Leases	18,475	123	18,598	234,897	0.52
Central Maine Power	Utility	15,069	2.2	15,071	190,343	0.42
Shaw's	Supermarket	8,912	5,385	14,296	180,564	0.40
RRE Foxcroft & Coach Lantern	Apartments	13,010	244	13,253	167,390	0.37
Top Ten Taxpayers as a % of Total		\$242,111	\$23,968	\$266,080	\$3,360,585	7.48%

## CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 28,213 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)	2010
Undeveloped <sup>(1)</sup>	13,182
Exempt	5,792
Greenspace <sup>(2)</sup>	3,504
Developed	5,735
Total	28,213



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.

	2000		2005		2010	
	Value	% Total	Value	% Total	Value	% Total
Commercial	\$204,136,700	15.93%	\$425,931,300	13.08%	\$459,230,300	12.91%
Industrial	65,155,000	5.08%	133,337,500	4.09%	148,103,100	4.16
Residential	929,093,200	72.51%	2,508,175,200	77.01%	2,771,105,200	77.91
Undeveloped	60,606,400	4.73%	100,424,700	3.08%	113,785,500	3.19
Other	22,379,300	1.75%	88,973,200	2.73%	64,327,800	1.83
Assessed Value	\$1,281,372,600	100.00%	\$3,256,841,900	100.00%	\$3,556,551,900	100.00%

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

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

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enable a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) 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 dedicate the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of 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 one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, section 3403, subsection 3 of the Maine Revised Statutes, as amended.

The 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.

The future increased property tax receipts which have been and may, in the future, be “captured” for purposes of the Town’s tax increment financing districts will not be available to pay debt service on the Bonds. The Town does not expect, however, that the use of such future increased property tax receipts for purposes of the Town’s tax increment financing districts will have an adverse effect on the Town’s ability to pay debt service on the Bonds.

## **STATE AID**

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

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that



are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State's budgetary process and are subject to legislative appropriation in that process.

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

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>School Aid</b>	<b>Homestead Exemption</b>	<b>General Assist.</b>	<b>BETE Reimburse.</b>	<b>Other State Aid</b>	<b>Total From State</b>
2010	\$1,120,132	\$5,913,102	\$352,995	\$3,022	\$140,591	\$499,353	\$8,029,195
2009	1,358,911	7,069,802	399,355	8,264	23,864	568,220	9,428,416
2008	1,409,156	6,567,679	325,653	11,637	-	943,561	9,257,686
2007	1,395,552	6,423,999	317,821	5,730	-	870,906	9,014,008
2006	1,432,953	5,715,173	305,211	1,184	-	835,185	8,289,706
2005	1,449,141	4,532,459	300,361	1,169	-	855,312	7,138,442

## **INDEBTEDNESS**

### **LIMITATIONS AND EXCLUSIONS**

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

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

On January 1, 2011 the Town's equalized state valuation ("equalized State Valuation") was \$3,564,150,000. The 15% debt limit is \$534,622,500. On June 30, 2010 the Town's long-term debt was \$68,042,000 or 1.91% of the equalized State Valuation.

The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

#### DEBT SUMMARY

Series	Date of Issue	Issue Amount	Date of Final Mat	As of June 30, 2010	Payments 2010/2011	(less Refunding)	Projected June 30, 2011
1990	11/01/90	7,415,000	11/01/10	\$325,000	(\$325,000)		\$0
1993	05/01/93	1,135,000	11/01/12	75,000	(25,000)		50,000
1994	10/15/94	6,775,000	10/15/14	1,150,000	(230,000)		920,000
1995	12/15/95	6,160,000	11/01/15	1,590,000	(265,000)		1,325,000
1997	04/15/97	4,230,000	11/01/16	770,000	(110,000)		660,000
2001	06/15/01	4,932,000	11/01/20	1,335,000	(180,000)	(\$1,155,000)	0
2003	06/01/03	24,579,000	06/01/34	19,085,000	(750,000)		18,335,000
2004	03/15/04	14,628,000	11/01/33	9,375,000	(680,000)		8,695,000
2005	03/15/05	10,665,000	11/01/34	8,455,000	(385,000)		8,070,000
2006	05/15/06	7,014,000	11/01/20	4,375,000	(835,000)		3,540,000
2007	05/15/07	4,000,000	11/01/21	2,350,000	(550,000)		1,800,000
2008	06/01/08	8,513,000	11/01/27	7,120,000	(800,000)		6,320,000
2009	05/01/09	4,560,000	11/01/28	4,255,000	(400,000)		3,855,000
2009	10/01/09	1,780,000	11/01/19	1,780,000	(185,000)		1,595,000
2010	04/15/10	6,002,000	11/01/30	6,002,000	0		6,002,000
<b>Sub-total</b>				<b>\$68,042,000</b>	<b>(\$5,720,000)</b>	<b>(\$1,155,000)</b>	<b>\$61,167,000</b>
2011	06/15/11	5,600,000	11/01/30	0	0	0	5,600,000
<b>Total</b>				<b>\$68,042,000</b>	<b>(\$5,720,000)</b>	<b>(\$1,155,000)</b>	<b>\$66,767,000</b>

NOTE: The shaded series indicates the proposed series to be refunded by a portion of the Bonds of this financing, subject to change.

#### DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2006	2007	2008	2009	2010	2011
Total Current Year Debt Service:	\$8,753,803	\$8,819,923	\$8,768,869	\$8,853,561	\$8,401,091	\$8,864,319
Budgeted Operating Expense:	55,513,741	59,281,269	62,297,525	62,422,827	62,260,300	65,790,472
Debt Service as % Oper. Expense:	15.77%	14.88%	14.08%	14.18%	13.49%	13.47%

## DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2011	18,919	\$3,564,150	\$3,556,552	\$66,767,000	1.87%	\$3,529.10
2010	18,919	3,620,450	3,524,771	68,042,000	1.88	3,616.95
2009	18,812	3,563,250	3,487,005	67,785,000	1.90	3,603.29
2008	18,812	3,531,150	3,397,230	69,328,000	1.96	3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76
2004	16,970	2,158,300	2,023,583	62,952,163	2.92	3,709.61
2003	16,970	1,864,800	1,959,463	54,759,228	2.94	3,226.83
2002	16,970	1,571,700	1,858,345	35,095,667	2.23	2,068.10

## PROJECTED DEBT SERVICE REQUIREMENTS

Yr. End June 30,	Principal	Interest	(less Ref'd'd)	Total Debt	Principal	Interest	Total Debt	Total D/S
2011	\$5,720,000	\$2,584,375	\$0	\$8,304,375	\$0	\$0	\$0	\$8,304,375
2012	5,547,000	2,371,455	(171,165)	7,747,290	545,000	112,392	657,392	8,404,682
2013	5,350,000	2,178,145	(161,173)	7,366,973	540,000	117,950	657,950	8,024,923
2014	4,565,000	2,000,616	(156,170)	6,409,446	540,000	107,150	647,150	7,056,596
2015	4,325,000	1,837,031	(151,053)	6,010,979	540,000	96,350	636,350	6,647,329
2016	4,015,000	1,681,619	(145,820)	5,550,799	525,000	85,700	610,700	6,161,499
2017	3,395,000	1,544,735	(140,473)	4,799,263	360,000	76,850	436,850	5,236,113
2018	3,235,000	1,421,713	(135,010)	4,521,703	360,000	69,650	429,650	4,951,353
2019	3,000,000	1,303,434	(129,375)	4,174,059	355,000	62,056	417,056	4,591,115
2020	2,910,000	1,187,040	(123,625)	3,973,415	355,000	53,625	408,625	4,382,040
2021	2,975,000	1,067,830	(117,875)	3,924,955	355,000	44,306	399,306	4,324,261
2022	2,770,000	949,641		3,719,641	115,000	37,700	152,700	3,872,341
2023	2,960,000	829,637		3,789,637	115,000	34,250	149,250	3,938,887
2024	1,615,000	733,158		2,348,158	115,000	30,800	145,800	2,493,958
2025	1,665,000	664,011		2,329,011	115,000	27,206	142,206	2,471,218
2026	1,715,000	591,694		2,306,694	115,000	23,325	138,325	2,445,019
2027	1,585,000	520,534		2,105,534	110,000	19,319	129,319	2,234,853
2028	1,645,000	450,389		2,095,389	110,000	15,263	125,263	2,220,652
2029	1,515,000	380,883		1,895,883	110,000	11,000	121,000	2,016,883
2030	1,475,000	314,265		1,789,265	110,000	6,600	116,600	1,905,865
2031	1,540,000	246,153		1,786,153	110,000	2,200	112,200	1,898,353
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
<b>TOTAL</b>	<b>\$68,042,000</b>	<b>\$25,198,431</b>	<b>(\$1,431,738)</b>	<b>\$91,808,694</b>	<b>\$5,600,000</b>	<b>\$1,033,692</b>	<b>\$6,633,692</b>	<b>\$98,442,386</b>

**PROJECTED PRINCIPAL PAYMENTS, BY ISSUE**

(\$/000)

Yr. End June 30,	1990	1993	1994	1995B	1997	2001	2003	2004	2005	2006	2007	2008	2009	Ref'd'g 2009	2010	2011	Total Debt
2011	325	25	230	265	110	180	750	680	385	835	550	800	400	185	0	0	5,720
2012		25	230	265	110		840	680	390	480	550	790	400	185	482	545	5,972
2013		25	230	265	110		925	690	395	510	225	790	400	185	485	540	5,775
2014			230	265	110		595	555	305	515	225	595	400	185	470	540	4,990
2015			230	265	110		685	215	315	530	225	580	400	185	470	540	4,750
2016				265	110		780	225	250	505	225	570	315	185	470	525	4,425
2017					110		885	235	230	185	225	570	310	185	345	360	3,640
2018							1,005	245	240	190	25	575	310	185	345	360	3,480
2019							1,135	255	250	195	25	185	310	185	345	355	3,240
2020							1,280	265	260	210	25	185	110	115	345	355	3,150
2021							1,435	280	270	220	25	185	100		345	355	3,215
2022							1,610	290	280		25	185	100		280	115	2,885
2023							1,800	305	290			185	100		280	115	3,075
2024							430	320	300			185	100		280	115	1,730
2025							450	335	315			185	100		280	115	1,780
2026							475	350	325			185	100		280	115	1,830
2027							495	365	340			185	100		100	110	1,695
2028							520	385	355			185	100		100	110	1,755
2029							545	400	370			100	100		100	110	1,625
2030							570	420	385						100	110	1,585
2031							595	440	405						100	110	1,650
2032							625	460	420						100		1,505
2033							655	480	440								1,575
2034								500	460								960
2035									480								480
Totals	325	75	1,150	1,590	770	180	19,085	9,375	8,455	4,375	2,350	7,120	4,255	1,780	6,002	5,600	72,487
Pd 2011	(325)	(25)	(230)	(265)	(110)	(180)	(750)	(680)	(385)	(835)	(550)	(800)	(400)	(185)	0	0	(5,720)
Jul 1, 2011	0	50	920	1,325	660	0	18,335	8,695	8,070	3,540	1,800	6,320	3,855	1,595	6,002	5,600	66,767

NOTE: The Town has paid interest on the 2001 Bonds due May 1, 2011 from budgeted funds. The above amortization schedule for the 2001 Bonds and the 2011 Bonds are subject to the successful sale of the refunding portion of the Bonds of this financing.

## **OVERLAPPING DEBT**

### **County of Cumberland**

The Town is subject to an annual assessment of its proportional share of the County of Cumberland's (the "County") expenses, including debt repayment, as determined by the percentage of the Town's equalized State Valuation to the County's equalized State Valuation. At January 1, 2011 the Town's equalized State Valuation of \$3,564,150,000 was 8.75% of the County's equalized State Valuation of \$40,729,950,000. The Town's share is 8.75%, or \$318,087, of the County's \$3,635,000 (unaudited) long-term debt projected outstanding as of December 31, 2010.

## **CONTINGENT DEBT**

### **Portland Water District**

The Water Division of the PWD also provides water to the inhabitants of 11 cities and towns and one water district within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the PWD Municipalities. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (previously codified at Title 30, Section 3211 of the Maine Revised Statutes, as amended) (the "Act"), and pursuant to an agreement with ten of the 12 PWD Municipalities, (the "Section 6103 Members"; the exceptions being the Town of Standish and the Yarmouth Water District), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the "Water System Debt"). In the event of a default by PWD in the payment of the principal of, or interest on, its Water System Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each Section 6103 Member municipality within the PWD, including the Town. Such assessment would be allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at June 30, 2010 the Town was contingently responsible for approximately 13.99%, or \$4,330,854, of the PWD's \$30,950,023 Water System Debt.

### **ecomaine**

ecomaine (formerly Regional Waste Systems, Inc., a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town, has issued debt to fund a resource recovery system ("RRS") (the "RRS Debt"). The RRS Debt is a special revenue obligation of ecomaine, payable from and secured by a pledge of ecomaine revenues. The debt does not constitute a debt or liability within the meaning of any constitutional or statutory provision, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal required debt service on the RRS Debt. The obligations of the Member Municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2010, outstanding RRS Debt of ecomaine totaled \$9,210,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 8.60% or \$792,242.

The Town has also entered into an agreement with ecomaine, as one of 21 RWS original Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility. It is anticipated that

the Town's share of debt incurred for this project will also be paid through user charges and service fees over the life of the project. At June 30, 2010 the Town's share is 6.30% or \$124,740 of ecomaine's outstanding MRF debt of \$1,980,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$14,834,132 at June 30, 2009 (the most current information available). The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.54% or \$1,266,276.

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

	<b>Direct Debt</b>	<b>Overlapping</b>	<b>Contingent</b>	<b>Total Debt</b>
Town of Scarborough	\$68,042,000			\$68,042,000
County of Cumberland <sup>(1)</sup>		\$318,087		318,087
Portland Water District <sup>(1)</sup>			\$4,330,854	4,330,854
ecomaine (RRS)			792,242	792,242
ecomaine (MRF)			124,740	124,740
ecomaine (Landfill)			1,266,276	1,266,276
<b>Total A/O June 30, 2010</b>	<b>\$68,042,000</b>	<b>\$318,087</b>	<b>\$6,514,112</b>	<b>\$74,874,199</b>

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

#### **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 projects have been authorized, or are being considered for authorization, following the financing of the Bonds, but are as yet unissued:

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

By Council Order #03-116, enacted on September 17, 2003, and referendum vote on November 4, 2003, the voters of the Town authorized the issue of bonds in an amount not to exceed \$2,500,000 to provide funds to finance purchase of parks and conservation lands.

By Council Order #09-105, enacted on September 2, 2009, and referendum vote on November 3, 2009, the voters of the Town authorized the issue of bonds in an amount not to exceed \$1,000,000 to provide funds to finance purchase of parks and conservation lands.

As the Town identifies, and successfully negotiates the purchase price of, suitable properties it plans to finance such purchase(s) through the issuance of bonds. The Town has \$1,661,250 under the remaining portion of the Council Order #03-116 and \$1,000,000 of the Council Order #09-1051, respectively, remaining 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:

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>2011 Bonds</u>	<u>Authorized Unissued</u>
2003/2004	03-116	Parks & Land Cons	\$2,500,000	(\$838,750)	\$0	\$1,661,250
2004/2005	05-08	System Wide ADA	183,000	(153,500)	0	29,500
2005/2006	06-18	Fire Dept Training Bldg	150,000	0	0	150,000
2006/2007	06-128	IT TW Data/Phone	125,000	(23,190)	0	101,810
2007/2008	08-25	Municipal Bldg Renov	325,000	(194,620)	0	130,380
2007/2008	08-26	Facilities Support Equip	30,000	(25,160)	0	4,840
2007/2008	08-27	Syst Wide Asb Fl Abat	225,000	(215,300)	0	9,700
2007/2008	08-28	Pleasant Hill/Blue Point	70,000	(55,000)	0	15,000
2007/2008	08-29	Blue Point Fence	25,000	(7,500)	0	17,500
2007/2008	08-30	Long Range Planning	160,000	(80,000)	0	80,000
2008/2009	08-08	Dunston Sidewalk	550,000	(375,340)	0	174,660
2008/2009	08-122	Broadturn Road	61,700	0	0	61,700
2008/2009	08-122	Pub Safety Bldg Study	100,000	(25,000)	0	75,000
2008/2009	08-123	Auditorium	25,000	0	0	25,000
2008/2009	08-123	Bleacher Safety	45,000	(42,000)	0	3,000
2008/2009	08-123	DW & WI Bldg Env	65,000	(30,000)	0	35,000
2008/2009	08-123	HS Café AC	125,000	(100,000)	0	25,000
2008/2009	08-123	MS & WI Bldg Modif.	100,000	(40,000)	0	60,000
2008/2009	08-123	Security Systems	35,000	0	0	35,000
2008/2009	08-123	WI Asbestos Abat	25,000	0	0	25,000
2009/2010	09-105	Parks & Land Cons	1,000,000	0	0	1,000,000
2009/2010	10-11	Old County Rd Drain	1,350,000	(1,150,000)	0	200,000
2009/2010	10-11	Running Hill Swr	1,450,000	0	0	1,450,000
2009/2010	10-12	DW Equip	75,000	(20,000)	(35,000)	20,000
2009/2010	10-12	DW Roofing	425,000	(300,000)	(50,000)	75,000
2009/2010	10-12	DW VVAC Mech	90,000	0	(45,000)	45,000
2009/2010	10-12	IS Equip	260,610	0	(200,610)	60,000
2010/2011	11-31	DW Energy Cons	45,000			45,000
2010/2011	11-31	DW Roofing	30,000			30,000
2010/2011	11-31	Teacher Laptops	144,000		(74,000)	70,000
2010/2011	11-31	WWI PCs	137,000			137,000
2010/2011	11-30	Haigis Pky/Route One	2,235,000		(1,704,000)	531,000
2010/2011	11-30	Higgins Beach Pkg	300,000		(200,000)	100,000
2010/2011	11-30	Martin Ave/Broadturn Rd	115,000			115,000
2010/2011	11-30	PW Backhoe	121,000		(103,815)	17,185
2010/2011	11-30	Traffic Fire Alarm	20,000			20,000
			<u>\$12,722,310</u>	<u>(\$3,675,360)</u>	<u>(\$2,412,425)</u>	<u>\$6,634,525</u>

## Wentworth Intermediate School

Wentworth Intermediate School was constructed in the early 1960's and has undergone numerous additions or renovations but continues to have air quality issues. The School Board formed a 40-member Wentworth Intermediate Building Committee to investigate, and report to the School Board, options to

replace or repair the facility. The committee's recommendations are expected to be presented to the School Board in the spring of 2011. The School Board will present its recommendation to the Town Council, expected to occur in the summer of 2011, and is expected to be put before the Town's voters in an election to occur in the fall of 2011. Should a project be considered, and then approved, the Town would provide funds to finance the project by the issuance of bonds. Information regarding the proposed cost of the project or its time-table are unavailable at this time.

## **RETIREMENT**

### **A. DEFINED BENEFIT PENSION PLAN**

#### **Description of the Plan**

The Town is a "participating local district" and contributes pursuant to the Consolidated Plan for Participating Local Districts (the "Consolidated Plan") administered by the Maine Public Employees Retirement System ("MainePERS"). MainePERS administers a cost sharing, multiple employer retirement system established by the Maine State Legislature. MainePERS (successor to Maine State Retirement System ("MSRS")) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local districts, including the Town. The authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433-0046 or by calling (800) 451-9800. Such report is also available at <http://www.msrs.org/Publications/Publications.htm#AnnualReports>.

#### **Funding Policy**

Plan members (Town employees other than those served by the Teachers Retirement Plan, described in B, below) are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan ("CRP"), non-teaching school personnel or other qualified educators not participating in the MainePERS's teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooled unfunded liability ("IUUAL") on a scheduled basis, in addition to making the normal contribution to the plan. The Town's IUUAL with MainePERS was fully paid in 2007. The current employer rate is 2.8% of annual covered payroll for School employees participating in the District Plan and 2.8% for Town employees, 6.5% for Police and Fire/Rescue. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the MainePERS-CRP for the year ended June 30, 2010, 2009 and 2008 were \$158,635, \$124,178 and \$88,773, respectively. The Town has paid its 100% CRP requirement.

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

#### **Description of the Plan**

All schoolteachers, plus other qualified educators, participate in the MainePERS's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. MainePERS provides retirement and disability benefits, annual cost-or-living adjustments,



and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1-800-451-9800.

### **Funding Policy**

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,348,816 (18.76%) for the fiscal year 2009. This amount has been reported as an intergovernmental revenue and retirement expenditure in the Town's GAAP basis financial statements.

### **C. DEFINED CONTRIBUTION PLAN**

The Town has instituted a contributory Internal Revenue Code Section 401(a) plan which is available to all eligible employees of the Town. The Town contributes to the International City Manager's Association ("ICMA") Money Purchase Plan, which is a defined contribution pension plan administered by the ICMA. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All municipal employees of the Town have the option of participating in the plan or the MSRS. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his account at that time. Each employee must contribute a minimum of 6% of his or her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings.

During the year, the Town's required and actual contributions amounted to \$342,453, which was 6% of the participating employees and 12% of the Town's Manager's current year covered payroll. The covered payroll amounted to \$5,593,583 while the Town's total payroll was \$10,719,862. Employee's required contributions amounted to \$328,774, which was 6% of the Town's current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Money Purchase Plan held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

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

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

## E. OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by such consultant in June 2009 effective January 1, 2009 and first reported in the Town's financial statements for the year ended June 30, 2009. GASB 45 rules allow employers with less than 200 employees to use the same actuarial study for three years.

**Plan Descriptions** - The Town allows certain retired employees to continue to receive health care benefits under the Town's self-insurance coverage agreement with the Health Trust. Eligible retirees are required to pay 100% of their health insurance premiums as assessed by the Health Trust. If the Town is unable to continue or decides to discontinue its current agreement with the Health Trust, the Town is under no contractual obligation to provide any health care benefits to its retired employees.

**Funding Policy and Annual OPEB Cost** - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution, an actuarially determined amount, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years. The following table represents the OPEB costs for the year ended June 30, 2010 and the annual required contribution:

Normal cost:	\$113,905
Amortization of unfunded cost:	115,349
Interest:	<u>5,385</u>
Annual required contribution:	\$274,639

**Funding Status and Funding Progress** - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2010 was:

Annual required contribution:	\$274,639
Interest on NET OPEB Obligation:	9,589
Amortization adjustment to ARC:	<u>(13,863)</u>
Annual OPEB cost:	270,365
Actual contribution:	<u>(69,824)</u>
Increase in Net OPEB obligation:	200,541
Net OPEB – beginning of year:	<u>274,639</u>
Net OPEB – end of year:	\$475,180
Percent contributed:	14.7%
Unfunded actuarial accrued liability:	\$2,793,753

Covered payroll:	\$6,776,068
Unfunded actuarial accrued liability as a percentage of covered payroll:	41%

The Town does not believe that its OPEB liabilities, as determined pursuant to GASB Statement 45, have a material impact on its current financial condition or operations. The Town has monitored and will continue to monitor its OPEB liabilities as determined pursuant to GASB Statement 45. The Town does not, however, offer any assurance as to the impact, if any, of future OPEB liabilities, as determined pursuant to GASB Statement 45, on the Town's future financial condition or operations. For additional information about the Town's OPEB liabilities, see "Other Post Employment Benefits" in Notes to Basic Financial Statements in APPENDIX A hereto.

### **ENVIRONMENTAL MATTERS**

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

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

### **LITIGATION**

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

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**APPENDIX A**

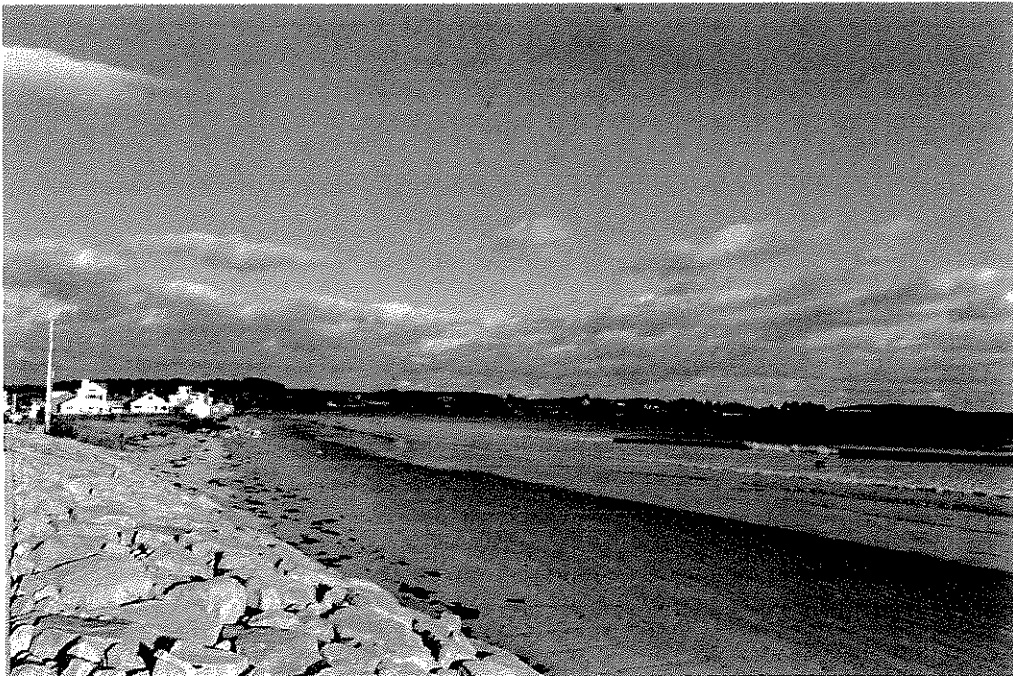
**TOWN OF SCARBOROUGH, MAINE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE  
YEAR ENDED JUNE 30, 2010**

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

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# **Town of Scarborough, Maine Comprehensive Annual Financial Report**

**For Fiscal Year Ending June 30, 2010**



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





**TOWN OF SCARBOROUGH, MAINE**  
**Comprehensive Annual Financial Report**  
**Year ended June 30, 2010**

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**TOWN OF SCARBOROUGH, MAINE**  
**Comprehensive Annual Financial Report**  
**Year ended June 30, 2010**

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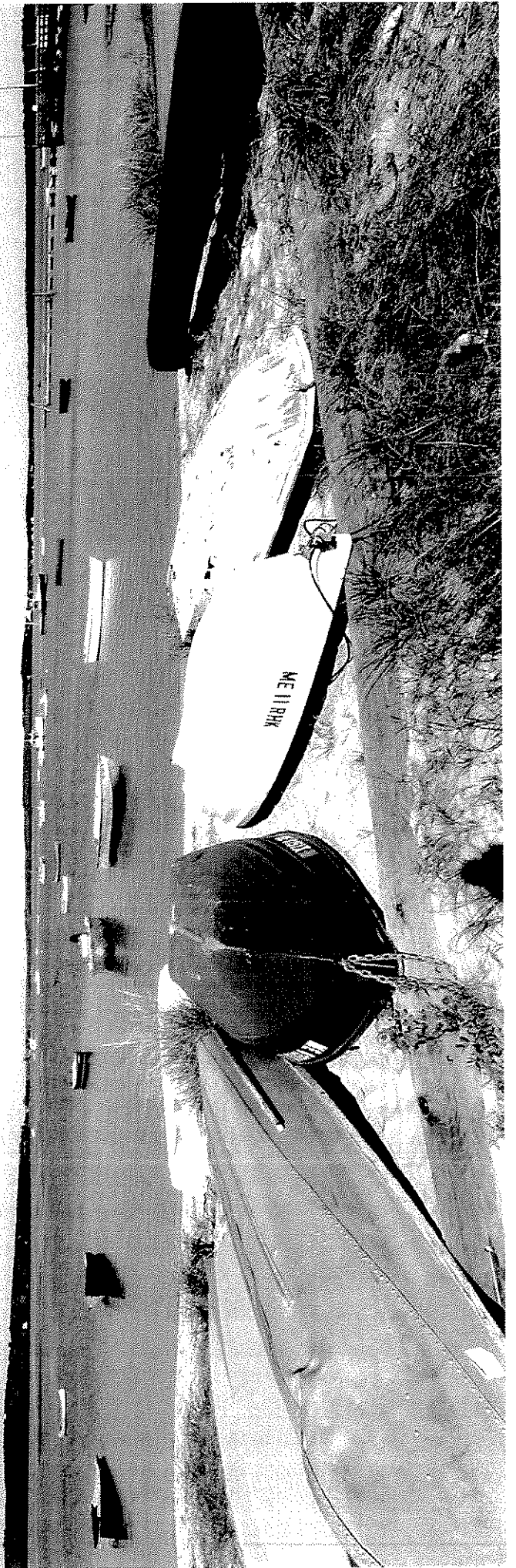
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# Introduction







## *Town of Scarborough, Maine*

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

December 29, 2010

Judith L. Roy, Council Chairwoman  
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, 2010.

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 auditors' 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, we have two component units, Scarborough Economic Development Corporation and the Public Library.

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

The Scarborough Economic Development Corporation (SEDCO) assists both current and prospective businesses. SEDCO is a discretely presented component unit in a separate column in the government wide financial statements.

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

Portland Water District  
ecomaine (formerly Regional Waste)

Scarborough Sanitary District  
Biddeford Saco Water District

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

In the event the voters do not approve the school's budget by July 1, the last budget approved by the Town Council becomes the school's budget until one is approved in a referendum.

## **ECONOMIC CONDITION AND FUTURE OUTLOOK**

**Maine Economy.** The deepest national recession in decades may be technically over according to the National Bureau of Economic Research, but such a determination means little in the face of a near 10% national unemployment rate. Maine unemployment rates are lower than national rates, but the State is still struggling to add new jobs. During 2010, Maine's seasonally adjusted unemployment rate reached 7.4% compared to a national rate of 9.6%. Unemployment rates are slowly improving over the last year. A year ago, Maine's unemployment hit 8.1% compared to the national rate of 10.1%. There were 592,500 non-farm payroll jobs in October 2010, representing a loss of 400 jobs over this time last year. The good news is that this loss is far smaller than the job loss between October 2008 and October 2009, which topped 23,100 lost jobs. The labor force also dropped from 2009 to 2010 for this period, in part, due to discouraged workers who were no longer actively searching for jobs.

Hannaford Brothers is the state's largest employer, with their corporate headquarters located here in Scarborough. Wal-Mart, the Department of Defense, Maine Medical Center and Bath Iron Works round out the top five positions in Maine's list of the largest employers as of the second quarter of 2010.

Looking forward, the latest release from the Consensus Economic Forecasting Commission, which produces the state's economic forecast, projects an overall loss in Maine non-farm wage and salary employment in 2010 (-1.0% on an annual average year-over-year basis), followed by a recovery period starting in early 2011. The commission forecasts stronger growth between 2012 and 2014 before slowing down again in 2015. Even with job growth, unemployment is expected to remain high as discouraged workers who had left the labor force during the recession begin searching for jobs again.

**Local Economy.** Scarborough represents a bright spot in the state's economy. Scarborough is now the fourth largest community in Cumberland County, with only Portland, South Portland and Brunswick having more residents. Between 2000 and 2009, Scarborough added 2,269 new residents, more than any other community in Cumberland County. In fact, Scarborough added more new residents than any other community within the State of Maine during this period, accounting for 5.2% of the state's population growth.

Between January and October 2010, 52 single-family housing units received building permits in Scarborough, compared to only 38 permits for all of 2009. This level of permit activity in a down housing market indicates the continued desirability of the town when compared to other communities within the state. The US Census Bureau's American Community Survey Data estimates that the median family income in Scarborough is \$88,070, making Scarborough one of the more wealthy communities in Cumberland County, along with its fellow coastal suburban communities of Falmouth, Cumberland, Yarmouth and Cape Elizabeth. Scarborough's median family income is nearly \$20,000 more than the median family income for Cumberland County and more than \$30,000 over the State's median family income.

Just as Scarborough's population is growing, so is the town's economic base. Between 2000 and 2008, 42% of the job growth in Cumberland County took place in the town of Scarborough. During this period, nearly 4,000 jobs were added in Scarborough. For 2009, the number of jobs in Scarborough dropped slightly, going from 14,618 in 2008 to 14,354 in 2009. With new development occurring in 2010, Scarborough should regain the jobs lost in 2009.

Many of the new jobs are the result of Scarborough's growing high tech and biotech industry cluster, including major medical research facilities. Additionally, the Town of Scarborough is an active participant in the development of private industrial and commercial facilities. The town has a varied manufacturing, industrial and commercial base that adds to the relative stability of the unemployment rate, especially when compared to the state and national rate. The region currently has an unemployment rate of 5.5%.

The business community in Scarborough is diverse and is located primarily in distinct areas of the Town. U.S. Route One, one of the major routes through the community, is predominately a commercial business district serving the daily needs of Scarborough's residents. The Route One corridor is a mix of retail, business, and professional offices. Payne Road, a continuation of the Maine Mall Road, is home to many larger, big box type retailers and serves a regional clientele.

Industrial development is largely contained in the Scarborough Industrial Park, the Pleasant Hill Road area and off the Mussey Road area. A new business area is being developed along the corridor connecting Maine Turnpike Exit 42 and US Route One, known as the Haigis Parkway. Through the creation of a TIF district and local sewer assessments, the Town installed utilities along this stretch of roadway that bisects U.S. Route One and Payne Road and ends at the Maine Turnpike at Exit 42. Plans call for development of a high-end business park of approximately 330 acres over the next 15+ years. The first new development in this area opened in May 2008 and has continued to grow, albeit slowly, since then.

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

Residential growth has necessitated Scarborough's need to develop a strong and stable commercial base to help meet the ever-growing demands of our residents. To foster that development, the Town of Scarborough created a private non-profit corporation, Scarborough Economic Development Corporation (SEDCO) in 1985 to encourage new business, to retain growth with existing businesses and to assist the community in its long-term economic development planning. SEDCO celebrated its 25<sup>th</sup> anniversary this year, continuing to serve the residents through business retention, assistance and recruitment programs.

**Comprehensive Plan.** Over the course of fiscal year 2010, one of the major ongoing initiatives of the Town has been the implementation of the 2006 Updated Comprehensive Plan. In this fiscal year, the Town focused on zoning amendments in the center of North Scarborough to allow for more mixed use, village-style developments. Another initiative was the update of the Regional Business District (B2) to provide for increased flexibility in these commercial areas so that more creative development approaches can be pursued. In addition to these commercial and mixed use-zoning updates, the Town also worked on changes to the rural and farming zone to provide for a wider range of agricultural type activities. In this particular zone (that makes up roughly half of the Town's area), additional uses and performance standards were established. This will allow for improved commercial and hobby-type farming as well as other uses to help diversify the use of rural properties in an effort to keep them open for farming, forestry and other rural activities.



## **Major Initiatives:**

**For the year.** During fiscal year 2010 there were a range of commercial, residential and institutional building projects that occurred. Two of the most notable construction projects were redevelopment projects along Route One. Maine Health is in the process of redeveloping the former Orion Center buildings at 301 Route One to house medical office and laboratory space, while the Elevation Center is redeveloping the former Konica building at 71 Route One into a mix of medical and professional office space. These projects represent utilizing 158,000 sq. ft. and 60,000 sq. ft. of formerly vacant space, both of which will be major assets to the Route One commercial corridor and will further bolster Scarborough as a strong medical and research center. Another notable project was the reuse and update of another large building, the former Wal-Mart. This building at 451 Payne Road was acquired by Marden's and was refaced and programmed for their use. In addition to these larger facilities, some new mid-sized, non-residential developments occurred, the most notable of which are Creative Imaging's new building on Mussey Rd and the new Walgreen's Pharmacy on the corner of the Oak Hill intersection. Beyond these commercial projects, there were a range of residential developments, including new dwellings in Dunstan Crossing, Eastern Village, the Bittersweet Banks subdivision, the Timbersands subdivision, as well as a large quantity of additions, accessory living units and remodeling projects as property owners chose to make updates to their existing homes in this economy rather than purchase new ones.

The Town completed the Black Point Community Park, an area of open space encompassing a fifty-car gravel parking lot, a small storage building, and a community garden complete with an irrigation system. The landscaping around the Black Point Community Park was installed to provide proper buffering between the park and neighbors.

The Commercial Fishing Pier Project, after five years of planning and design of the final project, has obtained the necessary funding and permitting. We now have three sources of funding in place. One is from Maine Department of Transportation (MDOT), the second from the Land for Maine Future and the third is from the Town of Scarborough general obligation bonds. The bid process will be finalized in early September and the contract award is scheduled for early October. The estimated project completion date is spring 2011.

One of the highlights of the past year was the extraordinary cooperation that existed throughout the municipal and school departments to plan for and mitigate the threat of the H1N1 pandemic flu. By the beginning of the fiscal year, the department administrators and school department administration had already been working diligently on emergency plans to deal with what was expected to be a public health disaster. With the help of our Public Health Officer, Dr. Stephen Kirsch, the management team developed plans and organized community vaccination clinics with the help of the Visiting Nurse Home Health and Hospice Association. The fire department's emergency medical technicians (EMT) took special certification training classes to assist with the mass vaccination clinics. In the end, Scarborough hosted 11 different clinics and administered 5,720 vaccinations.

A few years ago there were some changes made to the Federal Emergency Management Agency Assistance to Firefighters Grant Program. These changes promoted grants that were designed to provide a benefit to multiple town and city fire departments by funding regional initiatives and projects that served a region or group of departments. Scarborough Fire has been an active participant in the Metro Fire Chief's Coalition, which is a group of fire chiefs from the communities that surround the City of Portland. The Chiefs meet on a regular basis to find common solutions to problems and work on regional projects that benefit all communities of the group. One of the projects this coalition took on was to apply for a variety of regional grants.

Scarborough was the host department for our most recent grant award for \$ 310,000 to construct a mobile training aid to teach the operation of sprinkler and fire alarm systems to over 1,100 members of the various fire departments. This grant allowed for the training trailer to be built and outfitted with four different, fully functioning, sprinkler systems connected to a working fire alarm system. Additionally, the grant provided funding for the design of the curriculum, production of the training materials and provide for firefighter training. The Fire Chief's Coalition completed this project for less than \$190,000, saving more than one third of the anticipated costs.

The Scarborough Police Department applied for and received a Bureau of Justice Assistance Recovery Grant to establish a crime data analyst program. The grant included two year funding for an employee and equipment for the program, with no local match. Since this position was filled, regional coordination with other crime analysts and the dissemination of information to police personnel has helped to improve access to intelligence information for law enforcement personnel throughout the state.

During this fiscal year, public safety grant awards combined with drug forfeiture monies allowed the police department to add and upgrade equipment that otherwise would have been funded, from property tax dollars in a future budget. In one such example, we were able to upgrade the light bars on our marked cruisers that were outdated and had become a maintenance issue. This upgrade came without any impact to the tax rate and we were able to purchase the equipment sooner.

During this past year, our K-9 service dog passed away. As word spread about the premature death, the police department received unsolicited donations from various police associations and anonymous businesses. This enabled the department to bring in a new K-9 service dog, Kona, who has had both obedience and law enforcement training.

**For the future.** In addition to the development, redevelopment and rezoning that occurred in 2010, a collection of residential and non-residential development projects were proposed and received development approvals by the various Town boards and Town Council.

Notable projects approved and ready to be developed are:

- Marden's project (mentioned above), a
- 22,000 sq. ft. addition to the Inverness Medical building at 10 Southgate Rd, a
- major expansion to America's Best Value Inn on Route One, an
- addition to Dead River Co.'s facility on Pleasant Hill Rd, and an
- expansion to Cornerstone Baptist Church.

The Town received its first request, by a sports team in 2010, for the use of the recently completed Black Point Community Park. The Scarborough Football Club will use the park's field three days a week for team practices. We anticipate that more teams will come forward in the future for active team play at this facility.

The Scarborough portion of the Eastern Trail, in its final stage of completion, must cross not only the Nonesuch River but also railroad tracks, a major town road and may travel through an endangered cottontail habitat. These challenges will potentially add a significant cost to the construction of this project. Scarborough has requested financial assistance from the Maine Department of Transportation (MDOT) to help fund this portion of the Eastern Trail.

The voters approved \$2.5 million for open space preservation in 2003, of which \$47,400 went toward the purchase of the Cora Gervais property, \$156,950 toward the purchase of the Whitten property and \$634,400 for the purchase of property at Higgins Beach. In November 2009, the voters also approved \$1 million to fund or purchase parks and conservation land.

With budgets ever shrinking, the Public Works Department has been exploring innovative ways to save money. One such initiative is to move to a vendor-based inventory system (VBI). The town has contracted with General Parts Corporation (GPC) to open and maintain a VBI distribution center on Public Works property. GPC will be a supplier of vehicle repair parts, office products, and custodial supplies. By contracting with this vendor, the town no longer manages nor has a major financial investment in its own parts inventory. Another advantage is the buying power of a large group such as GPC who has sales of \$12 billion dollars annually. This is Scarborough's first endeavor to establish a private/public partnership.

The fire department continued its proactive work identifying potential grant opportunities to augment the funding received through local property tax revenues. These efforts proved very successful again this year.

**Long Term Financial Planning.** Scarborough utilizes a five year Capital Improvement Plan. This plan encompasses a scheduled equipment replacement program; proposed building, land and infrastructure improvements; land acquisition for capital purposes and open space and existing farmland preservation. This plan is updated annually.

Public Works is working toward a program that requires consistent funding from year-to-year. Through our pavement management survey, we hope to level out our projected paving costs to between \$400,000 and \$450,000 annually. Along with this approach is a program of consistent vehicle replacement costs of \$375,000 to \$400,000 annually. The two programs will allow for a more consistent budget for Public Works.

Looking to the future, the Police Department continues to have two major challenges. The first challenge is with staffing. We are in the process of producing a multi-year public safety-staffing plan. This will allow the Town to fund a fourth patrol district. This district would encompass the Payne Road corridor that includes the Eight Corners area, Gallery Boulevard, Green Acres, and Haigis Parkway. The Payne Road corridor has seen tremendous growth over the past few years; has become one of the busiest areas of Scarborough; is expected to see significant additional growth in the next few years, and needs the attention of its own patrol.

The second major challenge for the police department is the current public safety facility. Constructed in 1987, the public safety building no longer meets the needs of a growing community. Scarborough has a need for an updated facility that includes the police, dispatch, fire and rescue services and that will encompass the new technologies that have evolved since 1987. To this end, we formed the Public Safety Building Committee (PSBC). This committee, comprised of members of the Town Council, Scarborough citizens and staff from the fire, police and planning departments, is charged with creating the specifications to identify the common areas and resources that can be shared to reduce costs. As the economy begins to improve, we continue to identify potential sites for the new facility.

## **FINANCIAL INFORMATION**

**Assessed Valuation and Collections.** An indicator of our strong local economy is in the growth of the Town's assessed value of real and personal property. The Town of Scarborough increased its 2010 value by more than \$37 million from 2009. For the 2010 tax year, the valuation was \$3,524,771,600 compared to the 2009 valuation of \$3,487,005,500.

Below is a list of unpaid property taxes, for the last five years. The first column represents the original amount of unpaid taxes based on the assessment year and the second column represents the amount of remaining unpaid taxes as of the current fiscal year.

<b><u>As of June 30, 20xx</u></b>	<b><u>As of June 30, 2010</u></b>
\$297,237 in 2006	\$3,888
\$287,295 in 2007	\$21,914
\$398,204 in 2008	\$31,642
\$506,314 in 2009	\$213,396
\$455,080 in 2010	\$455,080

With the slowdown of the economy, the Town saw its share of reduced revenues. The areas that showed the most declines were:

State Revenue Sharing	received 85% of estimated revenues,
State Urban Rural Initiative	received 84% of estimated revenues,
Vehicle Excise Registration	received 91% of estimated revenues,
State General Education Subsidy	received 66% of estimated revenues.

Additionally, the school department received \$1,261,893 in ARRA funds to help offset the lost revenues from the State.

The town took steps, during the year, to reduce expenditures to offset these revenue losses.

**Relevant Financial Policies.** The Town of Scarborough recently updated its Fund Balance Policy as the first step to incorporate the new definitions as required by Governmental Accounting Standards Board Statement No. 54. The level of fund balance remains at 8.3% of the total operating budget.

The Town Council authorized the use of \$1,700,000 from school and town fund balances, for fiscal year 2010. Of this amount, the fund balance actually utilized was \$1,565,600. For 2011, the Town Council authorized \$1,150,000 for fiscal 2011 to help offset the loss of revenues.

In Fiscal 2010, the union and non-union employees agreed to a wage freeze. For the 2011 budget, the unions agreed to a 3% Cost of Living Adjustment (COLA) and the non-union staff will receive a 2% COLA.

The Finance Department is working with both the Town Manager and the Town of Scarborough Finance Committee on an investment policy for the Town. Once the Town Council adopts this policy, the Town will begin work on a debt management policy.

### **OTHER INFORMATION**

**Independent Audit.** The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of MacDonald Page & Co LLC was engaged to perform the annual audit for the Scarborough Town Council for fiscal year 2010. This audit is designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' 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, 2009. This is the fifth-consecutive year that the Town of Scarborough has submitted and achieved this prestigious award. In order to receive the Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgements.** I would like to extend my appreciation to the Scarborough Town Council and the Town Manager, Thomas J. Hall, for their full support in 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 Department's staff, and especially to Jon Reed who donated his time and talent by providing the photographs depicted in this report. The preparation of the comprehensive annual financial report is possible due to the dedicated service of each member of the Scarborough Finance Department. Thank you for all that you have done for the Town of Scarborough. Furthermore, I would also like to acknowledge the firm of Macdonald Page & Co LLC for their efforts and guidance during the engagement.

Respectfully Submitted,

Ruth D. Porter  
Finance Director

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Scarborough  
Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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

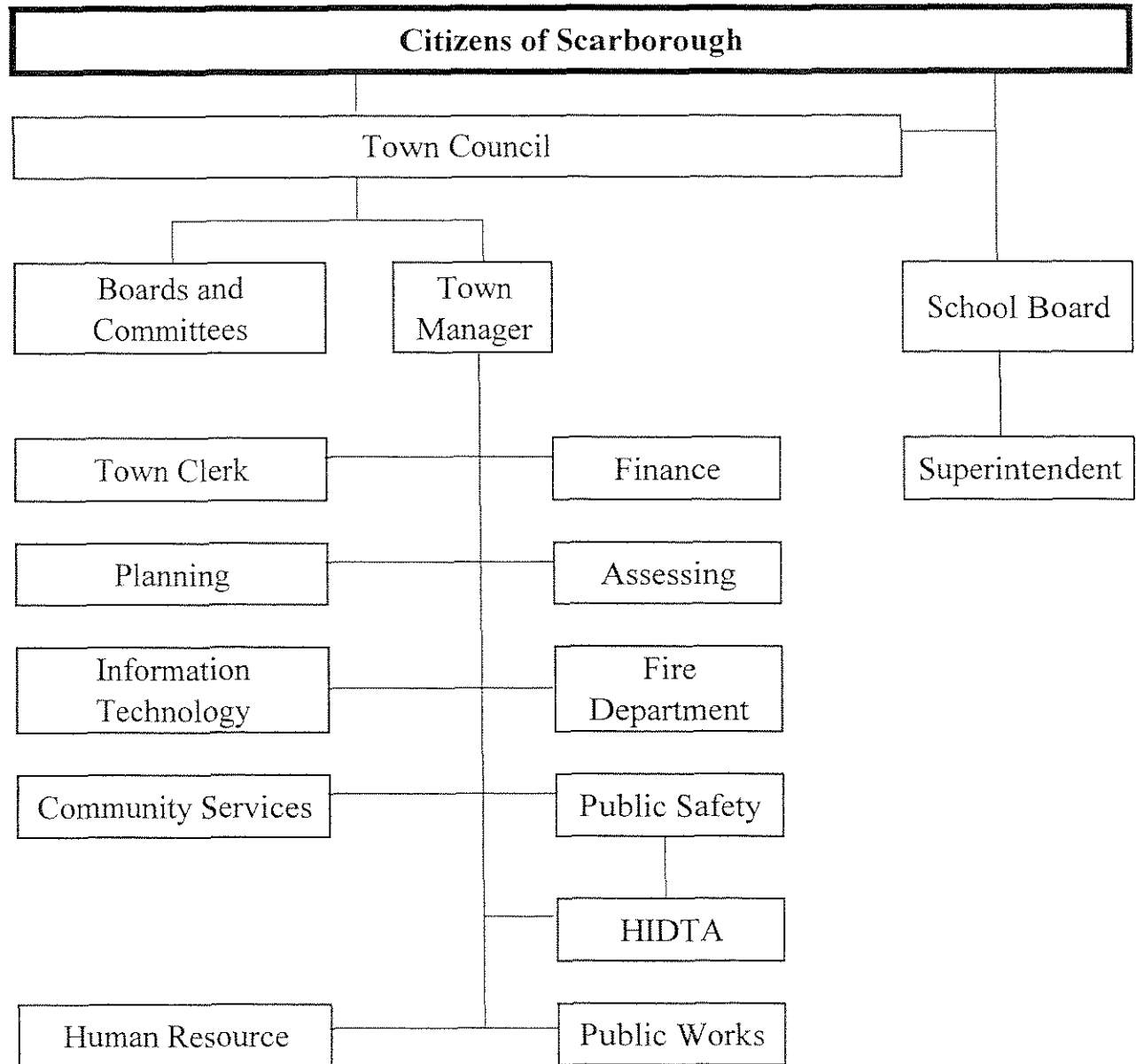
Executive Director

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# Town of Scarborough, Maine

## Organizational Chart



# **TOWN OF SCARBOROUGH**

## **Principal Executive Officers**

**As of June 30, 2010**

### **Elected Town Council**

Carol S. Rancourt, Chairman

Ronald D. Ahlquist

Judith L. Roy

Karen D'Andrea

Michael J. Wood

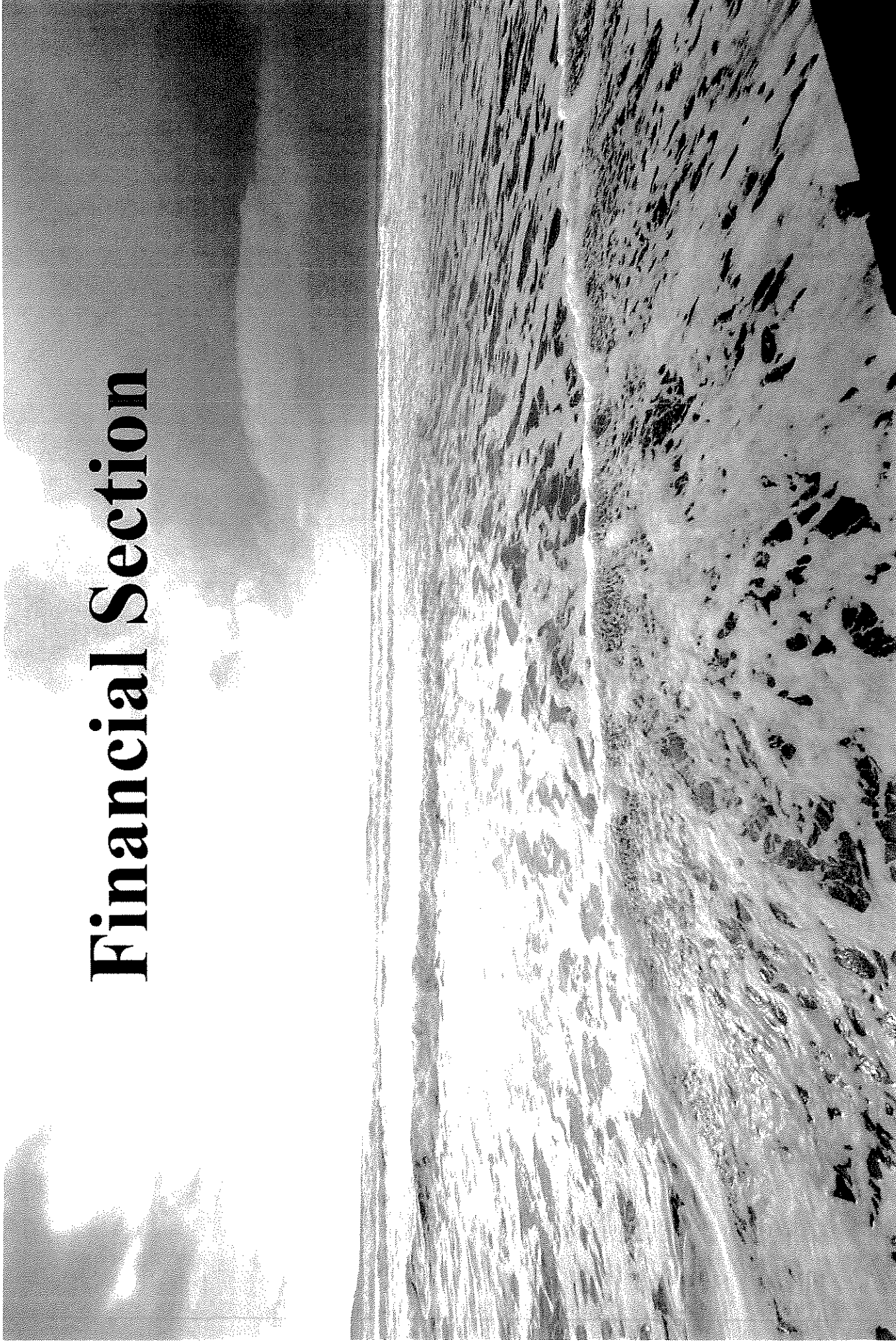
Richard J. Sullivan, Jr.

Vacant

### **Appointed Municipal Staff**

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

# Financial Section





## Independent Auditors' Report

Town Council  
Town of Scarborough, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scarborough, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2010 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.

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

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2009 (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the combining statements for the General Fund Balance Sheet, Exhibit A-1, and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, Exhibit A-2, as of and for the year ended June 30, 2009 are fairly stated in all material respects, in relation to the basic financial statements from which it has been derived.

*Macdonald Page & Co LLC*

South Portland, Maine  
December 29, 2010





MD&A





**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis**  
**June 30, 2010**

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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, 2010. 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**

- For the governmental activities the assets of the Town of Scarborough exceeded liabilities at the close of the 2010 fiscal year by \$52,704 (net assets).
- The Town's total net assets increased \$4,152, from \$48,552 to \$52,704. This increase is the result of an increase in net assets of \$254 from current year operations. The increase in net assets is a result of controlling expenses in departments such as public works and education to be in line with reduced revenue during the year. Also, a prior period adjustment affected the reporting amount for beginning net assets, increasing the amount reported in the prior year of \$48,552 to \$52,450. New information became available that resulted in an increase in the carrying amount of donated streets and infrastructure.
- As of June 30, 2010, the Town's governmental funds reported combined fund balances of \$16,409, a decrease of \$1,580 compared with the prior year. Of the approximately \$10,921 reported as unreserved fund balance, \$4,175 are special revenue funds authorized for specific projects and \$1,990 are for major capital construction projects. The remaining amount of \$4,756 is available for the discrete purposes for which these funds are collected.
- As of June 30, 2010, unreserved undesignated fund balance for the general fund was \$3,286 or 4.85% of the total general fund expenditures of \$67,820. The Town of Scarborough's Fund Balance policy establishes a goal of 8.33% of the total operating budget, or \$5,649. The Town will work towards achieving this goal in subsequent fiscal years.
- Total debt increased by \$257 from the prior year. Total debt retired was \$7,525. Total debt issued was \$7,782 in general obligation bonds. This included \$1,780 of bonds refunded and re-issued.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

The government-wide financial statements include not only the Town of Scarborough (known as the *primary government*), but also the legally separate public library and Scarborough Economic Development Corporation for which the Town of Scarborough is financially accountable. Financial information for these component units are reported separately from the financial information presented for the Town of Scarborough itself. The government-wide financial statements can be found on pages 35-36 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the 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 (Statement 4) provide a reconciliation (statement 5) to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Scarborough maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Performance Bonds, General Town Improvements and the Haigis Parkway all of which are considered major funds. Data from the remaining 20 funds (Special Revenue, Capital Projects, and Permanent) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in Exhibit C-1 through Exhibit E-2.

The basic governmental funds financial statements can be found on pages 37-38 of this report.

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

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

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

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The Municipal Building Fund and General School Improvement Account are not considered major funds and are provided in the form of combining statements elsewhere in this report. The capital projects fund financial statements can be found on pages 89-90 of this report.

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

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

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

The permanent fund financial statements can be found on pages 93-94 of this report.

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

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

The basic fiduciary fund financial statements can be found on pages 97-99 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-64.

**Other Information.** The combining statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 69-104 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Town of Scarborough, assets exceeded liabilities by \$52,704 as of June 30, 2010.

By far the largest portion of the Town of Scarborough's net assets (90.3%) 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**

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**Town of Scarborough's Net Assets**

**Governmental Activities**

	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 21,180	\$ 22,343
Long term assets	2,736	2,894
Capital Assets not depreciated	10,248	8,219
Capital assets, net	<u>98,152</u>	<u>98,428</u>
Total Assets	<u>132,316</u>	<u>131,884</u>
Liabilities:		
Long term liabilities outstanding	66,097	65,919
Other liabilities	<u>13,515</u>	<u>13,514</u>
Total Liabilities	<u>79,612</u>	<u>79,433</u>
Net assets:		
Invested in capital assets, net of related debt	47,588	45,719
Restricted	2,199	1,289
Unrestricted	<u>2,917</u>	<u>5,442</u>
Total Net Assets	<u>\$ 52,704</u>	<u>\$ 52,450</u>

Four percent (4%) 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 \$2,917, may be used to meet the Town of Scarborough's ongoing obligations to its citizens and creditors.

The decrease in unrestricted net assets is the result of the Town Council authorized use of unrestricted net assets to balance the budget in the economic downturn.

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

The Town of Scarborough saw an increase of \$910 in restricted net assets due to the increase in cash as a result of receiving bond proceeds for the various capital projects approved in fiscal 2010.

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

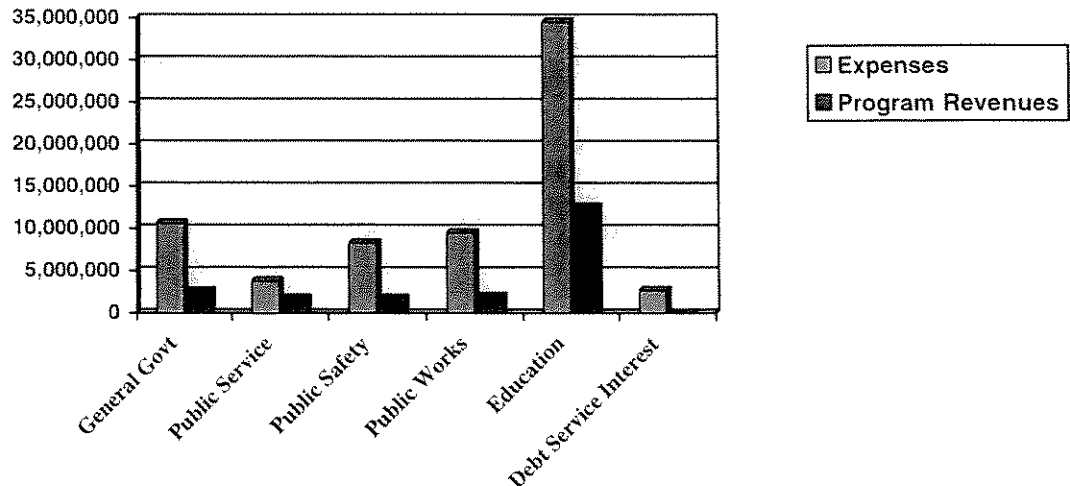
**GOVERNMENTAL ACTIVITIES.** All of the increase pertaining to the Town of Scarborough's net assets, of \$254, is due to the governmental activities of the Town. Key components of this increase are shown below:

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

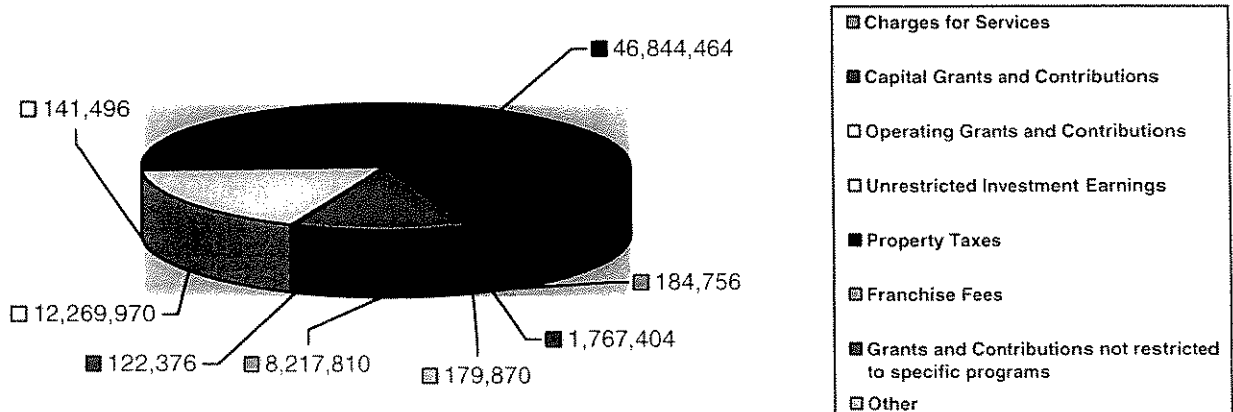
	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 8,218	\$ 7,233
Operating grants and contributions	12,270	15,487
Capital grants and contributions	122	112
General Revenues:		
Property and excise taxes, levied for general purposes	46,845	46,445
Franchise Tax	185	176
Grants and contributions not restricted to specific programs	1,767	1,879
Loss from disposal of capital assets	-	(2,328)
Unrestricted investment earnings	141	138
Other	180	788
Total revenues	69,728	69,930
Expenses:		
General government	10,656	11,408
Public Services	3,832	3,742
Public Safety	8,266	7,813
Public Works	9,480	7,156
Education	34,546	34,364
Interest on Debt Service	2,694	2,827
Total expenses	69,474	67,310
Increase in net assets	254	2,620
Net assets beginning, restated	52,450	45,932
<b>Net assets ending</b>	<b>\$ 52,704</b>	<b>\$ 48,552</b>

**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, 2010, the Town of Scarborough's governmental funds reported combined ending fund balances of \$16,409, a decrease of \$1,580 in comparison with the prior year's fund balances. This decrease, as mentioned earlier, is the planned use of fund balance to help offset the reduced revenues during this economic slowdown.

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

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

**Governmental Fund Balance Comparison**

	<u>2010</u>	<u>2009</u>
General Fund	\$ 7,238	\$ 8,804
Haigis Parkway	918	1,399
General Town Improvements	2,142	998
Other Governmental Funds	6,111	6,788
<b>Total</b>	<b>\$ 16,409</b>	<b>\$ 17,989</b>

As noted earlier, governmental funds reported combined fund balances of \$16,409, a decrease of \$1,580 compared with the prior year fund balances of \$17,989. Of the \$10,921 reported as unreserved fund balance, \$4,175 are special revenue funds authorized for specific projects and \$1,990 are for major capital construction projects. The remaining amount of \$4,756 is available for general fund designated and undesignated purposes for which these funds are collected.

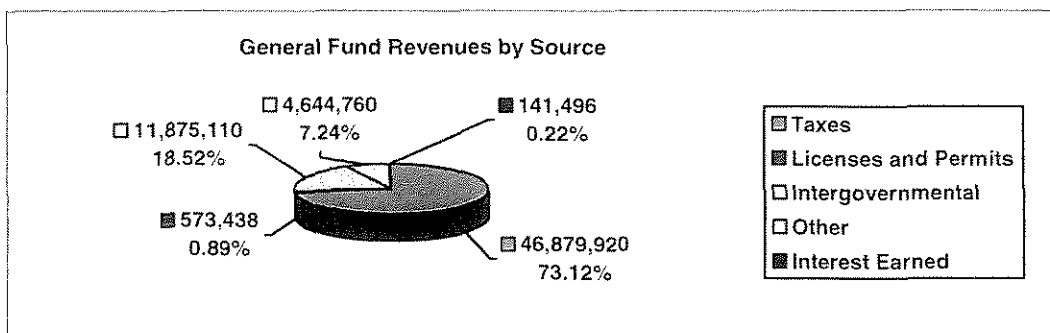
The remaining \$5,488 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed towards the following:

\$2,482	Deficit Fund Balances in the Special Revenue and Capital Projects Funds
209	Perpetual Care of Municipal Cemeteries
35	Special Revenue Fund Encumbrances
2,736	Haigis Parkway non-current notes receivables
26	Food Service inventory
<u>\$5,488</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, 2010, unreserved fund balance in the General Fund was \$4,756 compared to total fund balance of \$7,238. 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 7.01% of total general fund expenditures, while total fund balance represents 10.67% of the same amount. This is the first year in which unreserved fund balance has fallen below 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:

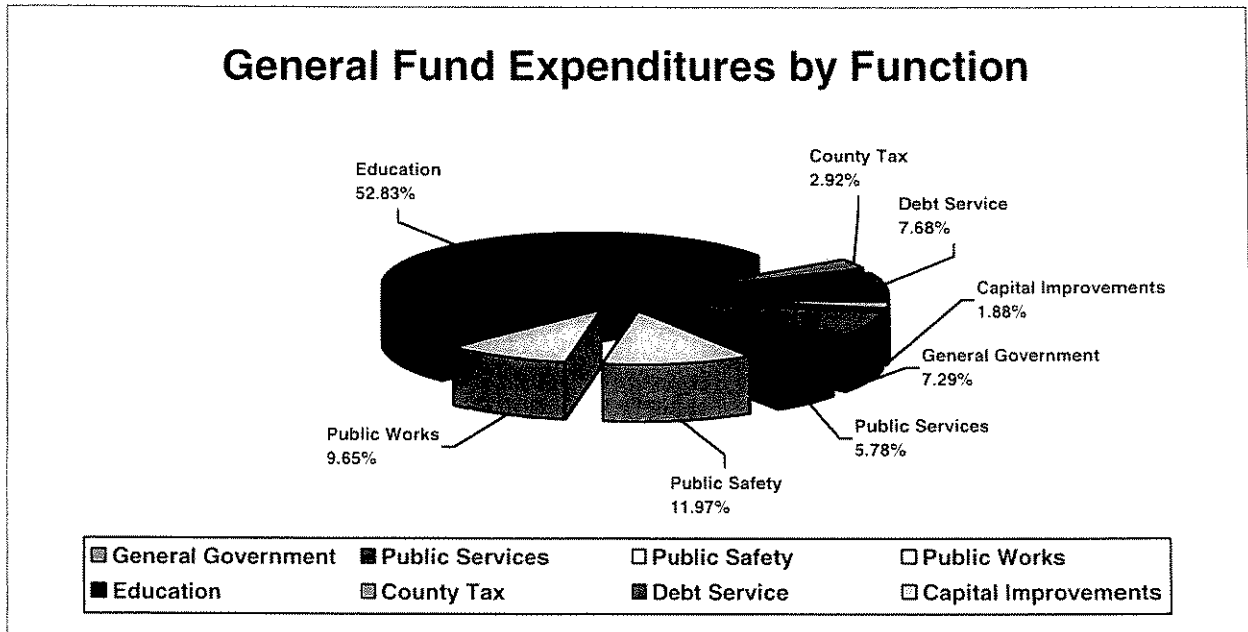


**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis, Continued**

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Property Tax revenues increased \$591 from 2009 to 2010 compared to the 2008 to 2009 increase of \$2,109. A comparison of the actual revenues to estimated revenues can be found on page 40 of the financial statements.

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



Total general fund expenditures increased \$109 or .17%. Some of the key factors in this increase are:

- Public Safety increased 4.35% due to the increase in public safety personnel.
- County Tax increased 3% to help offset the costs of Cumberland County.
- Capital Improvements decreased 11% mostly due to the reduction in appropriations and resulting expenditures from 2009 to 2010.

### **Capital Projects Fund Highlights**

During this fiscal year, the Town of Scarborough's fund balances for Capital Projects increased from \$1,084 in 2009 to \$1,990 in 2010. This increase is due to the funding of various capital projects previously authorized by the Town Council. Expenditures decreased from \$7,936 in 2009 to \$4,493 in 2010 mostly due to the reduction in authorized capital projects.

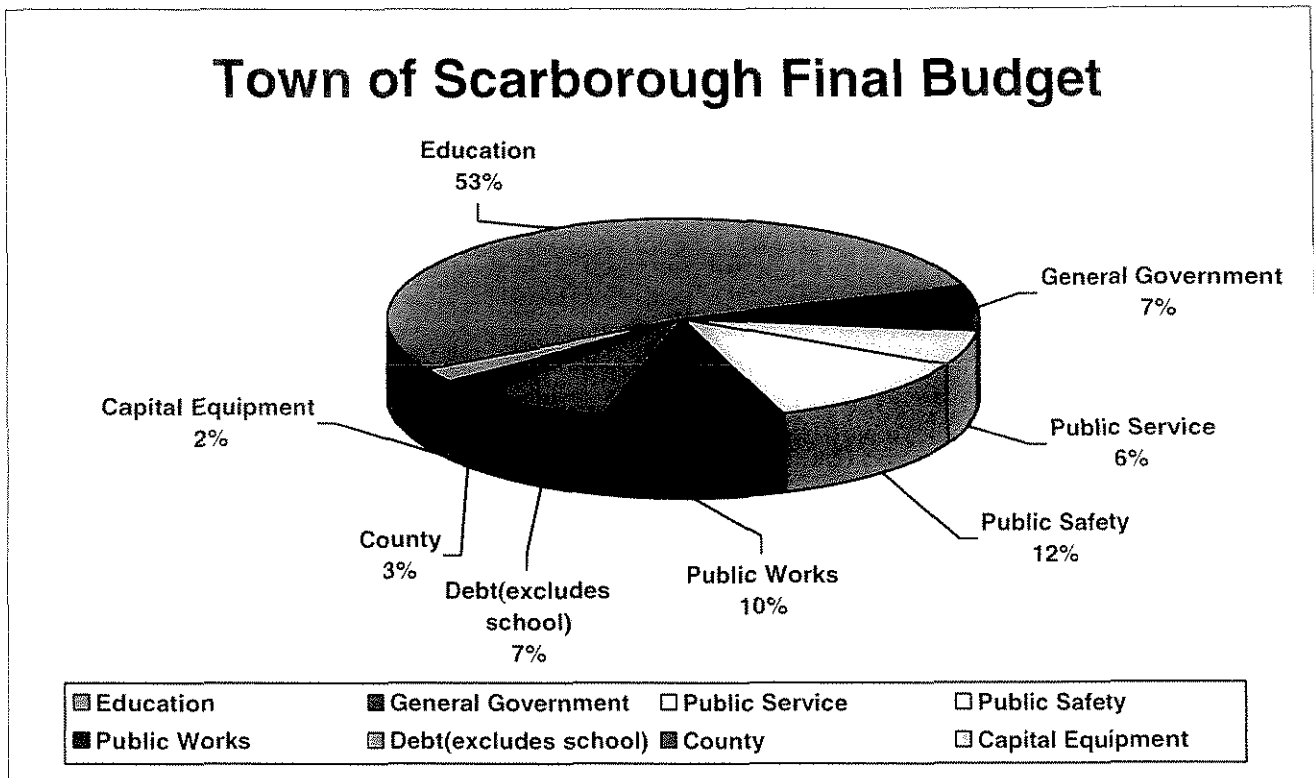
### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budget for the Town's General Fund represents the original budget and any previously appropriated funds set aside for honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2010, a total of \$1,469 has been set aside for prior year encumbrances and commitments. The original operating budget and the final amended budget for fiscal year 2010 amounted to \$66,234 compared to \$65,898 for fiscal year 2009.



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

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



The budget for 2010 remained relatively level with 2009.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The Town's investment in capital assets for its governmental fund, as of June 30, 2010, amounts to \$108,400 (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 1.64%. This increase is due to the previously mentioned road and drainage improvement in several areas of the Town.

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

##### Governmental Activities

	2010	2009*
Land	\$ 5,771	\$ 4,712
Buildings	55,396	56,104
Vehicles	5,372	5,655
Equipment & Furniture	1,821	1,977
Infrastructure	35,563	34,692
Construction in Progress	4,477	3,507
<b>Total</b>	<b>\$ 108,400</b>	<b>\$ 106,647</b>

\* Infrastructure includes the prior period adjustment of \$3,898.

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

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

Additional information on the Town of Scarborough's capital assets can be found in Notes to the Basic Financial Statements on page 51 of this report.

**Long-term Debt.** As of June 30, 2010, the Town had long-term bonds outstanding of \$68,042 compared to \$67,785 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 54-56 of this report.

<b>Outstanding Debt</b>		
<b>General Obligation Bonds</b>		
	<u>2010</u>	<u>2009</u>
Municipal	\$ 25,174	\$ 23,075
Education	33,997	35,630
Sewer	8,871	9,080
<b>Total Debt</b>	<b>\$ 68,042</b>	<b>\$ 67,785</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", was first assigned in 1975, and was upgraded in 2002 to an assignment of "Aa3". S&P's "AA- (Stable)" was an "initial" rating for the Town of Scarborough in 2003. As of June 30, 2010, the Town's rating from both rating agencies remains stable.

These ratings reflect: "Stable local economy, supported by its geographic location in the greater Portland metropolitan statistical area (MSA); strong income levels, coupled with higher market value per capita ratios and moderate debt burden" as well as a "strong and stable property tax base, favorable wealth levels, satisfactory operations and a manageable debt position". Moody's expects the Town's affluent tax base to grow at a slower pace than in the past given the recent recession. The town is expected to have continued growth citing evidence of the opportunities for development within the Town. The town will also "realize new job growth as new medical offices and research facilities occupy 60,000 square feet of available space over the near term. Resident income levels comfortably exceed both state and national medians, and full value per capital is very strong".

**Note: Definitions of above ratings**

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

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

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

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

In adopting the budget for the ensuing fiscal year, the Town of Scarborough's officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective is to continue to provide level services to the citizens in the Town of Scarborough as well as to incorporate a modest cost of living adjustment (COLA) for the school and town staff who gave up their COLA in 2010. Department Administrators, recognizing the change in the current economy, did not initially include any new personnel in the 2011 budget.

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

After the budget was adopted, the Fire Department was awarded a federal grant that allowed the funding of four new emt/firefighters.

The Town of Scarborough, in cooperation with its school department, has worked to develop a five-year capital budget plan to manage and plan for the long term capital needs of our community.

Additionally, the Town also works collaboratively, not only within the Town's departments, but also with several neighboring communities and agencies to improve mutual operations and efficiencies and to reduce expenses where possible. For example, the Public Works department shares two employees with a neighboring community. One position works on geographic information systems (GIS) related concerns and the other is a recycling coordinator. Additionally, the Public Safety department is the regional 911-communication center or public safety answering point (PSAP) for Scarborough and two surrounding communities.

Below is a comparison of the 2010 budget with the 2011 budget. The following amounts exclude any carryforward amounts.

	<u>2011</u>	<u>2010</u>
Administration	\$ 1,951,252	\$ 1,794,295
Finance Department	1,104,437	1,203,386
Information Systems	707,381	748,460
Planning Department	849,081	852,511
Community Services	2,117,391	2,108,666
Library	807,629	797,761
Economic Development	235,732	239,162
General Assistance/Affordable Hsg	30,976	29,974
Fire/Rescue/EMA Department	3,333,214	3,308,416
Public Safety Department	4,721,769	4,531,886
Public Works Department	6,349,595	6,539,503
Debt Service	4,814,046	4,750,145
Capital Equipment	789,928	1,055,426
<b>Total Municipal Operating</b>	<b>27,812,431</b>	<b>27,959,591</b>
Education	35,084,868	35,199,614
County Tax	1,922,952	1,885,984
<b>Total Operating Budget</b>	<b>37,007,820</b>	<b>37,085,598</b>
School Special Revenues	1,130,866	-
School Food Services	1,513,065	1,470,184
Capital Improvement-Municipal	3,600,800	4,766,845
Capital Improvement-School	490,500	1,489,110
TIFs and Overlay	963,931	1,053,222
<b>Total Budget</b>	<b>\$ 72,519,413</b>	<b>\$ 73,824,550</b>

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

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Additionally, the Town of Scarborough recognizes the importance of maintaining an appropriate level of undesignated fund balance. As stated earlier, the Town Council has adopted a fund balance policy. Once the fund balance level of 8.33% is achieved, the intent is to dedicate any excess balances towards major capital improvements and purchases.

**REQUEST FOR INFORMATION**

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

# Basic Financial Statements





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

		Governmental	Component Units	
		Activities	Public Library	Economic Development
<b>ASSETS</b>				
Cash and cash equivalents	\$	4,820,163	105,385	36,543
Investments		14,713,860	457,220	-
Receivables:				
Accounts		641,410	-	-
Intergovernmental		154,194	-	4,591
Taxes receivable		166,781	-	-
Tax liens		651,207	-	-
Tax acquired property		7,231	-	-
Inventory		25,560	970	-
Prepaid items		-	15,921	-
Notes receivable		2,736,052	-	-
Capital assets, not being depreciated		10,247,955	-	-
Capital assets, net		98,151,721	773,463	4,404
Total assets		132,316,134	1,352,959	45,538
<b>LIABILITIES</b>				
Accounts payable and other current liabilities		3,217,867	12,507	620
Accrued payroll and other related liabilities		3,581,414	39,853	9,123
Taxes collected in advance		50,845	-	-
Accrued interest		383,227	-	-
Noncurrent liabilities:				
Due within one year		6,281,997	-	-
Due in more than one year		66,096,803	-	30,623
Total liabilities		79,612,153	52,360	40,366
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt		47,588,145	773,463	4,404
Restricted for:				
Nonexpendable trust principal		125,528	454,919	-
Expendable trust - income portion		83,721	-	-
Capital projects		1,989,984	-	-
Unrestricted		2,916,603	72,217	768
Total net assets	\$	52,703,981	1,300,599	5,172

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2010**

Functions/programs	Program revenues			Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Component unit	
					Primary government activities	Economic Development
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 10,656,413	1,986,246	469,637	122,376	(8,078,154)	-
Public services	3,831,908	1,719,617	3,022	-	(2,109,269)	-
Public safety	8,265,739	1,629,561	123,128	-	(6,513,050)	-
Public works	9,479,984	1,665,084	307,828	-	(7,507,072)	-
Education	34,546,380	1,217,302	11,366,355	-	(21,962,723)	-
Interest on debt service	2,693,682	-	-	-	(2,693,682)	-
Total governmental activities	69,474,106	8,217,810	12,269,970	122,376	(48,863,950)	-
<b>Total primary government</b>	<b>\$ 69,474,106</b>	<b>8,217,810</b>	<b>12,269,970</b>	<b>122,376</b>	<b>(48,863,950)</b>	<b>-</b>
<b>Component unit:</b>						
Scarborough Public Library	\$ 901,259	-	940,958	-	-	39,699
Scarborough Economic Develop.	233,866	-	247,413	-	-	13,547
General revenues:						
Property taxes, levied for general purposes					\$ 42,738,876	-
Excise taxes					3,937,150	-
Payments in lieu of taxes					71,450	-
Interest and costs on taxes					96,988	-
Franchise Tax					184,756	-
Grants and contributions not restricted to specific programs:						
Homestead exemption and business equipment exemption					493,586	-
Other State aid					153,686	-
State Revenue Sharing					1,120,132	-
Unrestricted investment earnings					141,496	-
Other					179,870	-
Total general revenues					49,117,990	-
Change in net assets					254,040	13,547
Net assets - beginning, restated					52,449,941	(8,375)
<b>Net assets - ending</b>					<b>\$ 52,703,981</b>	<b>5,172</b>

See accompanying notes to financial statements.



## TOWN OF SCARBOROUGH, MAINE

Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Performance Bonds	General Town Improvements	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,062,681	22,504	179,276	-	555,702	4,820,163
Investments	4,410,997	1,077,220	2,288,017	-	6,937,626	14,713,860
Receivables:						
Accounts	546,871	-	102,769	-	-	649,640
Intergovernmental	45,238	-	-	-	108,956	154,194
Taxes receivable	166,781	-	-	-	-	166,781
Tax liens	651,207	-	-	-	-	651,207
Interfund loans receivable	2,794,632	-	-	-	60,248	2,854,880
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	-	-	-	-	25,560	25,560
Notes receivable	-	-	-	2,736,052	-	2,736,052
<b>Total assets</b>	<b>\$ 12,685,638</b>	<b>1,099,724</b>	<b>2,570,062</b>	<b>2,736,052</b>	<b>7,688,092</b>	<b>26,779,568</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and other current liabilities	1,158,183	-	427,799	-	540,241	2,126,223
Accrued payroll and other related liabilities	3,581,414	-	-	-	-	3,581,414
Accrued compensated absences	22,559	-	-	-	-	22,559
Interfund loans payable	-	-	-	1,817,795	1,037,235	2,855,030
Taxes collected in advance	50,845	-	-	-	-	50,845
Deferred tax revenue	634,571	-	-	-	-	634,571
Performance bond deposits	-	1,099,724	-	-	-	1,099,724
<b>Total liabilities</b>	<b>5,447,572</b>	<b>1,099,724</b>	<b>427,799</b>	<b>1,817,795</b>	<b>1,577,476</b>	<b>10,370,366</b>
<b>Fund balances:</b>						
Reserved	2,482,358	-	-	2,736,052	269,642	5,488,052
Unreserved, reported in:						
General fund - undesignated	3,286,399	-	-	-	-	3,286,399
General fund - designated	1,469,309	-	-	-	-	1,469,309
Special revenue funds (deficit)	-	-	-	(1,817,795)	5,993,253	4,175,458
Capital projects funds	-	-	2,142,263	-	(152,279)	1,989,984
Permanent funds	-	-	-	-	-	-
<b>Total fund balances</b>	<b>7,238,066</b>	<b>-</b>	<b>2,142,263</b>	<b>918,257</b>	<b>6,110,616</b>	<b>16,409,202</b>
<b>Total liabilities and fund balance</b>	<b>\$ 12,685,638</b>	<b>1,099,724</b>	<b>2,570,062</b>	<b>2,736,052</b>	<b>7,688,092</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.	108,399,676
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	634,571
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	(68,042,000)
Capital leases	(1,640,531)
Accrued interest	(383,227)
Landfill liability	(433,434)
Other postemployment benefits liability	(475,180)
Accrued compensated absences	(1,765,096)

**Net assets of governmental activities** **\$ 52,703,981**

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, 2010**

	General	Performance Bonds	General Town Improvements	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 46,879,920	-	-	-	-	46,879,920
Licenses and permits	573,438	-	-	-	-	573,438
Intergovernmental	11,875,110	-	107,355	-	2,123,702	14,106,167
Interest earned	141,496	-	36,267	56,538	7,278	241,579
Donations	-	-	-	-	86,271	86,271
Sale of lots	-	-	-	-	10,383	10,383
Assessments and impact fees	-	-	-	-	1,121,596	1,121,596
Other	4,644,760	-	368,948	-	1,617,234	6,630,942
Total revenues	64,114,724	-	512,570	56,538	4,966,464	69,650,296
<b>Expenditures:</b>						
<b>Current:</b>						
General government	4,701,884	-	70,080	-	-	4,771,964
Public services	3,730,927	-	75,213	-	-	3,806,140
Public safety	7,720,965	-	109,819	-	-	7,830,784
Public works	6,224,169	-	2,250,471	-	-	8,474,640
Education	37,337,662	-	-	-	-	37,337,662
County tax	1,885,984	-	-	-	-	1,885,984
Debt service	4,956,091	-	-	-	-	4,956,091
Capital improvements	1,262,059	-	637,855	-	2,235,961	4,135,875
Other	-	-	-	-	4,084,511	4,084,511
Total expenditures	67,819,741	-	3,143,438	-	6,320,472	77,283,651
Excess (deficiency) of revenues over (under) expenditures	(3,705,017)	-	(2,630,868)	56,538	(1,354,008)	(7,633,355)
<b>Other financing sources (uses):</b>						
Transfers in	1,551,027	12	99,845	48,788	283,030	1,982,702
Transfers out	(111,543)	(12)	(453,560)	(586,330)	(831,257)	(1,982,702)
Proceeds from capital leases	51,585	-	-	-	-	51,585
General obligation bonds	648,205	-	4,129,245	-	1,224,550	6,002,000
Total other financing sources (uses)	2,139,274	-	3,775,530	(537,542)	676,323	6,053,585
Net change in fund balances	(1,565,743)	-	1,144,662	(481,004)	(677,685)	(1,579,770)
Fund balances, beginning of year, restated	8,803,809	-	997,601	1,399,261	6,788,301	17,988,972
<b>Fund balances, end of year</b>	<b>\$ 7,238,066</b>	<b>-</b>	<b>2,142,263</b>	<b>918,257</b>	<b>6,110,616</b>	<b>16,409,202</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, 2010**

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,579,770)
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	\$ 5,167,075	
Depreciation expense	(3,057,435)	
Net book value of dispositions	<u>(356,726)</u>	1,752,914
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		77,850
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued interest		56,593
Landfill		4,050
Compensated absences		(182,764)
Other postemployment benefits liability		(200,541)
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.		582,708
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 (\$6,002,000) exceeded repayments (\$5,745,000)		(257,000)
<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>254,040</b>

*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, 2010**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 47,284,994	47,284,994	46,879,920	(405,074)
Licenses and permits	522,920	522,920	573,438	50,518
Intergovernmental	9,932,412	9,932,412	8,622,110	(1,310,302)
Interest earned	100,000	100,000	141,496	41,496
Unclassified	4,557,973	4,557,973	4,644,760	86,787
Total revenues	62,398,299	62,398,299	60,861,724	(1,536,575)
Expenditures:				
Current:				
General government	4,686,891	4,686,891	4,701,884	(14,993)
Public services	3,726,297	3,726,297	3,730,927	(4,630)
Public safety	7,955,813	7,955,813	7,720,965	234,848
Public works	6,589,503	6,589,503	6,224,169	365,334
Education	35,199,614	35,199,614	34,084,528	1,115,086
County tax	1,885,984	1,885,984	1,885,984	-
Debt service	4,750,145	4,750,145	4,956,091	(205,946)
Capital improvements	1,440,029	1,440,029	1,210,474	229,555
Total expenditures	66,234,276	66,234,276	64,515,022	1,719,254
Deficiency of revenues over expenditures	(3,835,977)	(3,835,977)	(3,653,298)	182,679
Other financing sources (uses):				
Transfers in	1,186,785	1,186,785	1,551,027	364,242
Transfers out	(103,463)	(103,463)	(111,543)	(8,080)
Utilization of surplus	2,338,512	2,338,512	-	(2,338,512)
Overlay	(274,183)	(274,183)	-	274,183
General obligation bonds	688,326	688,326	648,205	(40,121)
Total other financing sources (uses)	3,835,977	3,835,977	2,087,689	(1,748,288)
Net change in fund balances - budgetary basis	-	-	(1,565,609)	(1,565,609)
Reconciliation to GAAP basis:				
Current portion of accrued compensated absences			(134)	
Net change in fund balances - GAAP basis			(1,565,743)	
Fund balance, beginning of year, restated			8,803,809	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>7,238,066</b>	

*See accompanying notes to financial statements.*

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

	Private-purpose Trust Funds (Scholarships)	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 251,585	250,127
Investments	-	-
Interfund loans receivable	150	-
<b>Total assets</b>	<b>251,735</b>	<b>250,127</b>
<b>LIABILITIES</b>		
Interfund loans payable	-	-
Accounts payable	150	-
Due to student groups	-	250,127
<b>Total liabilities</b>	<b>150</b>	<b>250,127</b>
<b>NET ASSETS</b>		
Held in trust	\$ 251,585	-

*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, 2010**

	<b>Private-purpose Trust Funds (Scholarships)</b>
Additions:	
Donations	\$ -
Interest and dividends	112
Total additions	112
Deductions:	
School scholarships	4,200
Total deductions	4,200
Change in net assets	(4,088)
Net assets, beginning of year	255,673
<b>Net assets, end of year</b>	<b>\$ 251,585</b>

*See accompanying notes to financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth by accounting principles generally accepted in the United States of America. Organizations that are legally separate, tax-exempt entities and meet *all* of the following criteria should be discretely presented as component units. The criteria used are:

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

Additional criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on application of these criteria, the following is a brief review of each discretely presented potential component unit addressed in defining the government's reporting entity.

Scarborough Economic Development Corporation (SEDCO) encourages and assists with the development of business in the Town of Scarborough. The Town appoints a majority of SEDCO's board and provides SEDCO a majority of its revenues. All of the financial activity of SEDCO has been reported using the discrete presentation method. The town provided \$239,162 to SEDCO for the year ended June 30, 2010.

Scarborough Public Library (the Library) promotes and maintains library facilities in and for the Town of Scarborough. The Town provides the Library a majority of its revenues and the Library provides services directly to the citizens of the Town. The Library has been included as part of these financial statements, using the discrete presentation method. The Town provided \$797,761 to the Library for the year ended June 30, 2010.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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Both of the above met the criteria for inclusion in the Town's financial statements based on the criteria set forth by accounting principles generally accepted in the United States of America. Financial statements for both entities can be obtained from the Town of Scarborough Finance Department, P.O. Box 360, Scarborough, Maine 04070-0360.

**B. Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

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

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.



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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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The Town reports the following major governmental funds:

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

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

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

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

Additionally, the Town reports the following fund type:

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

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

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

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

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

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

**Use of Estimates** - Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

#### **E. Recent Accounting Pronouncements**

##### **Hierarchy of Generally Accepted Accounting Principles**

In April 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments*. This statement incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The GASB is responsible for establishing GAAP for state and local governments, however, prior to GASB No. 55 the GAAP hierarchy was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with GAAP*, rather than in the authoritative literature of the GASB. The adoption of this statement did not have a material effect on the Town's financial position or results of operations.

##### **Codification of Accounting and Financial Reporting Guidance**

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB authoritative literature accounting and financial reporting guidance on related party transactions, going concern considerations and subsequent events previously only contained in AICPA Statements on Auditing Standards. The statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The adoption of this statement did not have a material effect on the Town's financial position or results of operations.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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**Fund Balance**

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new statement is effective for financial statement periods beginning after June 15, 2010. The Town is currently assessing the impact of this statement on its financial position and changes in financial position.

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

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

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2009-2010 budget as adopted	\$65,973,411	\$65,973,411
Budgetary adjustments:		
Subsequent authorization	0	0
Prior year encumbrances and carryforwards	638,512	638,512
<b><u>Total adjusted budget</u></b>	<b><u>\$ 66,611,923</u></b>	<b><u>\$ 66,611,923</u></b>

**B. Excess of Expenditures over Appropriations**

The over-expenditure of the General Government function was the result of an early retirement program payout for health insurance and legal fees.

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

The Debt Service over-expenditure is the result of an unbudgeted principal and interest payment that was originally included in the bond refunding but then later excluded.

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

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED**

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**C. Deficit Fund Balance**

At June 30, 2010, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$59,083. It is expected that the deficit will be adequately funded in future years through development and user fees.

The Boat Launch Fund (a special revenue fund) had a deficit of \$44,641. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The School Lunch Program (a special revenue fund) had a deficit of \$8,082. It is expected that this deficit will be adequately funded future years through revenues or from the general fund.

The Municipal Building Fund (a capital project fund) had a deficit of \$492,634. This deficit is expected to be adequately funded in future years with TIF revenues.

The Haigis Parkway had a deficit of \$1,817,795. This deficit is expected to be adequately funded in future years through assessments and TIF revenues.

Included in the Town General Improvements are two projects with deficit balances. The first is the Scarborough Pine Point Pier Project. It is expected that this deficit will be adequately funded in future years through grant and bond revenues. The second is the 2011 Midlevel Road Rehabilitation. This deficit will be funded with bond revenues in the next year.

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**DEPOSITS AND INVESTMENTS**

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**A. Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal policy with respect to custodial credit risk. As of June 30, 2010, the Town reported deposits of \$5,070,290 with a bank balance of \$5,297,397. Of the Town's bank balances of \$5,297,377, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or is secured by additional collateral pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$4,820,163
Reported in fiduciary funds	250,127
<b>Total deposits</b>	<b>\$5,070,290</b>

At June 30, 2010, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$105,385 and \$36,543 respectively, all of which was covered by F.D.I.C. insurance.

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

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**DEPOSITS AND INVESTMENTS – CONTINUED**

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**B. Investments**

At June 30, 2010, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Money markets and repurchase agreements	\$14,965,445	\$14,965,445	-	-
<b>Total investments</b>	<b>\$14,965,445</b>	<b>\$14,965,445</b>	<b>-</b>	<b>-</b>

Investments have been reported as follows:

Reported in governmental funds	\$14,713,860
Reported in fiduciary funds	251,585
<b>Total investments</b>	<b>\$14,965,445</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. The Town does not have a formal policy with respect to custodial credit risk. None of the Town's investments totaling \$14,965,445 were exposed to custodial credit risk. At June 30, 2010, the Scarborough Public Library's investment balance was \$457,220, none of which was exposed to custodial credit risk.

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**PROPERTY TAX**

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Property taxes for the current year were committed on August 11, 2009, on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. These taxes were due in two installments, 50% on October 15, 2009 and 50% on March 15, 2010. Interest at the rate of 9% 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, 2010 and the Town's value was 102% of the 2010 State valuation of \$3,620,450,000.

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 \$274,183 for the year ended June 30, 2010.

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

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

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**PROPERTY TAX – CONTINUED**

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The following summarizes the June 30, 2010 levy:

Town assessed value	\$ 3,524,771,600
Tax rate (per \$1,000)	12.15
Commitment	42,825,994
Supplemental taxes assessed	51,995
	42,877,989
Less - collections and abatements	42,370,914
<b>Receivable at June 30</b>	<b>507,075</b>

Consisting of:

Taxes	57,917
Liens	449,158
<b>Receivable at June 30</b>	<b>\$ 507,075</b>

Collection rate 98.82%

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**CAPITAL ASSETS**

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

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,712,018	\$ 1,138,561	\$ 79,200	\$ 5,771,379
Construction in progress	3,507,299	1,321,232	351,955	4,476,576
Total capital assets, not being depreciated	8,219,317	2,459,793	431,155	10,247,955
Capital assets, being depreciated:				
Buildings	68,247,437	480,021	0	68,727,458
Vehicles	11,374,410	830,758	509,486	11,695,682
Equipment and furniture	4,945,455	237,251	0	5,182,706
Infrastructure	41,777,022	1,511,207	0	43,288,229
Total capital assets being depreciated	126,344,324	3,059,237	509,486	128,894,075
Less accumulated depreciation for:				
Buildings	12,143,130	1,187,970	0	13,331,100
Vehicles	5,719,468	836,195	231,960	6,323,703
Equipment and furniture	2,968,952	392,736	0	3,361,688
Infrastructure	7,085,329	640,534	0	7,725,863
Total accumulated depreciation	27,916,879	3,057,435	231,960	30,742,354
Total capital assets being depreciated, net	98,427,445	1,802	277,526	98,151,721
<b>Governmental activities capital assets, net</b>	<b>\$106,646,762</b>	<b>\$2,461,595</b>	<b>\$ 708,681</b>	<b>\$108,399,676</b>

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

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**CAPITAL ASSETS – CONTINUED**

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The balances as of June 30, 2009 have been restated for the cost of infrastructure and accumulated depreciation for infrastructure as result of the prior period adjustments in the amounts of \$4,425,205 and \$527,690, respectively.

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

Governmental activities:	
General government	\$ 325,860
Public services	25,768
Public safety	434,955
Public works, including depreciation of general infrastructure assets	1,009,394
Education	1,261,458

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<b>Total depreciation expense – governmental activities</b>	<b>\$ 3,057,435</b>
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Capital assets for the Scarborough Public Library and Scarborough Economic Development Corporation discretely presented component unit are as follows:

	<u><b>Library</b></u>	<u><b>SEDCO</b></u>
Buildings	\$1,268,766	-
Equipment, artwork and software	520,820	\$23,024
Books	845,069	-
Total	2,634,655	23,024
Less accumulated depreciation	(1,861,192)	(18,620)
<b>Property and equipment, net</b>	<b>\$773,463</b>	<b>\$4,404</b>
<b>Depreciation expense</b>	<b>\$97,504</b>	<b>\$1,027</b>

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**INTERFUND BALANCES**

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Interfund balances result from the sharing of pooled cash and investments. Individual interfund receivables and payables at June 30, 2010, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$2,794,632	-
Haigis Parkway	-	1,817,795



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

**INTERFUND BALANCES – CONTINUED**

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Unemployment compensation	-	\$ 11,754
Hurd Park and Ferry Beach	\$ 44,124	-
Recreational development	-	59,083
Scarborough Memorial Cemetery	4,000	-
School Lunch	-	15,798
Boat Launch	-	44,641
Communication Tower	-	15,319
Route 1 Sawyer Road improvement	822	-
Economic Development Fund	-	158,207
Payne Road impact fees	-	137,739
Other impact fees	-	11,411
Police asset forfeiture	-	56,382
Hunnewell House	7,302	-
Rescue equipment	-	21,075
Departmental grants and programs	-	13,180
Total Nonmajor Special Revenue Funds	56,248	552,669
Nonmajor Capital Project Funds:		
Municipal building fund	-	492,634
Total Nonmajor Capital Project Funds	-	492,634
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	4,000	-
Dunstan Perpetual Care	-	12
Total Permanent Funds	4,000	12
Total Other Governmental Funds	60,248	1,045,315
Private-purpose Trust Funds	150	-
<b>Total all funds</b>	<b>\$2,855,030</b>	<b>\$2,855,030</b>

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	\$1,551,027	\$ 111,543
Performance Bonds	12	12
General Town Improvements	99,845	453,560
Haigis Parkway Assessments	48,788	586,330
Nonmajor Governmental Funds	283,030	831,257
<b>Total</b>	<b>\$1,982,702</b>	<b>\$1,982,702</b>

These operating transfers were budgeted transfers to fund certain activities.

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

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**CHANGES IN LONG-TERM LIABILITIES**

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$67,785,000	\$6,002,000	\$5,745,000	\$68,042,000	\$5,720,000
Capital leases	2,223,239	51,585	634,293	1,640,531	535,388
Compensated absences	1,604,758	205,322	22,425	1,787,655	22,559
Other postemployment Benefits liability	274,639	200,541	-	475,180	-
Landfill post-closure care costs	437,484	-	4,050	433,434	4,050
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<b>\$72,325,120</b>	<b>\$6,459,448</b>	<b>\$6,405,768</b>	<b>\$72,378,800</b>	<b>\$6,281,997</b>

As of June 30, 2010, the Town had authorized, but unissued debt totaling \$2,347,520. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

Long-term liabilities for SEDCO as of June 30, 2010 consist of compensated absences in the amount of \$30,623.

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**BONDS PAYABLE**

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Bonds payable at June 30, 2010 is comprised of the following:

<u>General Obligation Notes and Bonds</u>	<u>Amount originally issued</u>	<u>Percentage applicable to</u>			<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
		<u>Town</u>	<u>School</u>	<u>Sewer</u>			
1990 Capital improvements	7,415,000	-	100.00%	-	Varies	2011	\$ 325,000
1993 Capital improvements	1,135,000	100.00%	-	-	Varies	2012	75,000
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	1,150,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	1,590,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	770,000
2001 Capital improvements	4,932,000	60.30%	39.70%	-	Varies	2021	1,335,000
2003 Capital improvements	24,579,000	5.17%	50.11%	44.72%	Varies	2032	19,085,000
2004 Capital improvements	14,628,000	11.08%	85.33%	3.58%	Varies	2034	9,375,000
2005 Capital improvements	10,665,000	5.80%	94.20%	-	Varies	2034	8,455,000
2006 Capital improvements	7,014,000	85.55%	14.45%	-	Varies	2036	4,375,000
2007 Capital improvements	4,000,000	74.47%	25.53%	-	Varies	2022	2,350,000
2008 Capital improvements	8,513,000	75.68%	24.32%	-	Varies	2028	7,120,000
2009 Capital improvements	4,560,000	87.72%	12.28%	-	Varies	2029	4,255,000
2009 Capital improvements	1,780,000	80.34%	19.66%	-	2.00%	2020	1,780,000
2010 Capital improvements	6,002,000	82.21%	17.79%	-	Varies	2031	6,002,000
<b>Total</b>							<b>\$ 68,042,000</b>

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

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**BONDS PAYABLE – CONTINUED**

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The annual requirements to amortize all debt outstanding as of June 30, 2010 are as follows:

Year ending June 30,	Principal	Interest	Total
2011	\$ 5,720,000	\$ 2,584,375	\$ 8,304,375
2012	5,547,000	2,371,455	7,918,455
2013	5,350,000	2,178,145	7,528,145
2014	4,565,000	2,000,616	6,565,616
2015	4,325,000	1,837,031	6,162,031
2016-2020	16,555,000	7,138,540	23,693,540
2021-2025	11,985,000	4,244,277	16,229,277
2026-2030	7,935,000	2,257,764	10,192,764
2031-2035	6,060,000	586,228	6,646,228
<b>Totals</b>	<b>\$ 68,042,000</b>	<b>\$ 25,198,431</b>	<b>\$ 93,240,431</b>

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**STATUTORY DEBT LIMIT**

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

	June 30, 2010 outstanding bonds	Percent of 2010 State assessed value of \$ 3,620,450,000	Amount	Margin
For school purposes	\$ 33,996,549	10.00%	\$362,045,000	\$328,048,451
For storm or sanitary sewer	8,871,000	7.50%	271,533,750	262,662,750
For municipal airport, water and special district purposes	-	3.00%	108,613,500	108,613,500
For all other purposes	25,174,451	7.50%	271,533,750	246,359,299
<b>Total</b>	<b>\$ 68,042,000</b>	<b>15.00%</b>		

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$543,067,500. The total debt margin based on this limit is \$475,025,500.

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**STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES**

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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.

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

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**CAPITAL LEASES**

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The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building repairs and computer hardware and software. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The amount of assets capitalized under capital leases is \$2,570,397.

The following is a schedule of future minimum lease payments under capital leases and the present value of the minimum lease payments at June 30, 2010:

2011	\$ 594,560
2012	458,573
2013	377,591
2014	116,485
2015	89,763
2016-thereafter	158,845
Total minimum lease payments	1,795,817
Less: amount representing interest	155,286
<b>Present value of future minimum lease payments</b>	<b>\$ 1,640,531</b>

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**OVERLAPPING DEBT AND OTHER CONTINGENCIES**

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**Overlapping Debt**

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2010, the Town's State valuation of \$3,620,450,000 was 8.67% of the County's State valuation of \$41,772,500,000. The Town's share is 8.67% or \$326,976 of Cumberland County's \$3,772,625 long-term debt outstanding as of June 30, 2010.

The Town is also served by the Portland Water District. At June 30, 2010, the Town's share of self-supporting bonded water debt is 13.39% or \$4,209,735 of total debt of \$31,450,023.

**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 amounts 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, 2010, outstanding "Incinerator Debt" of ecomaine totaled \$9,210,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.60% or \$792,242.

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

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**OVERLAPPING DEBT AND OTHER CONTINGENCIES – CONTINUED**

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The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility (“MRF”) at ecomaine’s demolition debris and recycling facility in Gorham. It is anticipated that the Town’s share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2010, the Town’s share is 6.30% or \$124,740 of ecomaine’s outstanding MRF debt of \$1,980,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and post closure care costs approximate \$14,834,132 at June 30, 2009, the most recent date available. The Town’s proportionate share of these estimated landfill closure and post closure care costs is 8.54%, or \$1,266,276.

**Total Debt and Contingencies**

Governmental Unit	As of June 30, 2010			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 69,682,531	-	-	\$69,682,531
Cumberland County	-	\$ 326,976	-	326,976
Portland Water District - water debt	-	4,209,735	-	4,209,735
ecomaine Waste Systems:				
Resource recovery system	-	-	\$792,242	792,242
Material recovery facility	-	-	124,740	124,740
Landfill closure/post closure costs	-	-	1,266,276	1,266,276
<b>Totals</b>	<b>\$ 69,682,531</b>	<b>\$4,536,711</b>	<b>\$2,183,258</b>	<b>\$76,402,500</b>

**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, 2010, substantially all such calculations have been performed and the Town is in compliance with all arbitrage requirements.

**Grants**

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

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS**

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Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill under a waiver granted by the State. The landfill is permitted to operate in its existing capacity until 2027. The estimated total current cost of landfill closure, \$433,434, 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, 2010. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

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

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS – CONTINUED**

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The total closure and post closure care costs of \$433,434 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 post closure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

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**RESERVED FUND EQUITY**

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At June 30, 2010, the Special Revenue fund balance for Haigis Parkway included a reserve for the non-current portion of the notes receivable in the amount of \$2,736,052. The School Lunch Program included a reserve for inventory on hand of \$25,560 and the Grants & Programs under Special Revenues included \$34,833 in encumbrances. Fund balance has been reserved in the permanent funds for nonexpendable principal of \$125,528 and expendable income of \$83,721. The total reserved fund balance for other governmental funds on Statement 3 was \$269,642. As of June 30, 2010, the General Fund balance was reserved in the amount of \$2,482,358, reflecting the non-current portion of the interfund loan receivable from the Municipal Building Fund in the amount of \$492,634, the Boat Launch Fund deficit of \$44,641, the Haigis Parkway deficit of \$1,817,795, the Commercial Pier Project deficit of \$45,825, the 2011 Mid Level Road Rehabilitation deficit of \$22,380 and the Recreation Development Fund amount of \$59,083.

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**DESIGNATED FUND BALANCES**

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

	<u>2010</u>
General Fund:	
State revenue sharing	\$ (147,710)
Comprehensive plan	26,935
Town Clerk – New Equipment	882
Town Clerk – Election storage trailer	4,866
Town Clerk – Voting booth purchase	1,046
Planning – Watershed map/management plan	43,000
Police Department - 2006 QED software	9,300
Police Department – Tamar Pre-emptive device	13,423
Police Department – Traffic light pre-emptive	1,221
Police Department – Motorola equipment	3,021
Fire Department – Municipal holding tank	11,375
Public Works – 2011 Backhoe	(102)
Public Works – 2011 Plow Truck	(114)
Library – Capital equipment improvements	98,809
Cable franchise fees	62,344
Summer recreation	30,000
Marine Resource Office – Inventory Management	5,565
Town-wide computer purchases	15,136
Encumbered purchase orders	176,665
Reserve for accrued sick pay	1,113,647
<b>Total General Fund designated fund balance</b>	<b>\$ 1,469,309</b>

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONSOLIDATED RETIREMENT PENSION PLAN**

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

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan, the Town had its separate, individual existing unfunded actuarial liability calculated which the Town fully funded in 2007. The current employer rate is 2.8% of annual covered payroll for School employees participating in the District Plan, 2.8% for Town employees, 6.5% for Police and Fire and Rescue. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the MPERS Consolidated Plan for the year ended June 30, 2010, 2009 and 2008 were \$158,635, \$124,178, and \$88,773 respectively and this is 100% of the amount required, which was paid by the Town.

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

**Funding Policy** - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,253,000 (17.78%) for the fiscal year 2010. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

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

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**DEFINED CONTRIBUTION PENSION PLAN**

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

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 full time municipal employees of the Town have the option of participating in the plan or the Maine Public Employees Retirement System. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his/her account at that time. Each employee must contribute a minimum of 6% of his/her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings. The Town Manager has a separate plan that requires the Town to contribute 12% of the Manager's gross earnings and the Manager is not required to contribute.

During the year, the Town's required and actual contributions amounted to \$342,453, which was 6% of the participating employees and 12% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,593,583, while the Town's total payroll was \$10,719,862.

Employee's required contributions amounted to \$328,774, which was 6% of the Town's current year covered payroll.

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

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

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

During the year, the participating employees contributions amounted to \$408,417 and the Town contributions amounted to \$275,932. The Town contributes a match up to 4%.

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

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



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

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**OTHER POST EMPLOYMENT BENEFITS**

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

The Town is a member of the Maine Municipal Employees Health Trust, which is a cost-sharing multiple-employer plan. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in July 2009 which was applied to fiscal year ended June 30, 2010.

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

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

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

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

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

Annual required contribution	\$274,639
Interest on NET OPEB Obligation	9,589
Amortization adjustment to ARC	(13,863)
Annual OPEB Cost	270,365
Actual contribution	(69,824)
Increase in Net OPEB Obligation	200,541
Net OPEB obligation – beginning of year	274,639
<u>Net OPEB Obligation – end of year</u>	<u>\$475,180</u>

Percent contributed	14.7%
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**TOWN OF SCARBOROUGH, MAINE**  
**Notes to Financial Statements – Continued**

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**OTHER POST EMPLOYMENT BENEFITS – CONTINUED**

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Actuarial accrued liability	\$2,793,753
Plan Assets	0
Unfunded actuarial accrued liability	\$2,793,753
 Covered payroll	 6,776,068
 Unfunded actuarial accrued liability as a percentage of covered payroll	 41%

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

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

Actuarial valuation date	1-1-2009
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years, open amortization period
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.00% - 9.60%

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**TAX INCREMENT FINANCING DISTRICTS**

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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.

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

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**TAX INCREMENT FINANCING DISTRICTS – CONTINUED**

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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, 2010	4,500,000
Enterprise Business Park TIF:	
Original assessed value	544,800
Amount captured as of June 30, 2010	7,638,100
Haigis Parkway:	
Original assessed value	8,563,500
Amount captured as of June 30, 2010	3,274,000
New England Expedition CEA:	
	35,045,900
Bessey School Senior Housing CEA:	2,608,600

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, for which the Town either carries commercial insurance, participates in a public entity 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, 2010. 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.

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**NET ASSETS**

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Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2010:

	Governmental Activities
Capital assets	\$ 139,142,030
Accumulated depreciation	(30,742,354)
Bonds payable	(59,171,000)
Capital leases payable	(1,640,531)
<b>Total invested in capital assets net of related debt</b>	<b>\$47,588,145</b>

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

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**NET ASSETS – CONTINUED**

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The Town's Bonds payable is \$68,042,000 as stated in the footnote on page 54. For the purpose of determining net assets invested in capital assets net of related debt, bonds payable totaling \$8,871,000, have been excluded from this calculation because the Town transferred ownership of the capital assets to other entities.

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**PRIOR PERIOD ADJUSTMENT TO NET ASSETS**

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Restatements were made to beginning net assets and beginning fund balance as a result of new information becoming available relating to donated streets and infrastructure as follows:

Net Assets

Beginning of year as previously stated	\$48,552,425
Add: Adjustments to infrastructure	<u>3,897,516</u>
Beginning of year as restated	<u>\$52,449,941</u>

**TOWN OF SCARBOROUGH, MAINE**  
**Schedule of Funding Progress**  
**Required Supplementary Information**  
**June 30, 2010**  
**(Unaudited)**

**Other Post-Employment Benefits**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
2010	01-01-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,776,068	41%
2009	01-01-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,208,803	45%

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## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Most governmental services are provided by the General Fund including general government, public services, public safety, public works, education, intergovernmental, debt service, and capital improvements (that are not financed through other funds).

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**TOWN OF SCARBOROUGH, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,062,681	4,691,357
Investments	4,410,997	4,803,188
Receivables:		
Taxes receivable	166,781	136,958
Tax liens	651,207	559,400
Accounts receivable	546,871	617,828
Intergovernmental	45,238	
Interfund loans receivable	2,794,632	3,152,886
Tax acquired property	7,231	7,231
<b>Total assets</b>	<b>\$ 12,685,638</b>	<b>13,968,848</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and other current liabilities	1,158,183	1,057,383
Accrued payroll and other related liabilities	3,581,414	3,459,260
Accrued compensated absence (current)	22,559	22,425
Taxes collected in advance	50,845	69,250
Deferred tax revenues	634,571	556,721
<b>Total liabilities</b>	<b>5,447,572</b>	<b>5,165,039</b>
Fund balance:		
Reserved	2,482,358	629,962
Unreserved:		
Designated - Town	1,469,309	1,818,318
Undesignated - Education	1,055,872	1,854,157
Undesignated - Town	2,230,527	4,501,372
<b>Total fund balance</b>	<b>7,238,066</b>	<b>8,803,809</b>
<b>Total liabilities and fund balance</b>	<b>\$ 12,685,638</b>	<b>13,968,848</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, 2010**  
*(with comparative totals for June 30, 2009)*

		2010					
	2009		Total		Variance	2009	
	carryforward	Budget	Available	Actual	positive (negative)	Actual	
Revenues:							
Taxes:							
Property taxes	\$ -	42,700,994	42,700,994	42,738,876	37,882	42,147,691	
Change in deferred property tax revenue	-	-	-	(77,850)	(77,850)	(148,351)	
Excise taxes	-	4,327,000	4,327,000	3,937,150	(389,850)	4,126,817	
Cable franchise tax	-	178,000	178,000	184,756	6,756	175,981	
Interest and costs on taxes	-	79,000	79,000	96,988	17,988	99,053	
Total taxes	-	47,284,994	47,284,994	46,879,920	(405,074)	46,401,191	
Licenses and permits:							
Plumbing fees	-	24,000	24,000	19,890	(4,110)	16,114	
Fees and Permits	-	126,090	126,090	167,027	40,937	163,806	
Building permits	-	275,000	275,000	261,224	(13,776)	211,108	
Electrical permits	-	22,000	22,000	40,467	18,467	17,635	
Zoning Board of Appeals	-	10,000	10,000	14,084	4,084	10,363	
License plate fees	-	62,330	62,330	60,216	(2,114)	60,588	
Subdivision fees	-	3,500	3,500	10,530	7,030	2,700	
Total licenses and permits	-	522,920	522,920	573,438	50,518	482,314	
Intergovernmental:							
Education state subsidies	-	7,043,070	7,043,070	5,913,102	(1,129,968)	7,069,802	
FEMA reimbursement	-	-	-	-	-	108,584	
State Revenue Sharing	-	1,350,352	1,350,352	1,120,132	(230,220)	1,358,911	
Homestead exemption	-	352,995	352,995	352,995	-	339,355	
Business equipment tax exemption	-	156,055	156,055	140,591	(15,464)	23,864	
URIP (D.O.T. block grant)	-	365,000	365,000	307,828	(57,172)	340,584	
ecomaine payment in lieu of taxes	-	77,148	77,148	71,450	(5,698)	71,450	
Adult education State subsidies	-	22,520	22,520	16,468	(6,052)	23,444	
General assistance reimbursement	-	12,672	12,672	3,022	(9,650)	8,264	
Federal HIDTA revenues	-	120,000	120,000	123,128	3,128	135,960	
Medicaid	-	100,000	100,000	175,057	75,057	204,192	
Other Federal and State revenues - School	-	311,000	311,000	244,651	(66,349)	337,242	
Other Federal and State revenues - Town	-	21,600	21,600	153,686	132,086	156,440	
Total intergovernmental	-	9,932,412	9,932,412	8,622,110	(1,310,302)	10,178,092	
Interest earned	-	100,000	100,000	141,496	41,496	137,533	
Unclassified:							
School Department miscellaneous	-	88,481	88,481	158,705	70,224	115,640	
Adult education	-	13,500	13,500	10,917	(2,583)	10,600	
Community services	-	1,584,889	1,584,889	1,635,360	50,471	1,540,702	
Police court time	-	3,000	3,000	1,898	(1,102)	5,022	
Snow plowing service	-	8,000	8,000	10,767	2,767	16,975	
Insurance reimbursements	-	22,000	22,000	97,641	75,641	60,902	
Public Violations	-	43,000	43,000	54,067	11,067	64,924	
Special duty police/fire	-	118,000	118,000	103,380	(14,620)	98,534	
Inspection/review fees	-	73,100	73,100	117,696	44,596	163,098	
Rescue donations	-	625,000	625,000	625,000	-	525,000	
Rental income	-	38,315	38,315	38,315	-	45,203	
Sale of Town-owned property	-	162,051	162,051	122,376	(39,675)	112,090	
Salary reimbursement	-	714,085	714,085	794,328	80,243	543,388	
Vehicle fuel reimbursement	-	495,673	495,673	391,149	(104,524)	415,024	
Vehicle maintenance reimbursement	-	322,450	322,450	303,291	(19,159)	313,780	
Lease revenue	-	138,000	138,000	47,677	(90,323)	632,079	
Miscellaneous	-	108,429	108,429	132,193	23,764	156,316	
Total unclassified	-	4,557,973	4,557,973	4,644,760	86,787	4,819,277	
Total revenues	-	62,398,299	62,398,299	60,861,724	(1,536,575)	62,018,407	

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

	2010					
	2009 carryforward	Budget	Total available	Actual	Variance positive (negative)	2009 Actual
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	11,573	-	11,573
Administration	-	224,408	224,408	222,052	2,356	225,866
Town Clerk	-	208,990	208,990	177,176	31,814	210,815
Human resources	-	202,639	202,639	185,482	17,157	184,563
Personnel benefits	58,735	90,000	148,735	250,722	(101,987)	180,952
Finance	13,886	384,210	398,096	372,928	25,168	375,695
Purchasing	-	142,792	142,792	140,251	2,541	123,325
Taxation/Treasury	-	434,584	434,584	412,571	22,013	454,112
Assessing	-	241,800	241,800	236,740	5,060	232,452
Management information systems	-	748,460	748,460	711,044	37,416	537,282
Planning	12,240	812,511	824,751	753,864	70,887	786,814
Municipal building	3,378	285,782	289,160	293,007	(3,847)	279,598
General government	-	57,673	57,673	66,972	(9,299)	67,158
Legal	-	84,000	84,000	136,727	(52,727)	151,874
Risk management	-	541,000	541,000	562,212	(21,212)	529,510
Public information	-	7,000	7,000	5,226	1,774	6,138
Engineering	-	47,500	47,500	99,617	(52,117)	102,000
Outside agencies	-	73,730	73,730	63,720	10,010	73,747
Total general government	88,239	4,598,652	4,686,891	4,701,884	(14,993)	4,533,475
Public services:						
Library	-	797,761	797,761	786,611	11,150	760,556
Public health and welfare	-	29,974	29,974	13,894	16,080	17,615
Tax Rebates (Credit Enhancement Agree)	-	550,575	550,575	550,575	-	515,174
Economic Development Corporation	-	239,162	239,162	235,306	3,856	238,454
Community services	159	2,108,666	2,108,825	2,144,541	(35,716)	2,171,742
Total public services	159	3,726,138	3,726,297	3,730,927	(4,630)	3,703,541
Public safety:						
Fire Department	1,115	1,797,137	1,798,252	1,650,208	148,044	1,722,489
Police Department	109,921	4,444,980	4,554,901	4,488,436	66,465	4,236,207
Emergency Management	-	34,621	34,621	33,357	1,264	33,030
Marine resources	4,325	86,906	91,231	76,687	14,544	87,030
Emergency Medical Services	150	1,476,658	1,476,808	1,472,277	4,531	1,320,572
Total public safety	115,511	7,840,302	7,955,813	7,720,965	234,848	7,399,328
Public works:						
Public Works Department	50,000	2,464,245	2,514,245	2,381,264	132,981	2,285,027
Vehicle maintenance	-	1,508,641	1,508,641	1,392,013	116,628	1,460,334
Water charges	-	174,100	174,100	182,405	(8,305)	179,307
Street lighting	-	159,500	159,500	158,577	923	160,784
Traffic signals	-	125,684	125,684	114,424	11,260	114,087
Cemetery care	-	19,025	19,025	26,346	(7,321)	18,240
Memorials	-	9,451	9,451	8,930	521	11,730
Shade trees	-	24,500	24,500	10,624	13,876	18,723
Engineering services	-	109,451	109,451	103,055	6,396	92,052
Solid waste program	-	1,944,906	1,944,906	1,846,531	98,375	1,919,128
Total public works	50,000	6,539,503	6,589,503	6,224,169	365,334	6,259,412
Education:						
Regular instruction	-	20,130,212	20,130,212	20,002,428	127,784	19,688,426
Improvement of instruction	-	523,612	523,612	482,199	41,413	516,570
Special services	-	2,569,361	2,569,361	2,473,838	95,523	2,439,531
General & special administration	-	313,810	313,810	294,977	18,833	276,546
Board of education	-	40,064	40,064	33,229	6,835	35,512
Office of the superintendent	-	402,204	402,204	379,594	22,610	427,345
Business administration	-	1,641,402	1,641,402	1,610,820	30,582	1,463,972
Transportation	-	1,535,910	1,535,910	1,418,468	117,442	1,459,906
Operation and maintenance of plant	-	3,865,159	3,865,159	3,215,499	649,660	3,462,425
Debt service	-	4,177,880	4,177,880	4,173,476	4,404	4,475,430
Total education	-	35,199,614	35,199,614	34,084,528	1,115,086	34,245,663

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

	2010					2009 Actual
	2009 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Current, continued:						
County tax	\$ -	1,885,984	1,885,984	1,885,984	-	1,836,509
Debt service (excluding education):						
Principal	-	2,924,449	2,924,449	3,044,449	(120,000)	3,203,500
Interest and other costs	-	1,825,696	1,825,696	1,911,642	(85,946)	1,866,561
Total debt service	-	4,750,145	4,750,145	4,956,091	(205,946)	5,070,061
Capital improvements	384,603	1,055,426	1,440,029	1,210,474	229,555	1,358,211
Total expenditures	638,512	65,595,764	66,234,276	64,515,022	1,719,254	64,406,200
Excess (deficiency) of revenues over (under) expenditures	(638,512)	(3,197,465)	(3,835,977)	(3,653,298)	182,679	(2,387,793)
Other financing sources (uses):						
Transfers in	-	1,186,785	1,186,785	1,551,027	364,242	2,570,284
Transfers out	-	(103,463)	(103,463)	(111,543)	(8,080)	(395,967)
General obligation bonds	-	688,326	688,326	648,205	(40,121)	-
Overlay	-	(274,183)	(274,183)	-	274,183	-
Total other financing sources (uses)	-	1,497,465	1,497,465	2,087,689	590,224	2,174,317
Net change in fund balances - budgetary basis	(638,512)	(1,700,000)	(2,338,512)	(1,565,609)	772,903	(213,476)
Utilization of prior year surplus and carrying balances	638,512	1,700,000	2,338,512		(2,338,512)	-
Total Utilization of Fund Balance and Carry forwards	-	-	-	(1,565,609)	(1,565,609)	(213,476)
Reconciliation to GAAP basis:						
Current portion of accrued compensated absences				(134)		42,793
Fund balances, beginning of year restated				8,803,809		8,974,492
<b>Fund balances, end of year</b>				<b>7,238,066</b>		<b>8,803,809</b>

## **OTHER GOVERNMENTAL FUNDS**

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**TOWN OF SCARBOROUGH, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 268,628	287,074	-	555,702
Investments	6,400,508	331,857	205,261	6,937,626
Intergovernmental receivable	108,956	-	-	108,956
Due from State of Maine	-	-	-	-
Interfund loans	56,248	-	4,000	60,248
Inventory	25,560	-	-	25,560
Notes receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 6,859,900</b>	<b>618,931</b>	<b>209,261</b>	<b>7,688,092</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	261,665	278,576	-	540,241
Interfund loans	544,589	492,634	12	1,037,235
<b>Total liabilities</b>	<b>806,254</b>	<b>771,210</b>	<b>12</b>	<b>1,577,476</b>
Fund balances (deficit):				
Reserved for:				
Inventory	25,560	-	-	25,560
Nonexpendable trust principal	-	-	125,528	125,528
Expendable trust - income portion			83,721	83,721
Encumbrance	34,833	-	-	34,833
Unreserved, undesignated	5,993,253	(152,279)	-	5,840,974
<b>Total fund balances (deficit)</b>	<b>6,053,646</b>	<b>(152,279)</b>	<b>209,249</b>	<b>6,110,616</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,859,900</b>	<b>618,931</b>	<b>209,261</b>	<b>7,688,092</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2010**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 2,074,142	49,560	-	2,123,702
Contributions	86,271	-	-	86,271
Assessments and impact fees	1,121,596	-	-	1,121,596
Sale of lots	6,383	-	4,000	10,383
Other revenue	1,617,234	-	-	1,617,234
Interest revenue	3,627	3,582	69	7,278
Total revenues	4,909,253	53,142	4,069	4,966,464
Expenditures:				
Current:				
Capital expenditures	886,213	1,349,748	-	2,235,961
Other	4,084,499	-	12	4,084,511
Total expenditures	4,970,712	1,349,748	12	6,320,472
Excess of revenues over (under) expenditures	(61,459)	(1,296,606)	4,057	(1,354,008)
Other financing sources (uses):				
Transfers in	40,248	242,782	-	283,030
Transfers out	(578,500)	(252,757)	-	(831,257)
General Obligation Bonds	156,950	1,067,600	-	1,224,550
Total other financing sources (uses)	(381,302)	1,057,625	-	676,323
Net change in fund balances	(442,761)	(238,981)	4,057	(677,685)
Fund balances, beginning of year	6,496,407	86,702	205,192	6,788,301
Fund balances, end of year (deficit)	\$ 6,053,646	(152,279)	209,249	6,110,616



## **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.

### **Hurd Park and Ferry Beach**

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

### **Recreational Development**

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

### **New England Expedition Credit Enhancement Agreement**

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

### **Boat Launch Facility**

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

### **Cemetery Improvement**

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

### **Route 1 Sawyer Road Improvements**

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

### **Economic Development Fund (Formerly the Industrial Park)**

The Town Council in November 2008, order no. 08-150, established a permanent, non-lapsing account for economic and business development within Scarborough.

### **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

## Bessey Commons

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

## Payne Road Improvements

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

## Payne Road Impact Fees

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

## Other Impact Fees:

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

**School Development Impact Fee** to help fund the improvements to the Scarborough High School.

**Dunstan Corner Impact Fee** is a growth management fee created by ordinance, to mitigate traffic impacts in this location from new development. The collected fee will be applied to the design and construction of identified future highway improvements in the defined area.

**Oak Hill Traffic Impact Fee** is a growth management fee by policy to mitigate traffic impacts in this location from new development in Town. The fee will be applied to the design and construction of future highway improvements in the defined area.

**Haigis Parkway Mitigation Fee** is a growth management fee by policy to mitigate traffic impacts in this location from new development. The fee will be applied to the design and construction of future highway improvements in the defined area.

## 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.

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

### **Fire Department**

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

### **Departmental Grants and Programs**

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

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

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

### **Pleasant Hill Area Drainage**

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

### **School Categorical Programs**

This fund accounts for various federal, states, and other programs 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.

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**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	Unemploy- ment Compen- sation	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	New England Expedition Credit Agreement	Boat Launch Facility	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Economic Development Fund	Prouts Landing Conserva- tion	Bessey Commons	Payne Road Improvements
<b>ASSETS</b>											
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Investments	187,766	405,203	-	42,718	-	23,516	84,574	366,119	24,531	8	69,770
Intergovernmental receivable	-	-	-	-	-	-	-	-	-	-	-
Due from State of Maine	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	-	44,124	-	-	-	4,000	822	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 187,766</b>	<b>449,327</b>	<b>-</b>	<b>42,718</b>	<b>-</b>	<b>27,516</b>	<b>85,396</b>	<b>366,119</b>	<b>24,531</b>	<b>8</b>	<b>69,770</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	11,754	-	59,083	-	44,641	-	-	158,207	-	-	-
<b>Total liabilities</b>	<b>11,754</b>	<b>-</b>	<b>59,083</b>	<b>-</b>	<b>44,641</b>	<b>-</b>	<b>-</b>	<b>158,207</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:											
Reserved	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Undesignated	176,012	449,327	(59,083)	42,718	(44,641)	27,516	85,396	207,912	24,531	8	69,770
<b>Total fund balances (deficit)</b>	<b>176,012</b>	<b>449,327</b>	<b>(59,083)</b>	<b>42,718</b>	<b>(44,641)</b>	<b>27,516</b>	<b>85,396</b>	<b>207,912</b>	<b>24,531</b>	<b>8</b>	<b>69,770</b>
<b>Total liabilities and fund balances</b>	<b>\$ 187,766</b>	<b>449,327</b>	<b>-</b>	<b>42,718</b>	<b>-</b>	<b>27,516</b>	<b>85,396</b>	<b>366,119</b>	<b>24,531</b>	<b>8</b>	<b>69,770</b>

TOWN OF SCARBOROUGH, MAINE  
Nonmajor Special Revenue Funds, Continued  
Combining Balance Sheet  
June 30, 2010

Payne Road Impact Fees	Other Impact Fees	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund	Totals
213,509	-	-	-	-	-	2,580	-	16,655	35,884	-	-	268,628
2,169,954	557,321	220,553	1,790	368,141	16,622	1,861,922	-	-	-	-	-	6,400,508
-	-	-	-	-	-	15,753	-	-	76,183	17,020	-	108,956
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	7,302	-	-	-	-	-	-	-	-	56,248
-	-	-	-	-	-	-	-	-	-	25,560	-	25,560
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2,383,463</b>	<b>557,321</b>	<b>220,553</b>	<b>9,092</b>	<b>368,141</b>	<b>16,622</b>	<b>1,880,255</b>	<b>-</b>	<b>16,655</b>	<b>112,067</b>	<b>42,580</b>	<b>-</b>	<b>6,859,900</b>
198,272	-	-	-	-	-	14,426	-	-	22,185	26,782	-	261,665
137,739	11,411	56,382	-	21,075	-	28,499	-	-	-	15,798	-	544,589
336,011	11,411	56,382	-	21,075	-	42,925	-	-	22,185	42,580	-	806,254
-	-	-	-	-	-	34,833	-	-	-	25,560	-	60,393
2,047,452	545,910	164,171	9,092	347,066	16,622	1,802,497	-	16,655	89,882	(25,560)	-	5,993,253
2,047,452	545,910	164,171	9,092	347,066	16,622	1,837,330	-	16,655	89,882	-	-	6,053,646
<b>2,383,463</b>	<b>557,321</b>	<b>220,553</b>	<b>9,092</b>	<b>368,141</b>	<b>16,622</b>	<b>1,880,255</b>	<b>-</b>	<b>16,655</b>	<b>112,067</b>	<b>42,580</b>	<b>-</b>	<b>6,859,900</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2010**

	Unemploy- ment Compen- sation	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	New England Expedition Credit Agreement	Boat Launch Facility	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Economic Development Fund	Prouts Landing Conserva- tion	Bessey Commons	Payne Road Improvements
Revenues:											
Intergovernmental	\$ -	-	-	-	-	-	-	-	-	-	-
Interest earned	102	228	-	-	-	28	46	204	13	-	38
Contributions	2,000	79,950	-	-	916	-	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	4,000	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Assessments and impact fees	-	-	8,000	425,808	-	-	-	-	-	31,964	-
Total revenues	2,102	80,178	8,000	425,808	916	4,028	46	204	13	31,964	38
Expenditures:											
Construction and acquisitions	-	36,826	-	-	-	-	-	-	-	-	-
Benefits paid	14,299	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	425,820	-	-	-	-	-	31,964	-
Total expenditures	14,299	36,826	-	425,820	-	-	-	-	-	31,964	-
Excess (deficiency) of revenues over (under) expenditures	(12,197)	43,352	8,000	(12)	916	4,028	46	204	13	-	38
Other financing sources (uses):											
Transfers in	-	-	8,000	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(8,000)	-	-	(19,025)	-	(180,000)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(19,025)	-	(180,000)	-	-	-
Net change in fund balances	(12,197)	43,352	8,000	(12)	916	(14,997)	46	(179,796)	13	-	38
Fund balances (deficit), beginning of year	188,209	405,975	(67,083)	42,730	(45,557)	42,513	85,350	387,708	24,518	8	69,732
<b>Fund balances (deficit), end of year</b>	<b>\$ 176,012</b>	<b>449,327</b>	<b>(59,083)</b>	<b>42,718</b>	<b>(44,641)</b>	<b>27,516</b>	<b>85,396</b>	<b>207,912</b>	<b>24,531</b>	<b>8</b>	<b>69,770</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued**  
**For the year ended June 30, 2010**

Payne Road Impact Fees	Other Impact Fees	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund	Totals
-	-	65,521	-	-	-	244,544	-	-	1,439,174	324,903	-	2,074,142
1,174	316	106	1	273	8	1,063	-	-	-	-	27	3,627
-	-	-	-	-	3,405	-	-	-	-	-	-	86,271
-	-	-	-	2,383	-	-	-	-	-	-	-	6,383
18,729	323,633	-	3,162	-	-	224,030	-	-	-	1,047,680	-	1,617,234
-	-	-	-	655,824	-	-	-	-	-	-	-	1,121,596
19,903	323,949	65,627	3,163	658,480	3,413	469,637	-	-	1,439,174	1,372,583	27	4,909,253
122,597	-	62,058	-	-	1,266	662,681	785	-	-	-	-	886,213
-	-	-	-	-	-	-	-	-	-	-	-	14,299
-	-	-	-	747,893	-	-	-	-	1,456,588	1,407,935	-	4,070,200
122,597	-	62,058	-	747,893	1,266	662,681	785	-	1,456,588	1,407,935	-	4,970,712
(102,694)	323,949	3,569	3,163	(89,413)	2,147	(193,044)	(785)	-	(17,414)	(35,352)	27	(61,459)
-	-	-	-	-	-	1,829	-	-	-	30,419	-	40,248
-	-	-	-	-	-	156,950	-	-	-	-	-	156,950
-	(225,680)	-	-	(84,126)	-	(1,965)	-	-	-	-	(59,704)	(578,500)
-	(225,680)	-	-	(84,126)	-	156,814	-	-	-	30,419	(59,704)	(381,302)
(102,694)	98,269	3,569	3,163	(173,539)	2,147	(36,230)	(785)	-	(17,414)	(4,933)	(59,677)	(442,761)
2,150,146	447,641	160,602	5,929	520,605	14,475	1,873,560	785	16,655	107,296	4,933	59,677	6,496,407
2,047,452	545,910	164,171	9,092	347,066	16,622	1,837,330	-	16,655	89,882	-	-	6,053,646



**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, 2010**

	<b>Fund balances beginning of year</b>	<b>Revenues</b>		<b>Program expenditures</b>	<b>Fund balances end of year</b>
		<b>Grants</b>	<b>Other</b>		
Federal education grant programs:					
NCLB/Title IA	\$ 3,215	173,446	-	171,755	4,906
ARRA Title IA		46,475	-	44,827	1,648
NCLB/Title IIA	25,774	76,183	-	101,957	-
NCLB/Title IID	1,152	7,405	-	7,564	993
ARRA NCLB/Title IID		4,842	-	4,621	221
NCLB/Title IVA	295	4,758	-	3,795	1,258
NCLB/Title VA	3,177	-	-	3,176	1
Refugee Resettlement	14,008	-	-	1,871	12,137
Local Entitlement	41,659	683,645	-	718,023	7,281
ARRA Local Entitlement		418,192	-	366,963	51,229
Preschool handicapped	9,723	11,395	-	19,493	1,625
ARRA Preschool handicapped		5,653	-	5,363	290
Total federal education grant programs	99,003	1,431,994	-	1,449,408	81,589
Other State grant programs:					
Professional Development Grant	8,293	-	-	-	8,293
Total other state grant programs	8,293	-	-	-	8,293
<b>Total school categorical programs</b>	<b>\$ 107,296</b>	<b>1,431,994</b>	<b>-</b>	<b>1,449,408</b>	<b>89,882</b>

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## **NONMAJOR CAPITAL PROJECT FUNDS**

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

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

### **General School Improvements**

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

### **Municipal Building Fund**

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

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**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Capital Project Fund**  
**Balance Sheet**  
**June 30, 2010**

		General School Improvements	Municipal Building Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$	287,074		287,074
Investments		331,857	-	331,857
<b>Total assets</b>	<b>\$</b>	<b>618,931</b>	<b>-</b>	<b>618,931</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable		278,576	-	278,576
Interfund loans payable		-	492,634	492,634
<b>Total liabilities</b>		<b>278,576</b>	<b>492,634</b>	<b>771,210</b>
Fund balance (deficit):				
Unreserved:				
Undesignated		340,355	(492,634)	(152,279)
<b>Total fund deficit</b>		<b>340,355</b>	<b>(492,634)</b>	<b>(152,279)</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>618,931</b>	<b>-</b>	<b>618,931</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Capital Project Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2010**

	General School Improvements	Municipal Building Fund	Totals
Revenues:			
Intergovernmental	\$ 49,560	-	49,560
Interest earned	3,582	-	3,582
Total revenues	53,142	-	53,142
Expenditures:			
Capital Improvements	1,349,748	-	1,349,748
Total expenditures	1,349,748	-	1,349,748
Excess (deficiency) of revenues over (under) expenditures	(1,296,606)	-	(1,296,606)
Other financing sources (uses):			
Transfers in	188,107	54,675	242,782
Transfers out	(222,770)	(29,987)	(252,757)
Proceeds of general obligation bonds	1,067,600	-	1,067,600
Total other financing sources (uses)	1,032,937	24,688	1,057,625
Net change in fund balances	(263,669)	24,688	(238,981)
Fund deficit, beginning of year	604,024	(517,322)	86,702
<b>Fund deficit, end of year</b>	<b>\$ 340,355</b>	<b>(492,634)</b>	<b>(152,279)</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.

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**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
<b>ASSETS</b>				
Investments	\$ 177,552	24,837	2,872	205,261
Interfund loans receivable	4,000	-	-	4,000
<b>Total assets</b>	<b>\$ 181,552</b>	<b>24,837</b>	<b>2,872</b>	<b>209,261</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund loans payable	-	12	-	12
<b>Total liabilities</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>12</b>
Fund balances:				
Principal	111,661	13,367	500	125,528
Unexpended income	69,891	11,458	2,372	83,721
<b>Total fund balances</b>	<b>181,552</b>	<b>24,825</b>	<b>2,872</b>	<b>209,249</b>
<b>Total liabilities and fund balances</b>	<b>\$ 181,552</b>	<b>24,837</b>	<b>2,872</b>	<b>209,261</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2010**

	<b>Scarborough Memorial Cemetery</b>	<b>Dunstan Perpetual Care</b>	<b>Mary A. Tucker Fund</b>	<b>Totals</b>
Revenues:				
Interest and dividends	\$ 57	12	-	69
Sale of lots/perpetual care deposits	4,000	-	-	4,000
Total revenues	4,057	12	-	4,069
Expenditures:				
Earnings retained by General Fund	-	12	-	12
Other	-	-	-	-
Total expenditures	-	12	-	12
Net change in fund balances	4,057	-	-	4,057
Fund balances, beginning of year	177,495	24,825	2,872	205,192
Fund balances, end of year	\$ 181,552	24,825	2,872	209,249

## **PRIVATE-PURPOSE TRUST FUNDS**

### **Shirley Grover Fund**

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

### **Mary Campbell Peterson Fund**

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

### **Edith Warga Art Scholarship**

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

### **Packy McFarland Scholarship Fund**

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

### **Roy Nelson Scholarship Fund**

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

### **Daniel Tranchemontagne Scholarship Fund**

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

### **Virginia Jackson Scholarship Fund**

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

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

### **Evelyn J. Chaddon Memorial Scholarship Fund**

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

### **S. Dwight Howard Memorial Scholarship Fund**

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

### **Bertha Libby-Lary Scholarship Fund**

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

### **Academic Decathlon Scholarship Fund**

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

### **Kathy Pearson Scholarship Fund**

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

**TOWN OF SCARBOROUGH, MAINE**  
**Private-purpose Trust Funds**  
**Combining Statement of Fiduciary Net Assets**  
**June 30, 2010**

	Shirley Grover Fund	Mary Campbell Peterson Fund	Edith Warga Art Scholarship Fund	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
<b>ASSETS</b>													
Cash and cash equivalents	1,585	96,701	106,787	2,572	12	1,076	22,641	308	2,984	11,792	1,212	3,915	251,585
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	150	-	-	-	150
<b>Total assets</b>	<b>\$ 1,585</b>	<b>96,701</b>	<b>106,787</b>	<b>2,572</b>	<b>12</b>	<b>1,076</b>	<b>22,641</b>	<b>308</b>	<b>3,134</b>	<b>11,792</b>	<b>1,212</b>	<b>3,915</b>	<b>251,735</b>
<b>LIABILITIES AND NET ASSETS</b>													
Liabilities:													
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	150	-	-	-	150
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150</b>
<b>Net assets:</b>													
Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Undesignated	345	9,021	6,787	2,572	12	1,076	22,641	(192)	958	8,292	1,212	105	52,829
<b>Total net assets</b>	<b>1,585</b>	<b>96,701</b>	<b>106,787</b>	<b>2,572</b>	<b>12</b>	<b>1,076</b>	<b>22,641</b>	<b>308</b>	<b>2,984</b>	<b>11,792</b>	<b>1,212</b>	<b>3,915</b>	<b>251,585</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,585</b>	<b>96,701</b>	<b>106,787</b>	<b>2,572</b>	<b>12</b>	<b>1,076</b>	<b>22,641</b>	<b>308</b>	<b>3,134</b>	<b>11,792</b>	<b>1,212</b>	<b>3,915</b>	<b>251,735</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Private-purpose Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2010**

	Shirley Grover Fund	Mary Campbell Pederson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
<b>Additions</b>													
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	-	45	47	2	-	-	13	-	1	2	1	1	112
Total additions	-	45	47	2	-	-	13	-	1	2	1	1	112
<b>Deductions:</b>													
School scholarships	-	1,000	-	800	-	-	1,500	-	150	250	-	500	4,200
Total deductions	-	1,000	-	800	-	-	1,500	-	150	250	-	500	4,200
Changes in net assets	-	(955)	47	(798)	-	-	(1,487)	-	(149)	(248)	1	(499)	(4,088)
Net assets, beginning of year	1,585	97,656	106,740	3,370	12	1,076	24,128	308	3,133	12,040	1,211	4,414	255,673
<b>Net assets, end of year</b>	<b>\$ 1,585</b>	<b>96,701</b>	<b>106,787</b>	<b>2,572</b>	<b>12</b>	<b>1,076</b>	<b>22,641</b>	<b>308</b>	<b>2,984</b>	<b>11,792</b>	<b>1,212</b>	<b>3,915</b>	<b>251,585</b>

TOWN OF SCARBOROUGH, MAINE  
 Agency Funds  
 Statement of Changes in Assets and Liabilities  
 For the year ended June 30, 2010

		Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>STUDENT ACTIVITIES:</b>					
<b>ASSETS</b>					
Cash	\$	220,051	521,378	491,302	250,127
<b>LIABILITIES</b>					
Payable to student groups	\$	220,051	521,378	491,302	250,127

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# General Long-Term Debt





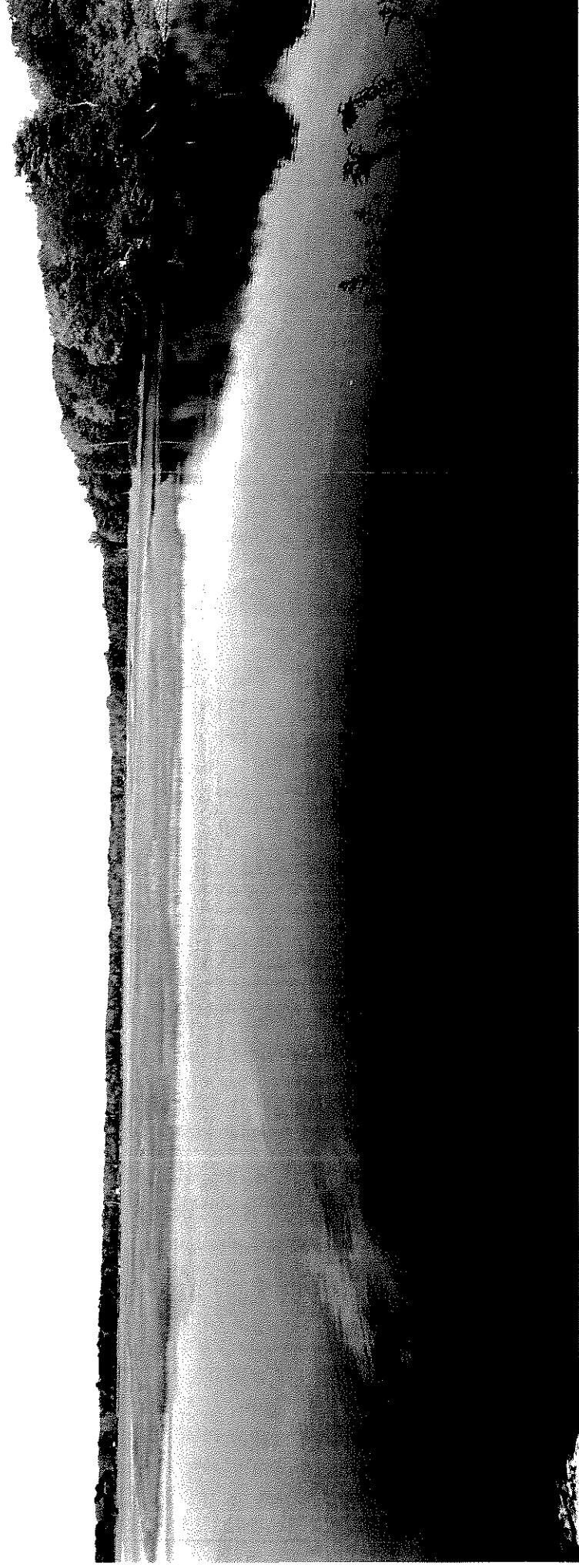
**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Changes in Long-term Debt**  
**For the year ended June 30, 2010**

For the year ended June 30, 2016							
	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
					Issued	Retired	
General Obligation Bonds							
1990 Capital Improvements	7.10%	2011	325,000 to 2011	650,000		325,000	325,000
1993 Capital Improvements	5.70%	2013	25,000 to 2013	100,000		25,000	75,000
1994 Capital Improvements	5.90%	2015	230,000 to 2015	1,380,000		230,000	1,150,000
1995 Capital Improvements	4.90%	2016	265,000 to 2016	1,855,000		265,000	1,590,000
1997 Capital Improvements	5.30%	2017	110,000 to 2017	880,000		110,000	770,000
1999 Capital Improvements	4.40%	2019	395,000 to 2009				
	Refunded		70,000 to 2019	700,000		700,000	-
2000 Capital Improvements	5.25%	2020	205,000 to 2010				
	Refunded		115,000 to 2020	1,355,000		1,355,000	-
2001 Capital Improvements	4.00%	2021	180,000 to 2011				
	4.20%		120,000 in 2012				
	Varies		115,000 to 2021	1,515,000		180,000	1,335,000
2003 Capital Improvements	3.50%	2033	685,000 in 2010				
	3.50%		750,000 in 2011				
	4.25%		840,000 in 2012				
	4.25%		925,000 in 2013				
	4.25%		595,000 in 2014				
	4.25%		685,000 in 2015				
	4.25%		780,000 in 2016				
	4.25%		885,000 in 2017				
	4.25%		1,005,000 in 2018				
	4.25%		1,135,000 in 2019				
	4.25%		1,280,000 in 2020				
	4.25%		1,435,000 in 2021				
	4.30%		1,610,000 in 2022				
	4.40%		1,800,000 in 2023				
	4.40%		430,000 in 2024				
	4.50%		450,000 in 2025				
	4.50%		475,000 in 2026				
	4.50%		495,000 in 2027				
	4.50%		520,000 in 2028				
	4.50%		545,000 in 2029				
	4.50%		570,000 in 2030				
	4.50%		595,000 in 2031				
	4.50%		625,000 in 2032				
	4.50%		655,000 in 2033	19,770,000		685,000	19,085,000
2004 Capital Improvements	2.50%	2034	665,000 in 2010				
	varies		680,000 to 2012				
	3.125%		690,000 in 2013				
	3.25%		555,000 in 2014				
	3.50%		215,000 in 2015				
	3.50%		225,000 in 2016				
	3.75%		235,000 in 2017				
	3.75%		245,000 in 2018				
	4.00%		255,000 in 2019				
	4.00%		265,000 in 2020				
	4.00%		280,000 in 2021				
	4.00%		290,000 in 2022				
	4.125%		305,000 in 2023				
	4.25%		320,000 in 2024				
	4.25%		335,000 in 2025				
	4.30%		350,000 in 2026				
	4.30%		365,000 in 2027				
	4.375%		385,000 in 2028				
	4.40%		400,000 in 2029				
	4.40%		420,000 in 2030				
	4.40%		440,000 in 2031				
	4.40%		460,000 in 2032				
	4.40%		480,000 in 2033				
	4.40%		500,000 in 2034	10,040,000	-	665,000	9,375,000

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

Statement of Changes in Long-term Debt, Continued								
	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
						Issued	Retired	
<u>General Obligation Bonds</u>								
2005 Capital Improvements	3.50%	2034	\$	525,000 in 2010				
	3.50%			385,000 in 2011				
	3.75%			390,000 in 2012				
	3.75%			395,000 in 2013				
	4.00%			305,000 in 2014				
	4.00%			315,000 in 2015				
	4.00%			250,000 in 2016				
	4.00%			230,000 in 2017				
	4.00%			240,000 in 2018				
	4.00%			250,000 in 2019				
	4.10%			260,000 in 2020				
	4.20%			270,000 in 2021				
	4.25%			280,000 in 2022				
	4.25%			290,000 in 2023				
	4.30%			300,000 in 2024				
	4.50%			315,000 in 2025				
	4.50%			325,000 in 2026				
	4.50%			340,000 in 2027				
	4.50%			355,000 in 2028				
	4.60%			370,000 in 2029				
	4.60%			385,000 in 2030				
	5.00%			405,000 in 2031				
	5.00%			420,000 in 2032				
	5.00%			440,000 in 2033				
	5.00%			460,000 in 2034				
	5.00%			480,000 in 2035			8,980,000	-
2006 Capital Improvements	4.00%	2021		805,000 in 2010				
	4.00%		835,000 in 2011					
	4.00%		480,000 in 2012					
	4.00%		510,000 in 2013					
	4.00%		515,000 in 2014					
	4.00%		530,000 in 2015					
	4.00%		505,000 in 2016					
	4.00%		185,000 in 2017					
	4.00%		190,000 in 2018					
	4.00%		195,000 in 2019					
	4.05%		210,000 in 2020					
	4.10%		220,000 in 2021		5,180,000		805,000	4,375,000
	4.00%		550,000 to 2012					
			225,000 to 2017					
			25,000 to 2022		2,900,000	-	550,000	2,350,000
2007 Capital Improvements	3.00%	2028		800,000 to 2011				
			790,000 to 2013					
			595,000 in 2014					
			580,000 in 2015					
			570,000 to 2017					
2008 Capital Improvements				575,000 in 2018				
				185,000 to 2028	7,920,000	-	800,000	7,120,000
	2009 Capital Improvements	4.50%	2029	305,000 in 2010				
		400,000 to 2015						
		315,000 to 2016						
310,000 to 2019								
2009 Bond Refunding			100,000 in 2029	4,560,000	-	305,000	4,255,000	
	2.00%	2020	185,000 to 2019					
2010 Capital Improvements				115,000 in 2020		1,780,000		1,780,000
	2.00%	2031	482,000 in 2012					
			485,000 in 2013					
			470,000 to 2016					
			345,000 to 2020					
			280,000 to 2026					
			100,000 to 2031		6,002,000		6,002,000	
Total bonds				67,785,000	7,782,000	7,525,000	68,042,000	
Total long-term debt			\$	67,785,000	7,782,000	7,525,000	68,042,000	

# 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 <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	1-5
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	6-11
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	12-14A
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	15-17
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the government provides and the activities it performs.</i>	18-21

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

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Table 1

## TOWN OF SCARBOROUGH, MAINE

## Net Assets by Component

## Last Eight Fiscal Years (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>								
Invested in capital assets, net of related debt	\$ 6,893	\$ 6,689	\$ 29,885	\$ 36,323	\$ 44,077	\$ 35,652	\$ 41,821	\$ 47,588
Restricted	21,040	19,332	7,629	4,210	3,053	5,111	1,289	2,199
Unrestricted	10,187	9,709	9,874	13,952	8,971	5,179	5,442	2,917
<b>Total governmental activities net assets</b>	<b>\$ 38,120</b>	<b>\$ 35,730</b>	<b>\$ 47,388</b>	<b>\$ 54,485</b>	<b>\$ 56,101</b>	<b>\$ 45,942</b>	<b>\$ 48,552</b>	<b>\$ 52,704</b>

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

Comment: Not All data for Fiscal Years 2001 and 2002 available.

## TOWN OF SCARBOROUGH, MAINE

## Changes in Net Assets

## Last Eight Fiscal Years (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services								
General government	\$ 203	\$ 1,554	\$ 1,727	\$ 2,314	\$ 1,632	\$ 1,621	\$ 1,178	1,986
Public services	1,143	1,297	1,386	1,425	1,506	1,590	1,585	1,720
Public safety	481	677	1,490	1,374	1,667	1,649	1,761	1,630
Public works	531	491	605	655	1,755	2,024	1,515	1,665
Education	202	1,344	1,280	1,256	1,198	1,211	1,195	1,217
Interest on debt services	168	-	-	-	-	-	-	-
Operating grants and activities	6,992	8,744	9,297	10,706	11,403	12,374	15,487	12,270
Capital grants and contributions	312	-	-	4,681	(559)	113	112	122
<b>General revenues:</b>								
Property and excise taxes, levies for general purposes	34,472	37,182	40,075	41,406	42,772	44,691	46,621	47,029
Grants and contributions not restricted to specific programs	6,667	2,096	1,952	2,062	1,931	3,835	339	1,947
Unrestricted investment earnings	209	105	159	261	404	344	137	142
<b>Total revenues</b>	<b>51,380</b>	<b>- 53,490</b>	<b>57,971</b>	<b>66,140</b>	<b>63,709</b>	<b>69,452</b>	<b>69,930</b>	<b>69,728</b>
<b>Expenses:</b>								
General government	9,902	8,622	9,996	8,783	12,641	12,740	11,409	10,656
Public services	2,701	2,597	2,658	2,871	3,092	3,133	3,742	3,832
Public safety	5,552	6,127	6,153	6,552	7,080	7,425	7,813	8,266
Public works	5,175	5,266	5,882	6,276	6,425	7,494	7,156	9,480
Education	23,444	25,442	28,695	33,491	31,531	32,951	34,363	34,546
Interest on debt service	895	2,610	1,168	1,069	1,142	2,737	2,827	2,694
<b>Total expenses</b>	<b>47,669</b>	<b>- 50,664</b>	<b>54,552</b>	<b>59,042</b>	<b>61,911</b>	<b>66,480</b>	<b>67,310</b>	<b>69,474</b>
<b>Net (expense)/revenue:</b>								
	3,711	2,826	3,419	7,098	1,798	2,972	2,620	254
<b>Change in Net Assets</b>	<b>\$ 3,711</b>	<b>\$ 2,826</b>	<b>\$ 3,419</b>	<b>\$ 7,098</b>	<b>\$ 1,798</b>	<b>\$ 2,972</b>	<b>\$ 2,620</b>	<b>254</b>

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

Comment: Not All data for Fiscal Years 2001 and 2002 available.

Table 3

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

	2001	2002	2003	2004	2005	2006	2007	2008*	2009	2010
<b>General Fund</b>										
Reserved	\$ 889	\$ 800	\$ 752	\$ 710	\$ 697	\$ 771	\$ 674	\$ 618	\$ 630	\$ 2,482
Unreserved	3,669	5,753	6,211	5,919	7,063	7,455	8,019	8,357	8,174	4,756
<b>Total general fund</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>\$ 8,693</b>	<b>\$ 8,975</b>	<b>\$ 8,804</b>	<b>\$ 7,238</b>
<b>All Other Governmental Funds</b>										
Reserved	753	140	132	123	117	125	127	3,047	3,062	3,006
Unreserved, reported in:										
Special revenue funds	3,756	4,288	5,010	5,011	4,403	8,180	7,523	4,589	5,039	4,175
Capital projects funds	864	239	20,278	18,611	6,963	4,085	2,926	4,912	1,084	1,990
Permanent funds	54	67	68	69	70	73	78			
<b>Total all other governmental funds</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>	<b>\$ 10,654</b>	<b>\$ 12,548</b>	<b>\$ 9,185</b>	<b>\$ 9,171</b>

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

<sup>1</sup> The increase in reserved fund balance is due to reserving the Haigis Parkway deficit fund balance in the General Fund.

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

	Fiscal Years Ending									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 29,311	\$ 32,380	\$ 34,582	\$ 37,191	\$ 40,066	\$ 41,377	\$ 42,712	\$ 44,581	\$ 46,401	\$ 46,880
Licenses and permits	433	413	429	480	567	611	753	818	482	573
Intergovernmental	11,006	11,212	11,600	10,823	11,219	12,604	13,204	14,042	17,357	14,106
Interest earned	533	272	209	348	442	644	805	684	324	242
Other	3,266	3,640	4,877	4,648	5,677	10,921	6,247	9,288	7,545	7,849
Total revenues	44,549	47,917	51,697	53,490	57,971	66,157	63,721	69,413	72,109	69,650
<b>Expenditures</b>										
General government	2,923	3,041	3,425	3,568	3,727	4,340	4,401	4,483	4,534	4,772
Public services	2,504	2,325	2,653	2,572	2,643	2,849	3,070	3,103	3,704	3,806
Public safety	4,465	4,706	5,275	5,934	5,962	6,180	6,642	6,986	7,399	7,831
Public works	4,103	4,108	4,767	4,877	5,370	5,702	5,846	6,765	6,259	8,475
Education (Excludes School Debt)	19,885	21,639	23,446	25,009	26,647	28,064	29,194	31,695	33,077	33,164
Education Debt (Prin & Int)	3,016	3,452	3,434	3,853	4,272	4,728	4,458	4,419	4,475	4,174
County tax	933	1,062	1,307	1,442	1,520	1,584	1,615	1,735	1,837	1,886
Debt service (Principal-Town Only)	2,171	2,206	2,423	3,918	3,176	2,957	3,219	3,232	3,204	3,044
Debt service (Interest-Town Only)	875	834	769	1,128	1,128	1,108	1,177	1,488	1,867	1,911
Capital Outlays	4,256	4,643	4,908	15,820	23,374	11,467	7,999	9,305	11,243	4,136
Other	1,857	2,612	2,704	2,003	2,323	2,816	2,641	3,188	3,415	4,085
Total expenditures	46,988	50,628	55,111	70,124	80,142	71,795	70,262	76,399	81,014	77,284
Excess (deficiency) of revenues over (under) expenditures	(2,439)	(2,711)	(3,414)	(16,634)	(22,171)	(5,638)	(6,541)	(6,986)	(8,905)	(7,634)
<b>Other financing sources (uses)</b>										
Transfers in	2,040	2,402	1,538	2,115	2,923	2,780	2,794	3,695	3,453	1,975
Transfers out	(2,040)	(2,402)	(1,538)	(2,115)	(2,923)	(2,780)	(2,794)	(3,695)	(3,453)	(1,975)
Capital Lease proceeds	-	-	-	-	-	-	1,200	1,010	820	52
General obligation bonds and capital leases	4,932	4,000	24,579	14,628	10,665	7,014	4,000	8,513	4,560	6,002
Total other financing sources (uses)	4,932	4,000	24,579	14,628	10,665	7,014	5,200	9,523	5,380	6,054
<b>Net change in fund balances</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>\$ (1,341)</b>	<b>\$ 2,537</b>	<b>\$ (3,525)</b>	<b>\$ (1,580)</b>
<b>Debt Service as a percentage of non-capital expenditures</b>	<b>14.19%</b>	<b>14.12%</b>	<b>13.20%</b>	<b>16.39%</b>	<b>7.58%</b>	<b>6.74%</b>	<b>7.06%</b>	<b>7.03%</b>	<b>7.27%</b>	<b>6.77%</b>

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

Table 5

**TOWN OF SCARBOROUGH, MAINE**  
**General Governmental Expenditures by Function - Budgetary Basis**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Other	Capital expenditures	Total
2001	2,923	2,504	4,465	4,103	20,721	933	3,046	57	-	38,752
2002**	3,041	2,325	4,706	4,108	22,688	1,062	3,040	102	1,234	42,306
2003	3,425	2,653	5,275	4,767	24,172	1,307	3,192	148	1,209	46,148
2004	3,568	2,572	5,934	4,877	26,281	1,442	5,046	-	653	50,373
2005	3,727	2,643	5,962	5,370	28,288	1,520	4,304	-	1,120	52,934
2006	4,340	2,849	6,180	5,702	30,348	1,584	4,065	280	835	56,183
2007	4,401	3,070	6,642	5,846	31,101	1,615	4,396	-	1,419	58,490
2008	4,483	3,103	6,986	6,765	32,865	1,735	4,721	-	2,666	63,324
2009	4,533	3,704	7,399	6,259	34,246	1,837	5,070	-	1,358	64,406
2010	4,702	3,731	7,721	6,224	34,085	1,886	4,956	-	1,210	64,515

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

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

Table 6

**TOWN OF SCARBOROUGH, MAINE**  
**General Governmental Tax Revenues by Source**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting)  
(dollar amounts expressed in thousands)

Fiscal Year	Property tax	Interest and Costs on taxes	Vehicle Excise tax	Boat Excise tax	Franchise tax fees	Total
2001	\$ 25,778	\$ 102	\$ 3,412	\$ 19	\$ 114	\$ 29,425
2002	28,611	105	3,637	27	134	32,514
2003	30,547	179	3,828	27	127	34,708
2004	32,862	72	4,143	27	125	37,229
2005	35,549	58	4,228	26	143	40,004
2006	36,700	61	4,409	29	146	41,345
2007	38,034	80	4,416	26	156	42,712
2008	40,000	90	4,291	27	173	44,581
2009	42,000	99	4,100	27	176	46,402
2010	42,661	97	3,909	28	185	46,880

Table 7

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

Fiscal Year	Real property		Personal property		Totals		Direct Tax Rate	Ratio of total assessed value to total estimated actual value
	Assessed property		Assessed property		Assessed property	Estimated actual value		
2001	\$ 1,230,378	\$	83,306	\$	1,313,684	1,313,684	19.60	100%
2002	1,764,041		94,304		1,858,345	1,858,345	15.30	100%
2003	1,831,117		99,459		1,930,576	1,930,576	15.70	100%
2004	1,903,869		99,118		2,002,987	2,002,987	16.46	100%
2005	1,951,952		105,637		2,057,589	2,057,589	17.34	100%
2006	3,143,853		112,989		3,256,842	3,256,842	11.30	100%
2007	3,207,720		109,778		3,317,498	3,317,498	11.48	100%
2008	3,272,789		124,442		3,397,231	3,397,231	11.80	100%
2009	3,365,227		121,779		3,487,006	3,487,006	12.15	100%
2010	3,399,998		124,774		3,524,772	3,524,772	12.15	100%

Source: Town of Scarborough Assessor's Office.

**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		State Revenue Sharing (1)	Total Property Tax Rates by Year
					Financing District	Overlay		
2001	7.250	12.168	0.327	0.710	0.686	0.106	(1.649)	19.60
2002	5.507	9.393	0.231	0.571	0.378	0.210	(0.991)	15.30
2003	5.487	9.871	0.201	0.677	0.373	0.051	(0.960)	15.70
2004	5.501	10.522	0.133	0.720	0.377	0.060	(0.853)	16.46
2005	5.535	11.332	0.110	0.739	0.387	0.036	(0.798)	17.34
2006	3.618	7.366	0.065	0.486	0.181	0.113	(0.529)	11.30
2007	3.835	7.392	0.077	0.487	0.192	0.031	(0.533)	11.48
2008	3.802	7.643	0.112	0.511	0.206	0.029	(0.504)	11.80
2009	3.980	7.754	0.117	0.529	0.246	0.021	(0.494)	12.15
2010	4.142	7.595	0.098	0.535	0.186	0.078	(0.483)	12.15

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



Table 9

## TOWN OF SCARBOROUGH, MAINE

## Principal Property Taxpayers

## Current Year and Ten Years Ago

(amounts expressed in thousands)

2000		2010	
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>
Wal-Mart	\$ 16,944,600	1.35%	1.74%
James McBrady	15,470,900	1.23%	1.15%
Hannaford Brothers	15,159,700	1.20%	1.00%
Gavin Ruotolo	9,489,200	0.75%	0.68%
Rich Tool and Die	7,710,000	0.61%	0.63%
Konica Quality Photo	7,532,500	0.60%	0.62%
Shaw's Supermarket	7,184,100	0.57%	0.53%
Central Maine Power	7,020,800	0.56%	0.43%
ERP Operating L.P.	5,991,700	0.48%	0.41%
Maine Historic Hotels	5,563,500	0.44%	0.38%
Total Principal Taxpayers	98,067,000	7.79%	7.55%
Total Assessed Value:		\$ 3,524,771,600	

Source: Town of Scarborough, Maine Assessor

Table 10

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collections Within Year of Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2001	\$ 25,765,523	\$ 25,339,458	98.3%	\$ 425,085	\$ 25,764,543	100.0%
2002	28,450,220	28,120,508	98.8%	326,384	28,446,892	100.0%
2003	30,348,015	30,103,820	99.2%	239,221	30,343,041	100.0%
2004	32,969,169	32,747,993	99.3%	217,922	32,965,915	100.0%
2005	35,735,569	35,422,791	99.1%	311,220	35,734,011	100.0%
2006	36,824,648	36,527,411	99.2%	293,349	36,820,760	100.0%
2007	38,139,961	37,852,666	99.2%	265,381	38,118,047	99.9%
2008	40,183,201	39,784,997	99.0%	366,562	40,151,559	99.9%
2009	42,397,139	41,890,825	98.8%	292,918	42,183,743	99.5%
2010	42,825,994	42,370,914	98.9%	-	42,370,914	98.9%

Source: Town of Scarborough Tax Collector's Office

Table 11

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

<b>Fiscal Year</b>	<b>Real Estate Valuation</b>	<b>Personal Property Valuation</b>	<b>Total Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>
2001	\$ 1,230,378	\$ 83,306	\$ 1,313,684	\$ 19.60	\$ 25,748
2002	1,764,013	94,303	1,858,316	15.30	28,433
2003	1,831,117	99,459	1,930,576	15.70	30,310
2004	1,903,869	99,118	2,002,987	16.46	32,969
2005	1,951,952	105,637	2,057,589	17.34	35,679
2006	3,143,853	112,989	3,256,842	11.30	36,802
2007	3,207,720	109,778	3,317,498	11.48	38,085
2008	3,272,789	124,442	3,397,231	11.80	40,087
2009	3,365,227	121,779	3,487,005	12.15	42,367
2010	3,399,998	124,774	3,524,772	12.15	42,826

Source: Town of Scarborough Assessor's Office

Table 12

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Assessed Value</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Population*</b>	<b>Ratio of debt service to personal income</b>	<b>Debt Per Capita</b>
2001	\$ 35,787,515	\$ 1,313,684,200	2.72%	16,970	11.82%	2,109
2002	35,095,667	1,858,344,800	1.89%	16,970	11.59%	2,068
2003	54,759,228	1,930,576,300	2.84%	16,970	12.26%	3,227
2004	62,952,163	2,002,987,200	3.14%	16,970	14.09%	3,710
2005	67,737,433	2,057,589,000	3.29%	18,812	13.68%	3,601
2006	68,844,000	3,256,841,900	2.11%	18,812	13.90%	3,660
2007	66,845,000	3,317,497,800	2.01%	18,812	13.50%	3,553
2008	69,328,000	3,397,230,200	2.04%	18,812	13.95%	3,685
2009	67,785,000	3,487,005,500	1.94%	18,812	13.52%	3,603
2010	68,042,000	3,524,771,600	1.93%	19,239	13.44%	3,537

Table 12A

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

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Assessed Value</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Population*</b>	<b>Ratio of debt service to personal income</b>	<b>Debt Per Capita</b>
2001	271,790	\$ 1,313,684,200	0.02%	16,970	0.09%	16
2002	331,372	1,858,344,800	0.02%	16,970	0.11%	20
2003	277,222	1,930,576,300	0.01%	16,970	0.06%	16
2004	208,444	2,002,987,200	0.01%	16,970	0.05%	12
2005	141,974	2,057,589,000	0.01%	18,812	0.03%	8
2006	72,541	3,256,841,900	0.00%	18,812	0.01%	4
2007	1,370,408	3,317,497,800	0.04%	18,812	0.28%	73
2008	2,025,032	3,397,230,200	0.06%	18,812	0.41%	108
2009	2,223,239	3,487,005,500	0.06%	18,812	0.44%	118
2010	1,640,531	3,524,771,600	0.05%	19,239	0.32%	85

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

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

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

Table 13

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

<b>Fiscal year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total debt service</b>	<b>Total general fund expenditures</b>	<b>Ratio of debt service to general fund expenditures</b>
2001	\$ 4,204	\$ 1,858	\$ 6,062	\$ 38,752	15.64%
2002	4,692	1,895	6,587	42,305	15.57%
2003	4,915	1,634	6,549	46,463	14.10%
2004	6,435	2,358	8,793	50,373	17.46%
2005	5,880	2,634	8,514	52,934	16.08%
2006	5,907	2,846	8,753	56,185	15.58%
2007	5,999	2,821	8,820	58,489	15.08%
2008	6,030	2,739	8,769	63,323	13.85%
2009	6,103	2,826	8,929	64,406	13.86%
2010	5,745	2,694	8,439	64,515	13.08%

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

Table 14

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 206,243	\$ 235,755	\$ 279,720	\$ 323,745	\$ 380,820	\$ 430,980	\$ 488,370	\$ 529,673	\$ 534,488	\$ 543,068
Total net debt applicable to limit	35,788	35,096	54,759	62,952	67,737	68,844	66,845	69,328	67,785	68,042
Legal debt margin	170,455	200,659	224,961	260,793	313,083	362,136	421,525	460,345	466,703	475,026
Total net debt applicable to the limit as a percentage of debt limit	17.35%	14.89%	19.58%	19.44%	17.79%	15.97%	13.69%	13.09%	12.68%	12.53%

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 14A

**TOWN OF SCARBOROUGH, MAINE**  
**Direct, Overlapping and Contingent Debt**  
**Last Ten Fiscal Years**  
 (amounts expressed in thousands)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Town of Scarborough	35,788	35,096	54,759	62,952	67,738	68,844	66,845	71,353	70,008	69,683
Cumberland County	1,507	1,526	1,329	1,189	1,055	883	685	535	481	327
Portland Water District	3,934	3,625	3,435	3,148	2,846	2,665	2,557	3,486	4,099	4,210
econaine Waste Systems:										
Resource recovery system	5,140	4,787	4,904	4,495	4,062	3,573	3,016	2,393	1,601	792
Material recovery facility	444	417	418	385	352	317	278	231	182	125
Landfill closure/postclosure	1,127	1,312	1,369	1,463	1,581	1,682	1,697	1,956	1,242	1,266
Totals	47,940	46,763	66,214	73,632	77,634	77,964	75,078	79,954	77,613	76,403

Source: Town of Scarborough Finance Department, Cumberland County, Portland Water District and econaine.

Table 15

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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita		Median Age (a)	School Enrollment (c)	Unemployment Rate (d)
			Personal Income (a)				
2001	16,970	302,897,530	17,849		35.20	3,037	1.80%
2002	16,970	302,897,530	17,849		35.20	3,137	2.00%
2003	16,970	446,667,370	26,321		38.80	3,210	2.20%
2004	16,970	446,667,370	26,321		38.80	3,234	2.90%
2005	18,812	495,150,652	26,321		38.80	3,308	3.00%
2006	18,812	495,150,652	26,321		38.80	3,324	3.00%
2007	18,812	495,150,652	26,321		38.80	3,361	3.40%
2008	18,880	496,940,480	26,321		38.80	3,347	4.00%
2009	19,054	501,520,334	26,321		38.80	3,343	5.40%
2010	19,239	506,389,719	26,321		38.80	3,363	5.60%

(a) For years 2001 through 2009, 2000 Census, U.S. Department of Commerce, Bureau of Census.

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

(c) State of Maine Department of Education Census data.

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

Table 16

## TOWN OF SCARBOROUGH, MAINE

## Principal Employers

## Current Year and Ten Years Ago

2000			2010			Percentage of total Town Employment
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	
Town of Scarborough	802	1	Town of Scarborough	1,417	1	10.18%
Hannaford Brothers	790	2	Hannaford Brothers	1,109	2	7.97%
Konica Quality Photo	350	3	US Postal Service	635	3	4.56%
Wal-Mart	243	4	NorDX	286	4	2.05%
UNUM	189	5	Wal-Mart	275	5	1.98%
Shaw's Supermarket	143	6	Cabela's	270	6	1.94%
Sam's Wholesale Club	125	7	Shaw's	250	7	1.80%
Rich Tool & Die Co.	125	8	Piper Shores	192	8	1.38%
Gabriel Electronics, Inc	120	9	Sam's Wholesale Club	186	9	1.34%
RTS Packaging	105	10	Johnson & Jordan	167	10	1.20%

\* Source: Scarborough Economic Development Corporation (SEDCO)

2010 Total Town Employment Estimate: 13,923 (Source: ME Dept of Labor, Center for Workforce and Information)



Table 17

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

<b>Fiscal Year ending June 30,</b>	<b>Portland Metropolitan Statistical Area (PMSA)*</b>	<b>State of Maine</b>
2001	2.7%	3.5%
2002	3.3%	4.2%
2003	3.7%	4.9%
2004	3.4%	4.3%
2005	3.6%	4.6%
2006	3.5%	4.4%
2007	3.4%	4.2%
2008	4.0%	5.0%
2009	6.8%	8.1%
2010	6.5%	7.7%

\* 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 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)

Table 18

**Operating Indicators by Function  
Last Ten Fiscal Years**

Function:	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Govt:										
Town Clerk										
Certified Copies	1,063	1,565	1,750	1,462	1,185	1,462	1,187	2,098	4,887	4,988
Licenses & Permits	3,724	4,045	3,937	2,524	360	296	365	432	436	440
Passports Applications					379	548	882	792	586	665
Tax Office										
Beach Passes	2,512	1,999	2,282	2,714	1,886	2,003	2,192	3,436	3,487	2,358
Licenses & Permits					1,847	1,643	1,298	1,166	1,168	991
Tax Bills Issued										9,389
Excise Registrations										25,570
Planning:										
Permits	1,728	1,688	1,576	1,649	1,501	1,561	1,438	1,346	1,091	558
Certificates of Occupancy	287	302	309	321	340	353	242	207	204	222
Public Safety:										
Police:										
Physical arrests	429	587	634	401	332	822	719	817	1,152	619
Traffic violations	2,263	2,637	2,455	1,976	1,077	1,337	975	792	741	1,404
Fire:										
Number of calls answered	1,894	2,035	2,200	2,251	2,450	2,356	2,300	1,303	1,615	1,598
Number of Inspections	392	388	455	445	472	642	884	1,825	3,351	3,537
Rescue:										
Number of calls answered	1,796	1,962	2,159	2,407	2,506	2,247	2,673	2,069	2,088	1,946
Public Works:										
Street resurfacing (miles)	3.37	3.71	4.19	1.94	5.26	6.03	7.32	3.90	6.31	8.62
Pot holes repaired (qty used in tons)	22	19	30	43	82	71	61	42	35	24
No. times plows dispatched	51	42	20	19	24	53	15	33	27	24

Source: Town of Scarborough various departments

Comment: Tax office data for tax bills issued and excise registrations are not available prior to 2010

Table 19

**TOWN OF SCARBOROUGH, MAINE**  
**Capital Asset Statistics by Function**  
**Last Two Fiscal Years**

	<u>2009</u>	<u>2010</u>
Function:		
General Govt:		
Planning Vehicles	4	4
Technology Vehicles	3	3
Public Service:		
Community Services		
Vehicles	5	5
Parks	4	4
Public Safety:		
Police:		
Vehicles	8	8
Facilities	1	1
Fire:		
Vehicles	10	10
Facilities	6	6
Rescue:		
Vehicles	3	3
Public Works:		
Streets (miles)	111.40	117.28
Traffic Signals	35	37
Generators	10	10

Source: Town of Scarborough various departments

Comment: Data not available for all years

Table 20

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Govt:										
Full time			34	35	35	35	37	37	39	35
Pt Time			47	52	36	58	19	59	53	72
Public Services:										
Full time			13	13	13	14	14	15	15	17
Pt Time			106	89	77	99	103	130	159	134
Public Safety:										
Police										
Full time			46	46	47	48	51	52	52	50
Pt Time			37	35	28	33	27	27	34	35
Fire										
Full time			4	4	4	4	4	4	4	4
Pt Time			177	155	159	144	152	167	164	158
Rescue										
Full time			9	9	9	9	12	12	12	16
Pt Time			14	21	16	18	15	14	15	-
Public Works:										
Full time	30	31	31	32	32	32	33	36	35	31
Pt Time	-	-	2	1	3	2	2	3	3	4
Education:										
Full Time			671	754	724	766	733	750	761	503
Pt Time										268
Total:	30	31	1,191	1,246	1,183	1,262	1,202	1,306	1,346	1,327

Source: Town of Scarborough

Comment: Not All data for Fiscal Years 2000 through 2002 is available. School part time employee data available for 2010 only.

Table 21

## TOWN OF SCARBOROUGH, MAINE

## Department Listings by Division, Department and Function

Department Listings by Division, Department and Function					
Division	Department	Function	Division	Department	Function
General Government:	Legislative	Town Council	Public Works:	Public Works:	Road/Highway Maintenance
	Administration:	Executive		Vehicle Maintenance	
		Town Clerk		Traffic Signals	
		Elections		Engineering/GIS	
		Human Resources		Solid Waste	
		Legal		Water Charges	
		Municipal Insurance		Street Lighting	
		Municipal Building		Cemetery Care	
		Public Information		memorials	
		Outside Agency Requests		Shade trees	
	Finance:	Accounting	Education:	Primary	
		Tax/Treasury		Elementary	
		Purchasing		Secondary	
		Assessing		Instruction Improvement	
	Planning:	Planning		Food Services	
		Engineering		Special Services	
		Code Enforcement		General and Special Administration	
		Zoning and Planning Board		Board of Education	
	Information System			Office of the Superintendent	
				Business Administration	
Public Service:	Community Service	Recreation	Transportation		
		Youth Programs	Operations and Maintenance of Plant		
		Senior's Programs	Debt Service		
		Parks			
		Child Care			
		Beach Care			
		Grounds Maintenance			
		Sports Complex			
		Local Access Cable TV			
	Public Assistance	Welfare/Health Assist.			
	Economic Development				
	Library				
	Public Safety:	Fire:	Fire Suppression		
			Fire Prevention		
			Rescue		
Emergency Preparedness					
Police:		Patrol			
		Dispatch			
		Marine Resources			
		Animal Control			

Source: Town of Scarborough



## **APPENDIX B**

### **PROPOSED FORM OF LEGAL OPINION**

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

## **BERNSTEIN SHUR**

**C O U N S E L O R S   A T   L A W**

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

(DATE OF CLOSING)

(PURCHASER)

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$5,600,000\* aggregate principal amount of 2011 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 laws of the State of Maine and the Charter of the Town of Scarborough, Maine (the "Charter").

We express no opinion herein relating to the accuracy, completeness or sufficiency of any offering material relating to the Bonds.

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 June 15, 2011. Principal of the Bonds will be payable on each of the dates on which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on November 1 and May 1 in each year, commencing on November 1, 2011, at the respective rates per annum, as follows:

<u>Year of</u> <u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>
2011	\$545,000	%	2021	\$115,000	%
2012	540,000	%	2022	115,000	%
2013	540,000	%	2023	115,000	%
2014	540,000	%	2024	115,000	%
2015	525,000	%	2025	115,000	%
2016	360,000	%	2026	110,000	%
2017	360,000	%	2027	110,000	%
2018	355,000	%	2028	110,000	%
2019	355,000	%	2029	110,000	%
2020	355,000	%	2030	110,000	%

\*Preliminary, subject to change.

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

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs. The Issuer, in executing its Arbitrage and Use of Proceeds Certificate and the Certificate of Treasurer (the "Tax Certificates"), 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 Tax Certificates.

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 Title 30-A, 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 5 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 former 207 (now repealed) of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.
3. Under existing statutes and court decisions interest on the Bonds is excluded from gross income for federal income tax purposes, is exempt from taxation within the State of Maine under existing law, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on 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. 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.

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

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

Very truly yours,

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**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE CERTIFICATE**

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

In connection with the issuance by the Town of Scarborough, Maine (the "Issuer") of its \$5,600,000 2011 General Obligation Bonds, dated as of June 15, 2011 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated June 8, 2011 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, ("MSRB") or any successor thereto: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2010, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

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

2. The Issuer will provide in a timely manner to the MSRB or any successor thereto, 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, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or events affecting the tax-exempt status of the Bonds;
  - g. Modifications to the rights of securities holders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances;
  - j. The release, substitution, or sale of property securing repayment of the Bonds;
  - k. Rating changes;
  - l. Bankruptcy, insolvency, receivership or similar event of the Issuer;
  - m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
  - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to

the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide, in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission>.
7. Except for a late filing for fiscal year ended June 30, 2003, the Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure in connection 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.

Dated: \_\_\_\_\_, 011

TOWN OF SCARBOROUGH, MAINE  
By: \_\_\_\_\_  
Its: \_\_\_\_\_