



MOORS & CABOT
INVESTMENTS
Banking & Advisory Group

NEW ISSUE

Moody's: Aa3

S&P: AA

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

TOWN OF SCARBOROUGH, MAINE
\$8,513,000
2008 GENERAL OBLIGATION BONDS

Dated: June 1, 2008

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>
2008	\$593,000	3.00%	2.00	2018	\$185,000	3.50%	3.55
2009	800,000	3.00	2.10	2019	185,000	3.60	3.65
2010	800,000	3.00	2.30	2020	185,000	3.60	3.70
2011	790,000	3.00	2.65	2021	185,000	3.65	3.75
2012	790,000	3.125	2.89	2022	185,000	3.70	3.80
2013	595,000	3.25	3.01	2023	185,000	3.75	3.85
2014	580,000	3.25	3.01	2024	185,000	3.85	3.95
2015	570,000	3.25	3.15	2025	185,000	4.00	100
2016	570,000	3.25	3.30	2026	185,000	4.00	4.05
2017	575,000	3.35	3.40	2027	185,000	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 and with one denomination of \$3,000 that will mature on November 1, 2008. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2008 and semi-annually on each May 1 and November 1 thereafter until maturity or redemption prior to maturity.

The legal opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the Town of Scarborough, Maine and unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established either development districts as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The \$2,385,890 of Bonds issued for the School Department are not subject to the property tax limit set forth in Section 5721-A. See "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax" herein. The Town has established tax increment financing districts and has elected to retain portions of the tax increment on the captured assessed values of the properties in the districts to pay costs of the development project within the districts. 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" herein. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on and before November 1, 2017 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after November 1, 2017 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2017 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 5, 2008.

Commerce Capital Markets, Inc.

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

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

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

TABLE OF CONTENTS

CERTIFICATE CONCERNING OFFICIAL STATEMENT	1	TOWN FINANCES (cont.)	
		Tax Increment Financing Districts and Affordable Housing Districts	33
THE BONDS		State Aid	33
Description of the Bonds	2	INDEBTEDNESS	
Optional Redemption Prior to Maturity	2	Limitations and Exclusions	34
General Provisions Regarding Redemption of the Bonds	3	Debt Summary	35
Record Date; Payment	4	Debt Service Component of Operating Expenses	35
Authorization and Purpose	4	Debt Ratios	36
The Projects	5	Projected Debt Service Requirements	36
Amortization of the Bonds	6	Projected Principal Payments, by Issue	37
Source of Payment and Remedies	6	Overlapping Debt	38
Tax Matters	8	Contingent Debt	38
Book-Entry-Only System	9	Total General Obligation, Overlapping and Contingent Debt	39
Ratings	12	Future Financing	39
Continuing Disclosure	12	RETIREMENT	
CUSIP Identification Numbers	12	A. Defined Benefit Pension Plan	40
Financial Advisor	12	B. Defined Benefit Pension Plan – Teachers Group	41
Statutory References	12	C. Defined Contribution Plan	41
Conditions Precedent to Delivery	13	D. Deferred Compensation Plan	42
TOWN OF SCARBOROUGH		ENVIRONMENTAL MATTERS	42
General	14	LITIGATION	42
Government	15	APPENDIX A:	
Municipal Services	15	FINANCIAL STATEMENTS	
The Scarborough Public Library	19	APPENDIX B:	
Commuter Trends and Employment	20	PROPOSED FORM OF LEGAL OPINION	
Retail Trade	21	APPENDIX C:	
Building Permits	21	PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE	
Economic Characteristics	22		
TOWN FINANCES			
Budgetary Process	23		
Capital Improvement Plan	24		
Property Tax Limit	25		
Investment Policy	25		
Fund Balance Policy	25		
Financial Statements	26		
Funds	26		
Comparative Balance Sheet	28		
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances	29		
Property Taxation	30		
Changes in Property Tax Legislation	30		
Largest Taxpayers	32		
Current Tax Base and Tax Base Growth	32		

[This page left intentionally blank.]

**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

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

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

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

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

Ruth D. Porter
Finance Director
Town of Scarborough, Maine

**OFFICIAL STATEMENT
TOWN OF SCARBOROUGH, MAINE
\$8,513,000
2008 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 2008 General Obligation Bonds (the “Bonds” or the “2008 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof and with one denomination of \$3,000 that will mature on November 1, 2008. The Bonds will be dated June 1, 2008 and will bear interest, payable on November 1, 2008, 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>
\$593,000	2008	806075SX6	\$185,000	2018	806075TH0
800,000	2009	806075SY4	185,000	2019	806075TJ6
800,000	2010	806075SZ1	185,000	2020	806075TK3
790,000	2011	806075TA5	185,000	2021	806075TL1
790,000	2012	806075TB3	185,000	2022	806075TM9
595,000	2013	806075TC1	185,000	2023	806075TN7
580,000	2014	806075TD9	185,000	2024	806075TP2
570,000	2015	806075TE7	185,000	2025	806075TQ0
570,000	2016	806075TF4	185,000	2026	806075TR8
575,000	2017	806075TG2	185,000	2027	806075TS6

It is expected that the Bonds will be available for delivery at DTC on or about June 5, 2008.

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

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before November 1, 2017 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after November 1, 2017 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2017, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine, at a price of par (100% of original

stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Redemption

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

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

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

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

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

Cancellation

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

Partial Redemption of Bonds

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

RECORD DATE; PAYMENT

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

AUTHORIZATION AND PURPOSE

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

The Projects

The Bonds are being issued pursuant to orders adopted by the Town Council at its meetings held on February 16, 2005 (Order No. 05-8), November 1, 2006 (Orders No. 06-128 and 06-129) and April 2, 2008 (Orders No. 08-25, 08-26 and 08-27) (the "Orders") in order to provide funds to finance various capital improvement programs of the Town. The various projects being financed by the Bonds are itemized in the following table, "THE BONDS - THE PROJECTS".

Abandoned Projects or Excess Bond Proceeds

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

THE PROJECTS

<u>CIP Year</u>		<u>Bond Order</u>	<u>Description</u>	<u>Years to Bond</u>	<u>2008 Bonds</u>
2007/2008	Muni-Eq	08-25	Finance Bid/Contract Mgmt Software	3	\$15,350
2007/2008	Muni-Eq	08-25	Fire Dpt Inspector Vehicle (Used)	3	7,500
2007/2008	Muni-Eq	08-25	Fire Dpt Marine 1 Dock'g at Prouts Neck	5	25,000
2007/2008	Muni-Eq	08-25	Fire Dpt Upgrade Fire Alarm Syst E3 & 5	5	13,000
2007/2008	Muni-Eq	08-25	Police Unmarked Police Vehicles	5	15,000
2007/2008	Muni-Eq	08-25	Fire Dpt Engine 3 Drainage Proj	6	30,000
2007/2008	Muni-Eq	08-25	Police Tactical Team Training	6	14,340
2007/2008	Muni-Eq	08-25	PW GIS Development	6	30,000
2007/2008	Muni-Eq	08-25	Fire Dpt ADA & Energy Improve.	10	75,000
2007/2008	Muni-Eq	08-25	Library Building Envelope	10	107,000
2007/2008	Muni-Eq	08-25	Library System Efficiency & Safety	10	260,000
2007/2008	Muni-Eq	08-25	Municipal Bldg 2nd Floor Renovations	10	194,620
Total Municipal Equipment					786,810
2007/2008	Muni-Proj	08-25	PW Pavement Management Survey	5	25,000
2007/2008	Muni-Proj	08-25	PW Rt 1/Pine Point Rd Catchbasin work	5	20,000
2007/2008	Muni-Proj	08-25	PW Old County Rd Drainage Study/Imprv	6	36,000
2007/2008	Muni-Proj	08-25	CS Athletic Field Drainage Project	7	35,000
2007/2008	Muni-Proj	08-25	CS Bleachers at High School	10	375,000
2006/2007	Muni-Proj	06-128	PD Building Renovation/Arch & Eng	10	395,000
2007/2008	Muni-Proj	08-25	PW Broadturn Road	10	219,500
2007/2008	Muni-Proj	08-25	PW Building Interior Lighting Upgrade	10	61,800
2007/2008	Muni-Proj	08-25	PW Jasper Street Improvements	10	496,000
2007/2008	Muni-Proj	08-25	PW Sawyer Road Water Main Improve	10	90,000
2007/2008	Muni-Proj	08-25	PW Green Acres Phase II Design	20	2,122,000
2006/2007	Muni-Proj	08-25	PW Higgins Beach Drainage Proj	20	1,465,000
Total Municipal Projects					5,340,300
Total Municipal					6,127,110
2006/2007	School	06-129	District Wide Building Envelope	5	30,000
2007/2008	School	08-26	Blue Point Fence	5	7,500
2007/2008	School	08-26	District Wide Flooring	5	82,440
2007/2008	School	08-26	District Wide Movable Equip/Machinery	5	75,000
2007/2008	School	08-26	Facilities Support Equipment	5	25,160
2007/2008	School	08-26	IS Equipment Replacement	5	231,660
2007/2008	School	08-26	Life Safety Fire Alarm System Renewal	5	75,000
2007/2008	School	08-26	Long Range Planning	5	80,000
2007/2008	School	08-26	MS HVAC/Wall Repair	5	50,000
2007/2008	School	08-26	Pleasant Hill/Blue Point Outside Lighting	5	55,000
2007/2008	School	08-26	Primary Schools HVAC Systems	5	45,000
2007/2008	School	08-26	System Wide Electrical	5	25,000
2007/2008	School	08-26	System Wide Security & Access System	5	35,000
2007/2008	School	08-26	Technology: Equip Replace & New Applic	5	31,850
2007/2008	School	08-26	Wentworth Building Envelope	5	30,000
2006/2007	School	06-129	Blue Point School Parking	10	160,000
2006/2007	School	06-129	District Wide Movable Equip.	10	53,480
2007/2008	School	08-27	Eight Corners School Modular	10	250,000
2007/2008	School	08-27	Middle School Modular	10	399,000
2004/2005	School	05-08	System Wide ADA	10	89,500
2007/2008	School	08-26	System Wide Asbestos Flooring Abatement	10	215,300
2007/2008	School	08-27	Wentworth School Modular	10	340,000
Total School Projects					2,385,890
The Bonds					\$8,513,000

AMORTIZATION OF THE BONDS

Due Nov. 1,	Municipal Equipment					Municipal Project						Total Muni	School		Total School	Total Bonds
	3 yr	5 yr	6 yr	10 yr	Total Eq	5 yr	6 yr	7 yr	10 yr	20 yr	Total Proj		5 yr	10 yr		
2008	7,617	10,600	12,390	63,662	94,269	9,000	6,000	5,000	68,730	83,700	172,430	266,699	175,722	150,579	326,301	593,000
2009	7,617	10,600	12,390	63,662	94,269	9,000	6,000	5,000	173,730	183,700	377,430	471,699	175,722	152,579	328,301	800,000
2010	7,616	10,600	12,390	63,662	94,268	9,000	6,000	5,000	173,730	183,700	377,430	471,698	175,722	152,580	328,302	800,000
2011		10,600	12,390	63,662	86,652	9,000	6,000	5,000	173,730	183,700	377,430	464,082	175,722	150,196	325,918	790,000
2012		10,600	12,390	63,662	86,652	9,000	6,000	5,000	173,730	183,700	377,430	464,082	175,722	150,196	325,918	790,000
2013			12,390	63,662	76,052		6,000	5,000	173,730	183,700	368,430	444,482		150,518	150,518	595,000
2014				63,662	63,662			5,000	173,730	183,700	362,430	426,092		153,908	153,908	580,000
2015				63,662	63,662				173,730	183,700	357,430	421,092		148,908	148,908	570,000
2016				63,662	63,662				173,730	183,700	357,430	421,092		148,908	148,908	570,000
2017				63,662	63,662				178,730	183,700	362,430	426,092		148,908	148,908	575,000
2018										185,000	185,000	185,000				185,000
2019										185,000	185,000	185,000				185,000
2020										185,000	185,000	185,000				185,000
2021										185,000	185,000	185,000				185,000
2022										185,000	185,000	185,000				185,000
2023										185,000	185,000	185,000				185,000
2024										185,000	185,000	185,000				185,000
2025										185,000	185,000	185,000				185,000
2026										185,000	185,000	185,000				185,000
2027										185,000	185,000	185,000				185,000
	22,850	53,000	74,340	636,620	786,810	45,000	36,000	35,000	1,637,300	3,587,000	5,340,300	6,127,110	878,610	1,507,280	2,385,890	8,513,000

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 \$2,385,890 portion of Bonds issued for the School Department are not subject to the property tax limit set forth in Section 5721-A. The Finance Director has certified that a tax base sharing agreement does not now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts. Within the limits established by statute, the Town has the right to designate additional development districts or affordable housing development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. (See “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” section herein). There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

In the opinion of Bond Counsel, the Town is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used

for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property to satisfy debts or judgments is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon.

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

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as "Property Tax Levy Limit". With certain exceptions, a municipality may not adopt a property tax levy that exceeds its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor.

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

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

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

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

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

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

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

TAX MATTERS

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

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

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

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

In connection with the foregoing, prospective purchasers of the Bonds should be aware that the statutory framework on which the exemption from Maine personal income taxes described above is based is similar

to that at issue in *Department of Revenue of Kentucky v. Davis*, 197 S.W.3d 557 (Ky. App. 2006), cert. granted, 550 U.S. ____ (May 21, 2007), in which the Kentucky intermediate court of appeals held that a statute conferring an exemption from state income taxes for interest income earned on certain bonds issued by the State of Kentucky and its subdivisions, but not on bonds issued by other states and their subdivisions violated the Commerce Clause of the United States Constitution. The statutory framework in Maine, providing for disparate state income tax treatment between bonds issued by the State of Maine and its subdivisions and bonds issued by other states and their subdivisions, is similar to that at issue in the Kentucky case. Should the United State Supreme Court affirm the holding of the Kentucky court, subsequent Maine judicial decisions and/or legislation enacted to ensure the constitutionality of Maine tax law could, among other alternatives, adversely affect the Maine tax exemption of outstanding municipal bonds, including the Bonds, to the extent constitutionally permissible, or result in the exemption from Maine income tax of interest on non-Maine municipal bonds, either of which could adversely affect the market price of the Bonds.

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

Original Issue Discount/Premium

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

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” For federal income tax purposes, bond premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser’s adjusted tax basis. Bond purchasers should consult their own tax advisors with respect to the tax consequences of bond premium.

Bond Counsel will not express an opinion regarding the treatment of original issue discount or bond premium for federal income tax purposes.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC").

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

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

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

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

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

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

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

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

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

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

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

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

RATINGS

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

CONTINUING DISCLOSURE

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

Town's Compliance

Except for a late filing for fiscal year ended June 30, 2003, due to its initial compliance with GASB Rule 34, the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule. Furthermore, recognizing the importance of the Rule, the Town's undertaking thereof, and prompt compliance thereon, the Town amended Section 215.1 of its Charter on November 2, 2004, effective December 1, 2004, such that *"The audit shall be completed and delivered to the Town Council not later than December 30th following the end of the municipal year of the subject audit"*.

CUSIP IDENTIFICATION NUMBERS

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

FINANCIAL ADVISOR

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

STATUTORY REFERENCES

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

CONDITIONS PRECEDENT TO DELIVERY

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

No Litigation

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

Approval of Legality

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

Certification of the Bonds

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

Certificate With Respect to Finance Director

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

Certificate With Respect to Official Statement

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

TOWN OF SCARBOROUGH

GENERAL

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

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

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

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

GOVERNMENT

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

MUNICIPAL SERVICES

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

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

Public Safety

The Police Department is staffed by employees which include a Police Chief, two Captains, six Sergeants, three detectives and 21 patrol officers and three full-time civilian personnel. In addition, the Town employs a Marine Resource Officer/Harbor Master, an Animal Control Officer, ten Dispatchers, and 69 part-time personnel. The Police Department maintains 19 vehicles, which are in excellent repair.

The Fire Department operates from one central fire station and five sub-stations lead by a Fire Chief, a Deputy Fire Chief and approximately 122 per diem and call Firefighters. Under the Fire Department, the Town’s Rescue Service consists of a Deputy Rescue Chief of Emergency Medical Service, ten full-time Paramedics and approximately 40 per diem and call personnel. Through its Fire Department, the Town operates three Marine Units, on a seasonal basis. The department is staffed by two full-time office personnel.

Public Works

The Public Works Department is comprised of divisions managed by a Director of Publics Works. The Operations Division is comprised of a manager, a foreman and 17 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling. The Operations Division processes “Excavator Licenses,” “Street Opening Permits,” and “Building Permit Coordination Forms.” The Vehicle Maintenance Division consists of a manager and ten mechanics and parts department crew and is responsible for the maintenance of all Town-owned vehicles including Fire Trucks, Rescue Vehicles, Police Cruisers, School Buses, Public Works equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment. The department is staffed by two full-time office personnel, a part-time GIS coordinator and a part-time Solid Waste coordinator. These last two positions are shared by a neighboring community in order to enjoy the economic benefit of regionalize services.

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

Public Education

The Town operates its educational program for grades K through 12 under its own supervision. Article IV of the Town’s Charter, as amended, provides that the Department of Education for the Town be administered by a Board of Education (the “School Board”) comprised of seven members, who are elected by the voters of the Town at-large for three-year staggered terms. The School Board performs all duties and functions in regard to the care and management of the public schools of the Town. The School Board prepares and submits its budget to the Town Manager, who includes it in the budget process. See also “TOWN FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, an Assistant Superintendent one Business Manager, one Director of Special Education, 10 full-time equivalent Principals or Assistant Principals, 525 teachers and various other professional and non-professional staff.

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	279
Eight Corners School	K-2	250 ⁽¹⁾	250
Pleasant Hill School	K-2	200 ⁽¹⁾	185
Benjamin Wentworth Intermediate	3-5	750 ⁽¹⁾	772
Scarborough Middle	6-8	800 ⁽¹⁾	828
Scarborough High	9-12	1,200	1,024

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

School Enrollments

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

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

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

School Administrative Reorganization

On June 6, 2007 the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation “School Administrative Reorganization” (“SAR”) as Public Law 2007, Chapter. 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or “SAU”) are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

The law requires existing SAUs to file a “Notice of Intent” with the Commissioner by August 31, 2007. The Notice of Intent must elect either to engage in planning and negotiating with other school administrative units for the purpose of developing a reorganization plan to form a regional school unit, or the intent to submit an alternative plan to achieve efficiencies. The Notice of Intent is subject to approval by the Commissioner of Education (the “Commissioner”), including approval of the election to file an alternative plan. SAUs then are required to submit a reorganization plan, or, if a SAU is exempted by the Commissioner, an “alternative plan,” by December 15, 2007. Reorganization Planning Committees, that include representation from the participating school administrative units, the member municipalities and members of the general public, develop the regionalization plans. Reorganization plans approved by the Department of Education are submitted to the voters in the proposed RSU. If the reorganization plan is approved by the voters, elections will then be held for seats on the RSU school board.

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.

All SAU regionalization and alternative plans must address how the SAU will reorganize administrative functions, duties and non-instructional personnel so that the projected expenditures of the reorganized SAU in fiscal year 2008/2009 for system administration, transportation, special education and facilities and maintenance will not have an effect on the instructional program.

All reorganization plans are subject to voter approval. A SAU whose plan is approved by the Commissioner in December, 2007 must hold a referendum on the plan on or before January 15, 2008. A SAU whose plan is received or revised after December 15, 2007 and approved by the Commissioner in December, 2007 but has exercised due diligence and acted in good faith in developing a reorganization plan, must hold a referendum of the plan on June 10, 2008. The Department of Education (“DOE”) will fund the cost of a referendum held on or before January 15, 2008.

It is anticipated that General Purpose Aid for Education (“GPA”) will be reduced by \$36.5 million in the fiscal year starting July 1, 2008. The per-pupil rate for system administration will be reduced to 50% of the 2005/06 rates, adjusted for inflation, and the per-pupil rate for facilities and maintenance will be reduced by 5%. The Essential Programs and Services (“EPS”) allocations for special education and transportation will each be reduced by 5%.

The law changes the formula for determining the level of state subsidy received by each SAU, as well as the statutory formula for municipal members of a single SAU to distribute the SAU's share of the state/local allocation. Subject to certain exceptions, the law also overrides local cost sharing formulas for municipal members of a single SAU to distribute education costs that do not qualify for inclusion in the state's funding model, requiring that such costs be distributed in the same manner as the SAU's share of the state/local allocation.

SAUs, not otherwise exempt, that fail to approve a reorganization plan by November 4, 2008 and to implement that plan by July 1, 2009 will face financial penalties, starting on July 1, 2009. Penalties for SAUs that do not form appropriate regional units by the beginning of FY 2010 include:

- A 50% reduction in minimum subsidy (the special education minimum);
- A 50% reduction in system administration costs includable for purposes of the funding model;
- Less favorable consideration in approval and funding for school construction;
- Loss of eligibility for transition adjustments; and
- The percentage of state subsidy will not increase to the highest level as called for in the four-year "ramp up" of state funding for education (i.e., GPA will be consistent with a statewide average contribution of 53.86% instead of the 55% overall state share).

RSUs will be governed by a regional school board. Representation on the board is determined by the local communities as part of the reorganization planning process. Regional boards may create local school committees and specify their powers and duties. All school units will provide budget transparency by using a uniform budget format that clearly shows the budget and how it compares to EPS allocations for the RSU. A budget goes to the voters first at a RSU budget meeting at which any voter may attend and propose changes to the budget. The budget, as approved at the budget meeting, is then presented for approval at a budget validation referendum (i.e., the budget is presented for a single, up-or-down referendum vote in the municipalities making up the RSU). In municipal school units only, the municipal council or other governing body holds a public hearing or other public meeting that serves in place of the RSU budget meeting, and the approved budget then proceeds to a validation referendum of the voters.

Because the Scarborough School Department currently serves in excess of 2,500 students, the Commissioner may permit the submittal of an alternative plan, instead of a regionalization plan. Should the Scarborough School Committee submit a reorganization plan and should the Town become part of a regional school unit, the local contribution for school expenditures may be affected. In such case, the school budget would no longer be part of the Town budget approved by the Town Council, but would instead be subject to approval by the voters of the region through the regional budget meeting and budget validation process.

The DOE is required to review and critique all unfunded state mandates pertaining to school systems and report to the Legislature's Education Committee by December 15, 2008. The DOE is further required to report to the Legislature's Education Committee on implementation of this law and make recommendations on any proposed legislation needed, by January 31, 2008 (initial report) and January 31, 2009 (final report).

The RSU assumes the outstanding indebtedness of a SAU in existence prior to the operational date of the new RSU for school construction projects approved for subsidy under Chapter 609 and pursuant to Section 1506 of the Maine Revised Statutes, as amended. A RSU board of directors is not required to assume the outstanding indebtedness of a SAU in existence prior to the operational date of the new RSU in its RSU for non-state-funded projects. Existing debt held by an original education unit remains the obligation of that original education unit after reorganization and an original education unit may not be

finally dissolved while any existing debt held by the original education unit remains outstanding. However, a new unit may agree to pay the existing debt of an original education unit that is included within the new unit, but, in the event that the new unit fails to pay any amount of the existing debt, the original education unit remains responsible for the deficiency.

In the case of existing debt of an SAU that is not assumed by the RSU, the RSU school board shall serve as agent of the original SAU for purposes of that existing debt, with authority to allocate to and collect from each member of that SAU its share of annual debt service, and to pay that debt service when due. Detailed information, including the full text of the law, is available at www.maine.gov/education/supportingschools/index.

Labor Relations

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

Labor Contracts

Union ⁽¹⁾	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	28	July 1, 2005	June 30, 2008
SPSDA	Dispatchers	7	July 1, 2005	June 30, 2008
SPA	Paramedics	10	July 1, 2006	June 30, 2009
SEA	Teachers	295	Sept 1, 2006	Aug 31, 2009
SEAA	School Administrators	11	July 1, 2006	June 30, 2009
SESA	School Staff and Teacher's Aids	129	July 1, 2007	June 30, 2009
SEA	School Custodians	26	July 1, 2007	June 30, 2010
SEA	Bus Drivers	24	July 1, 2006	June 30, 2009
SEA	Maintenance Workers	6	July 1, 2007	June 30, 2010
SEA	Food Service Workers	25	Sept 8, 2007	Aug 31, 2009

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

THE SCARBOROUGH PUBLIC LIBRARY

Inspired by a group of women of the First Parish Church on the Black Point Road in Scarborough who collected and shared books, on August 2, 1899 a first meeting was held of people desiring to become incorporated as proprietors of a social library. Appearing before a Justice of the Peace, the Scarborough Public Library Corporation was organized and recorded. By-laws were drawn up, officers elected and, on December 6, 1899, it was voted to build a library building for use by the corporation. Architect Fred A. Thompson, donating his time, drew up plans for a one room building. On August 28, 1900, the first meeting of trustees was held in the new library building. Annie Louise Cary, world famous Metropolitan

Opera singer and summer patroness of the Atlantic House, established the Atlantic House Fund for the benefit of the library. Following her death, in 1921, a trust fund was left for the library. On April 29, 1919, in memory of his son who was killed in World War One, Chas E. Libby donated \$1,000 to be expended for books for the library. Another guest of the Atlantic House, Margaret Jewell, gave generously to the building fund, and upon her death, in 1970, she left an endowment fund to the library.

Since 1934, the Town has included the library in its budget, appropriating funds at its pleasure. In 1937, the Town purchased land on the south side of the corporation's building and, with a gift of two additional parcels of land on the north and west sides of the building, an addition to the one-room library was planned. The north wing, known as the Fiction Room, was completed in 1938. Another building fund, starting in 1947, led to a south wing completion in October 1951, to become the Reference Room. In 1976, the library underwent extensive renovation including an addition to the rear of the building for an expansion of the children's section, added office space and moving the circulation desk to a central location. Additionally, a public meeting room was built and storage space provided. Finally, a new one-floor 12,000 square foot library building, located in the central Oak Hill area, opened in 1990 after a successful community-wide fundraising drive.

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

COMMUTER TRENDS AND EMPLOYMENT

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

Representative Employer	Type of Business	Approximate Number of Employees
Hannaford Brothers	Supermarket Chain & Corporate Office	1,169
Postal Service Distribution Ctr	Distribution	800
Nordx	Medical Laboratory	256
Johnson & Jordan	Mechanical Contractors	250
Wal-Mart	Retail Department Store	225
Sam's Wholesale Club	Wholesale Department Store	173
Stantec	Engineering Services	153
Piper Shores	Nursing Home	150
Scarborough Downs	Race Track & Restaurant	150

SOURCE: Scarborough Economic Development Corporation.

RETAIL TRADE

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

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2007	64,545	38,007	21,611	121,293	20,822	28,179	43,042	337,499	272,954
2006	74,422	31,443	19,950	126,307	19,906	27,646	42,007	341,682	267,260
2005	68,093	27,163	18,554	126,788	15,767	29,272	40,308	325,945	257,852
2004	62,321	23,339	17,834	132,892	14,957	28,494	39,129	318,966	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	122,004	13,081	24,926	37,299	279,778	231,494
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	272,767	205,820

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

BUILDING PERMITS

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

SOURCE: Town of Scarborough, Maine, Code Enforcement Office

ECONOMIC CHARACTERISTICS

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

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

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

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

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

Unemployment	Town of Scarborough	Cumberland County	State of Maine	USA
2007	2.9%	3.5%	4.6%	4.7%
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1
2004	2.9	3.3	4.6	5.5
2003	2.2	3.0	5.1	6.0
2002	2.0	2.8	4.4	5.8
2001	1.8	2.3	4.0	4.8
2000	1.4	2.0	3.5	4.0
1999	1.8	2.3	4.1	4.2
1998	1.9	2.4	4.4	4.5

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

TOWN FINANCES

BUDGETARY PROCESS

Article V of the Town's Charter provides for a budget process. The fiscal year (or "budget year") of the Town begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter provides that the Town Manager submit a budget to the Council at least 60 days prior to the beginning of each budget year. The budget is compiled from detailed information furnished by the School Committee, administrative officers and boards designated by the Town Manager. The proposed budget is reviewed by the Council, with the prerogative of amendment (except the Council has only total, not line item, appropriation authority for the Department of Education). The Council orders a public hearing with prior public notification. The Charter directs the Council to adopt their budget prior to the first day of the next budget year. If the Council fails to adopt the budget no later than 60 days of its submission to the Council, the budget as presented by the Town Manager and the Board of Education automatically becomes the budget for the fiscal year. If the Appropriation Resolve establishes a property tax levy that exceeds the Property Tax Levy Limit, then the excess of the appropriation must be approved in a separate article by a majority of the entire Town Council (i.e., a "super majority"). The Property Tax Levy Limit of one year may not exceed the Property Tax Levy Limit from the prior year by more than a specified Growth Limitation Factor (see "THE BONDS – SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax" herein). Upon adoption of the budget, a property tax levy is then established and filed with the Town Assessor. The following table sets forth the trends in the General Fund's budgets for the Town for the last four fiscal years and for the current fiscal year.

Budgets for Fiscal Year Ending June 30,

	2004	2005	2006	2007	2008
EXPENDITURES					
General government	\$3,451,097	\$3,728,756	\$3,759,665	\$4,093,567	\$4,250,361
Public services	2,425,129	2,593,119	2,685,032	2,869,959	2,924,357
Public safety	5,779,263	5,904,193	6,361,045	6,755,786	6,995,577
Public works	5,256,770	5,516,714	5,683,601	6,135,470	6,305,800
Education	27,358,715	28,741,171	30,745,456	32,033,553	33,489,615
County Tax	1,441,610	1,519,714	1,584,344	1,614,651	1,735,302
Debt service	3,775,731	4,309,239	4,098,398	4,409,714	4,717,767
CIP	329,946	1,741,927	596,200	1,368,569	1,878,746
TOTAL EXPENDITURES	49,818,261	54,054,833	55,513,741	59,281,269	62,297,525
REVENUES					
Taxes	36,815,070	39,968,877	41,182,213	42,800,875	44,611,816
Licenses and permits	397,595	495,949	536,235	713,008	798,708
Intergovernmental	7,600,966	7,149,779	8,562,141	9,368,710	9,347,742
Interest earned	120,000	120,000	130,000	182,000	227,000
Other	3,221,163	2,996,528	3,035,745	3,957,635	4,529,925
TOTAL REVENUES	48,154,794	50,731,133	53,446,334	57,022,228	59,515,191
OTHER SOURCES					
Operating transfers	892,492	1,687,259	1,580,562	1,149,718	1,424,829
Prior year fund balance	730,000	478,840	475,000	475,000	540,000
Overlay	(121,025)	(74,899)	(369,155)	(101,427)	(99,688)
Bond and note proceeds	162,000	1,232,500	381,000	735,750	917,193
TOTAL OTHER	1,663,467	3,323,700	2,067,407	2,259,041	2,782,334
TOTAL BUDGET	\$49,818,261	\$54,054,833	\$55,513,741	\$59,281,269	\$62,297,525

CAPITAL IMPROVEMENT PLAN

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

Current Capital Improvement Plan Fiscal Year Ending June 30,

	2008	2009	2010	2011	2012	Total
Community Services						
Capital Projects	\$410,000	\$275,000	\$350,000	\$0	\$0	\$1,035,000
Equipment	0	25,000	30,000	0	0	55,000
Municipal Building						
Capital Projects	0	0	0	0	0	0
Equipment	325,000	0	0	0	0	325,000
MIS						
Capital Projects	0	0	0	0	0	0
Equipment	15,350	0	0	0	0	15,350
Public Safety						
Capital Projects	4,336,500	0	30,000	0	0	4,366,500
Equipment	69,306	70,720	53,000	53,000	67,066	313,092
Fire Department						
Capital Projects	0	525,000	0	0	0	525,000
Equipment	565,000	260,000	333,000	194,000	187,500	1,539,500
Public Works						
Capital Projects	3,070,300	2,530,788	2,833,500	2,941,000	2,463,000	13,838,588
Equipment	438,000	349,000	475,000	410,000	347,000	2,019,000
Library						
Capital Projects	0	0	0	0	0	0
Equipment	466,090	235,500	232,500	161,500	25,900	1,121,490
Total Town						
Capital Projects	7,406,800	3,080,788	2,893,500	2,941,000	2,463,000	18,785,088
Equipment	1,878,746	940,220	1,123,500	818,500	627,466	5,388,432
Total Town	9,285,546	3,996,008	3,987,000	3,759,500	3,090,466	25,153,520
School						
Technology	263,510	297,000	287,000	296,000	292,000	1,435,510
Facilities	500,000	726,500	615,325	729,841	645,083	3,216,749
Planning	160,000	0	0	0	0	160,000
Wentworth	280,000	1,635,000	2,590,000	5,500,000	100,000	10,105,000
Total School	1,203,510	2,658,500	3,492,325	6,525,841	1,037,083	14,917,259
Total CIP	\$10,489,056	\$6,654,508	\$7,479,325	\$10,285,341	\$4,127,549	\$40,070,779

PROPERTY TAX LEVY LIMIT

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

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

INVESTMENT POLICY

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

FUND BALANCE POLICY

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

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

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

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Unreserved General Fund Balance	\$6,211,542	\$5,918,858	\$7,062,882	\$7,455,082	\$8,018,685
Total Revenues (Current Year)	48,313,362	50,509,302	54,158,598	56,600,224	59,619,730
Fund Bal as % Revenues	12.9%	11.7%	13.0%	13.17%	13.45%
Undesignated General Fund Balance	\$4,669,251	\$4,693,564	\$4,366,474	\$5,519,830	\$6,021,738
Total Revenues (Current Year)	48,313,362	50,509,302	54,158,598	56,600,224	59,619,730
Fund Bal as % Revenues	9.7%	9.3%	8.1%	9.75%	10.10%

FINANCIAL STATEMENTS

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

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

The Town's fiscal year 2007 Annual Financial Report, audited by Runyon Kersteen Ouellette, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of Runyon Kersteen Ouellette for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

The Government Finance Officers Association (the "GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Town for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2006. This is the second 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,)**

	2007	2006	2005	2004	2003
ASSETS					
Cash and cash equivalents	\$7,916,097	\$6,551,527	\$9,421,858	\$6,885,074	\$9,194,945
Investments	3,019,928	3,307,048	533,400	2,692,139	907,364
Receivables:					
Taxes receivable	103,975	59,797	60,561	75,740	71,205
Tax liens	363,401	407,661	421,274	364,515	359,964
Accounts receivable	606,045	403,966	472,345	535,740	414,811
Due from State	0	0		52,814	26,087
Interfund receivable	483,340	1,041,875	265,420	1,438,719	1,172,604
Tax acquired property	7,231	7,231	7,231	7,231	7,231
TOTAL ASSETS	12,500,017	11,779,105	11,182,089	12,051,972	12,154,211
LIABILITIES					
Accounts payable	806,517	695,103	586,549	809,838	666,405
Accrued wages	2,599,530	2,457,799	2,419,588	2,274,593	2,187,754
Accrued absences	0	0		375,384	341,810
Interfund payable	0	0		1,526,628	1,575,276
Taxes collected in advance	31,279	17,928	15,944	36,187	19,582
Deferred tax revenue	370,000	382,000	400,000	400,000	400,000
Performance bond	0	0		0	0
TOTAL LIABILITIES	3,807,326	3,552,830	3,422,081	5,422,630	5,190,827
EQUITY					
Fund balances:					
Reserved	674,006	771,193	697,126	710,484	751,842
Unreserved:					
Undesignated	6,021,738	5,519,830	4,366,474	4,693,564	4,669,251
Designated	1,996,947	1,935,252	2,696,408	1,225,294	1,542,291
TOTAL EQUITY	8,692,691	8,226,275	7,760,008	6,629,342	6,963,384
TOTAL LIABILITIES AND EQUITY	\$12,500,017	\$11,779,105	\$11,182,089	\$12,051,972	\$12,154,211

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,)

	2007	2006	2005	2004	2003
REVENUES					
Taxes	\$42,712,153	\$41,345,663	\$40,003,836	\$37,104,562	\$34,581,649
Licenses and permits	753,026	611,420	566,483	480,440	428,593
Intergovernmental	11,794,756	10,828,778	10,242,806	9,756,365	10,142,615
Interest earned	404,622	260,661	159,450	105,034	123,995
Other	3,955,173	3,553,702	3,186,023	3,062,901	3,036,510
TOTAL REVENUES	59,619,730	56,600,224	54,158,598	50,509,302	48,313,362
EXPENDITURES					
General government	4,400,675	4,340,348	3,727,031	3,568,303	3,425,194
Public services	3,070,038	2,849,393	2,642,914	2,572,389	2,653,341
Public safety	6,641,973	6,179,751	5,921,309	5,933,594	5,275,042
Public works	5,846,056	5,702,033	5,370,322	4,877,211	4,767,202
Education	33,652,081	32,791,793	30,919,216	28,862,018	26,879,576
County tax	1,614,651	1,584,344	1,519,714	1,441,610	1,306,425
Other	0	0	40,638	0	148,018
Debt service	4,396,007	4,065,377	4,304,201	5,046,242	3,192,012
Capital improvements	2,618,995	1,114,864	1,119,917	653,352	1,209,004
TOTAL EXPENDITURES	62,240,476	58,627,903	55,565,262	52,954,719	48,855,814
EXCESS OF REVENUES OVER EXPENDITURES	(2,620,746)	(2,027,679)	(1,406,664)	(2,445,417)	(542,452)
OTHER FINANCING SOURCES:					
Operating transfers in	1,855,084	2,166,015	2,086,828	1,304,889	640,584
Operating transfers out	(602,222)	(608,069)	(795,906)	(755,514)	(897,846)
Proceeds from Capital Lease	1,199,550	0	0	0	0
Bond or note proceeds	634,750	936,000	870,175	1,562,000	1,210,085
TOTAL OTHER FINANCING:	3,087,162	2,493,946	2,161,097	2,111,375	952,823
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	466,416	466,267	754,433	(334,042)	410,371
FUND BALANCE, BEGINNING OF YEAR	8,226,275	7,760,008	7,005,575	6,963,384	6,553,013
FUND BALANCE, END OF YEAR	\$8,692,691	\$8,226,275	\$7,760,008	\$6,629,342	\$6,963,384

Prepared from Audited Financial Statements

PROPERTY TAXATION

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 8/31/07
2008	\$3,531,150	\$3,397,230	\$11.80	\$40,087	---- In Process ----		
2007	3,255,800	3,317,498	11.48	38,085	\$37,757	99.92%	99.96%
2006	2,873,200	3,256,842	11.30	36,802	36,442	99.92	99.94
2005	2,538,800	2,057,589	17.34	35,678	36,367	99.13	99.97
2004	2,158,300	2,002,987	16.46	32,969	32,747	99.33	99.99
2003	1,864,800	1,930,576	15.70	30,311	30,104	99.20	99.99
2002	1,571,700	1,858,345	15.30	28,433	28,121	98.84	99.99
2001	1,374,950	1,313,684	19.60	25,748	25,339	98.35	99.99
2000	1,253,450	1,259,330	19.20	24,179	23,716	98.06	99.99
1999	1,155,300	1,206,144	18.40	22,193	21,746	97.68	99.99
1998	1,109,500	1,186,155	18.40	21,825	21,382	97.68	99.99

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2007/2008 the tax due dates are October 15, 2007 and March 17, 2008. All taxes paid after the due date will be subject to interest, at the rate of 12.0% per annum.

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

CHANGES IN PROPERTY TAX LEGISLATION

On April 29, 2006 the Maine Legislature enacted LD 2056 which prospectively exempts from taxation most types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to:

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

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

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

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

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

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

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

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

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

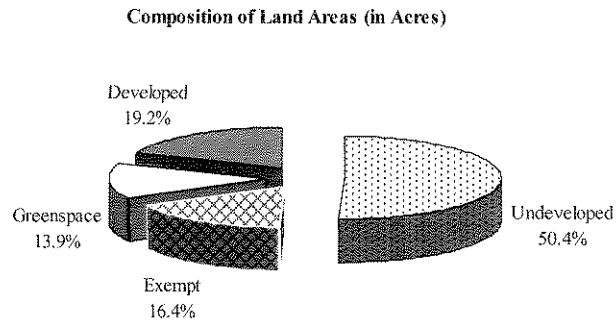
LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2007				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Senior Housing	\$59,119,500	\$2,028,200	\$61,147,700	\$721,542	1.80%
Hannaford Brothers	Supermarket, Corp Offices	16,252,400	17,895,000	34,147,400	402,939	1.00
Walmart/Sam's Club	Wholesale/Retail	27,581,800	1,873,800	29,455,600	347,577	0.86
Shaw's	Supermarket	8,911,600	9,681,600	18,593,200	219,400	0.55
RPI Partners, LLC	Hotel	16,489,300	450,000	16,939,300	199,884	0.50
Gavin Ruotolo	Commercial Leases	16,083,200	12,800	16,096,000	189,932	0.47
MMC Realty	Medical	12,697,400	3,376,600	16,074,000	189,673	0.47
Scarborough Gallery	Development	15,025,600	0	15,025,600	177,302	0.44
ERP Operating LP	Residential Apartments	11,747,700	175,000	11,922,700	140,688	0.35
Davric Maine Corp	Harness Racing/OTB	9,697,500	350,000	10,047,500	118,561	0.31
Top Ten Taxpayers as % of Total		193,606,000	35,843,000	229,449,000	2,707,498	6.75%

CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 28,133 acres. The below table and chart displays the composition of land area available for tax base, and the potential for future tax base by the conversion of land from undeveloped to developed.

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



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

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

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

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

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

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of a community wind power generator or generators certified pursuant to Title 36, section 5219-AA, subsection 3.

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

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

STATE AID

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

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

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

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

Fiscal Yr. End June 30,	State Revenue Sharing	School Aid	Homestead Exemption	General Assistance	Other State Aid	Total From State
2007	\$1,395,552	\$6,423,999	\$317,821	\$5,730	\$870,906	\$9,014,008
2006	1,432,953	5,715,173	305,211	1,184	835,185	8,289,706
2005	1,449,141	4,532,459	300,361	1,169	855,312	7,138,442
2004	1,358,586	4,669,174	341,272	2,657	735,610	7,107,299
2003	1,347,996	5,352,036	453,515	3,563	570,518	7,727,628

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, 2008 the Town’s equalized state valuation (“equalized State Valuation”) was reported to be \$3,531,150,000. The 15% debt limit is \$529,672,500. On June 30, 2007 the Town’s long-term debt was \$66,845,000 or 1.89% of the equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

DEBT SUMMARY

The Town’s general obligation bonds payable at June 30, 2007 (audited) and projected for June 30, 2008 (unaudited) are comprised of the following individual issues:

Series	Date of Issue	Issue Amount	Date of Final Mat	As of 06/30/07	Payments 2007/2008	Projected 06/30/08
1987	10/25/87	3,300,000	10/25/07	\$125,000	(\$125,000)	\$0
1988	04/25/88	6,615,000	10/25/08	550,000	(275,000)	275,000
1989	12/15/89	2,300,000	12/15/08	210,000	(110,000)	100,000
1990	11/01/90	7,415,000	11/01/10	1,300,000	(325,000)	975,000
1993	05/01/93	1,135,000	11/01/12	150,000	(25,000)	125,000
1994	10/15/94	6,775,000	10/15/14	1,840,000	(230,000)	1,610,000
1995	12/15/95	6,160,000	11/01/15	2,385,000	(265,000)	2,120,000
1997	04/15/97	4,230,000	11/01/16	1,100,000	(110,000)	990,000
1998	02/15/98	1,475,000	11/01/07	85,000	(85,000)	0
1999	06/15/99	6,493,000	11/01/18	1,490,000	(395,000)	1,095,000
2000	06/15/00	4,770,000	12/15/19	1,770,000	(210,000)	1,560,000
2001	06/15/01	4,932,000	11/01/20	1,875,000	(180,000)	1,695,000
2003	06/01/03	24,579,000	06/01/34	21,420,000	(995,000)	20,425,000
2004	03/15/04	14,628,000	11/01/33	12,000,000	(975,000)	11,025,000
2005	03/15/05	10,665,000	11/01/34	10,010,000	(510,000)	9,500,000
2006	05/15/06	7,014,000	11/01/20	6,535,000	(665,000)	5,870,000
2007	05/15/07	4,000,000	11/01/21	4,000,000	(550,000)	3,450,000
				66,845,000	(6,030,000)	60,815,000
2008	06/01/08	8,513,000	11/01/27	0		8,513,000
				\$66,845,000		\$69,328,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2003	2004	2005	2006	2007	2008
Total Current Year Debt Service:	\$6,549,468	\$7,443,062	\$8,513,265	\$8,753,803	\$8,819,923	\$8,768,869
Budgeted Operating Expense:	46,643,681	49,818,261	54,054,833	55,513,741	59,281,269	62,297,525
Debt Service as % Oper. Expense:	14.04%	14.94%	15.75%	15.77%	14.88%	14.08%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2008	18,812	\$3,531,150	\$3,397,230	\$69,328,000	1.96%	\$3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76
2004	16,970	2,158,300	2,023,583	62,952,163	2.92	3,709.61
2003	16,970	1,864,800	1,959,463	54,759,228	2.94	3,226.83
2002	16,970	1,571,700	1,858,345	35,095,667	2.23	2,068.10
2001	16,970	1,374,950	1,313,684	35,787,515	2.60	2,108.87
2000	16,970	1,253,450	1,259,330	35,059,806	2.80	2,065.99
1999	12,518	1,155,300	1,206,144	34,071,571	2.95	2,721.81
1998	12,518	1,109,500	1,186,155	31,531,840	2.84	2,518.92

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total Debt
	Principal	Interest	Total Debt	(Pro Forma)		Total Debt	
				Principal	Interest		
2008	\$6,030,000	\$2,738,869	\$8,768,869	\$0	\$0	\$0	\$8,768,869
2009	5,510,000	2,504,320	8,014,320	593,000	246,241	839,241	8,853,561
2010	4,640,000	2,294,039	6,934,039	800,000	248,540	1,048,540	7,982,579
2011	4,520,000	2,104,929	6,624,929	800,000	224,540	1,024,540	7,649,469
2012	3,875,000	1,931,361	5,806,361	790,000	200,690	990,690	6,797,051
2013	3,675,000	1,774,109	5,449,109	790,000	176,496	966,496	6,415,605
2014	3,100,000	1,630,123	4,730,123	595,000	154,484	749,484	5,479,606
2015	2,875,000	1,499,309	4,374,309	580,000	135,390	715,390	5,089,699
2016	2,660,000	1,377,870	4,037,870	570,000	116,703	686,703	4,724,573
2017	2,170,000	1,273,544	3,443,544	570,000	98,178	668,178	4,111,721
2018	2,005,000	1,183,719	3,188,719	575,000	79,284	654,284	3,843,003
2019	2,160,000	1,094,215	3,254,215	185,000	66,415	251,415	3,505,630
2020	2,270,000	998,849	3,268,849	185,000	59,848	244,848	3,513,696
2021	2,345,000	900,436	3,245,436	185,000	53,188	238,188	3,483,624
2022	2,205,000	803,923	3,008,923	185,000	46,481	231,481	3,240,404
2023	2,395,000	705,004	3,100,004	185,000	39,683	224,683	3,324,687
2024	1,050,000	630,241	1,680,241	185,000	32,791	217,791	1,898,033
2025	1,100,000	583,200	1,683,200	185,000	25,761	210,761	1,893,961
2026	1,150,000	533,344	1,683,344	185,000	18,500	203,500	1,886,844
2027	1,200,000	481,184	1,681,184	185,000	11,100	196,100	1,877,284
2028	1,260,000	426,439	1,686,439	185,000	3,700	188,700	1,875,139
2029	1,315,000	368,758	1,683,758				1,683,758
2030	1,375,000	308,265	1,683,265				1,683,265
2031	1,440,000	244,153	1,684,153				1,684,153
2032	1,505,000	176,278	1,681,278				1,681,278
2033	1,575,000	105,298	1,680,298				1,680,298
2034	960,000	46,500	1,006,500				1,006,500
2035	480,000	12,000	492,000				492,000
TOTAL	\$66,845,000	\$28,730,275	\$95,575,275	\$8,513,000	\$2,038,011	\$10,551,011	\$106,126,286

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

Yr. End June 30,	1987	1988	1989	1990	1993	1994	1995B	1997	1998	1999	2000	2001	2003	2004	2005	2006	2007	2008	Total Debt
2008	125	275	110	325	25	230	265	110	85	395	210	180	995	975	510	665	550	0	6,030
2009		275	100	325	25	230	265	110		395	205	180	655	985	520	690	550	593	6,103
2010				325	25	230	265	110		70	205	180	685	665	525	805	550	800	5,440
2011				325	25	230	265	110		70	115	180	750	680	385	835	550	800	5,320
2012					25	230	265	110		70	115	120	840	680	390	480	550	790	4,665
2013					25	230	265	110		70	115	115	925	690	395	510	225	790	4,465
2014						230	265	110		70	115	115	595	555	305	515	225	595	3,695
2015						230	265	110		70	115	115	685	215	315	530	225	580	3,455
2016						230	265	110		70	115	115	780	225	250	505	225	570	3,230
2017							265	110		70	115	115	885	235	230	185	225	570	2,740
2018								110		70	115	115	1,005	245	240	190	25	575	2,580
2019										70	115	115	1,135	255	250	195	25	185	2,345
2020										70	115	115	1,280	265	260	210	25	185	2,455
2021											115	115	1,435	280	270	220	25	185	2,530
2022													1,610	290	280		25	185	2,390
2023													1,800	305	290			185	2,580
2024													430	320	300			185	1,235
2025													450	335	315			185	1,285
2026													475	350	325			185	1,335
2027													495	365	340			185	1,385
2028													520	385	355			185	1,445
2029													545	400	370				1,315
2030													570	420	385				1,375
2031													595	440	405				1,440
2032													625	460	420				1,505
2033													655	480	440				1,575
2034														500	460				960
2035															480				480
Totals	125	550	210	1,300	150	1,840	2,385	1,100	85	1,490	1,770	1,875	21,420	12,000	10,010	6,535	4,000	8,513	75,358
pd 2008	(125)	(275)	(110)	(325)	(25)	(230)	(265)	(110)	(85)	(395)	(210)	(180)	(995)	(975)	(510)	(665)	(550)	0	(6,030)
07/01/08	0	275	100	975	125	1,610	2,120	990	0	1,095	1,560	1,695	20,425	11,025	9,500	5,870	3,450	8,513	69,328

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, 2008 the Town's equalized State Valuation of \$3,531,150,000 was 8.50% of the County's equalized State Valuation of \$41,557,850,000. The Town's share is 8.50%, or \$690,802, of the County's \$8,130,000 long-term debt projected to be outstanding as of December 31, 2007.

CONTINGENT DEBT

Portland Water District

The Water Division of the PWD also provides water to the inhabitants of 11 cities and towns and one water district within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the PWD Municipalities. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (previously codified at Title 30, Section 3211 of the Maine Revised Statutes, as amended) (the "Act"), and pursuant to an agreement with ten of the 12 PWD Municipalities, (the "Section 6103 Members"; the exceptions being the Town of Standish and the Yarmouth Water District), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the "Water System Debt"). In the event of a default by PWD in the payment of the principal of, or interest on, its Water System Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each Section 6103 Member municipality within the PWD, including the Town. Such assessment would be allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at December 31, 2007 the Town was contingently responsible for approximately 13.45%, or \$2,671,219, of the PWD's \$19,862,858 Water System Debt.

ecomaine

ecomaine (formerly Regional Waste Systems, Inc., a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town, has issued debt to fund a resource recovery system ("RRS") (the "RRS Debt"). The RRS Debt is a special revenue obligation of ecomaine, payable from and secured by a pledge of ecomaine revenues. The debt does not constitute a debt or liability within the meaning of any constitutional or statutory provision, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal required debt service on the RRS Debt. The obligations of the Member Municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2007, outstanding RRS Debt of ecomaine totaled \$35,772,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 8.43% or \$3,016,502.

The Town has also entered into an agreement with ecomaine, as one of 20 RWS original Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility. It is anticipated that

the Town's share of debt incurred for this project will also be paid through user charges and service fees over the life of the project. At June 30, 2007 the Town's share is 6.30% or \$278,334 of ecomaine's outstanding MRF debt of \$4,418,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$20,454,988 at June 30, 2006. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.29% or \$1,696,675.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$66,845,000			\$66,845,000
County of Cumberland ⁽¹⁾		\$690,802		690,802
Portland Water District ⁽¹⁾			\$2,671,219	2,671,219
ecomaine (RRS)			3,016,502	3,016,502
ecomaine (MRF)			278,334	278,334
ecomaine (Landfill)			1,696,675	1,696,675
Total A/O June 30, 2007	<u>\$66,845,000</u>	<u>\$690,802</u>	<u>\$7,662,730</u>	<u>\$75,198,532</u>

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

FUTURE FINANCING

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

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

Parks and Conservation Lands

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

Following the above purchases, the Town has \$2,702,600 remaining of authorized but unissued debt for this purpose.

Additional CIP

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

Authorized Projects but Unissued Debt

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>2008 Bonds</u>	<u>Authorized Unissued</u>
2004/2005	05-08	System Wide ADA	\$183,000	\$64,000	\$89,500	\$29,500
2005/2006	06-18	Fire Dept Training Building	150,000	0	-	150,000
2007/2008	08-25	Municipal Bldg 2nd Floor Renov	325,000	0	194,620	130,380
2007/2008	08-26	Facilities Support Equipment	30,000	0	25,160	4,840
2007/2008	08-26	Syst Wide Asbestos Flooring Abat	225,000	0	215,300	9,700
2007/2008	08-26	District Wide Flooring	95,000	0	82,440	12,560
2007/2008	08-26	Pleasant Hill/Blue Point Out Ltg	70,000	0	55,000	15,000
2007/2008	08-26	Blue Point Fence	25,000	0	7,500	17,500
2007/2008	08-26	Long Range Planning	160,000	0	80,000	80,000
2000/2001	00-140	Purchase Parks & Land Cons	1,500,000	1,297,400	-	202,600
2003/2004	03-116	Purchase Parks & Land Cons	2,500,000	0	-	2,500,000
2006/2007	06-128	IT Townwide Data/Phone	125,000	23,190	-	101,810
Totals			<u>\$5,388,000</u>		<u>\$749,520</u>	<u>\$3,253,890</u>

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

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

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

Funding Policy

Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the CRP, non-teaching school personnel or other qualified educators not participating in the MSRS's teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooled unfunded liability ("IUUAL") on a scheduled basis, in addition to making the normal contribution to the plan. The

Town's IUUAL with MSRS was fully paid in 2007. The current rate is 2.8% of annual covered payroll for School employees participating in the District Plan and 2.8% for Town employees and 4.0% for Police. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the MSRS-CRP for the year ended June 30, 2007 were \$85,274 including an annual IUUAL payment of \$9,584.

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

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

Funding Policy

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,425,158 (19.14%) for the fiscal year 2007. 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 \$247,279, which was 6% of its current year covered payroll. The covered payroll amounted to \$4,121,317 while the Town's total payroll was \$9,302,052. Employee's required contributions amounted to \$247,279, which was 6% of the Town's current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Money Purchase Plan held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

D. DEFERRED COMPENSATION PLAN

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

ENVIRONMENTAL MATTERS

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

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

LITIGATION

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

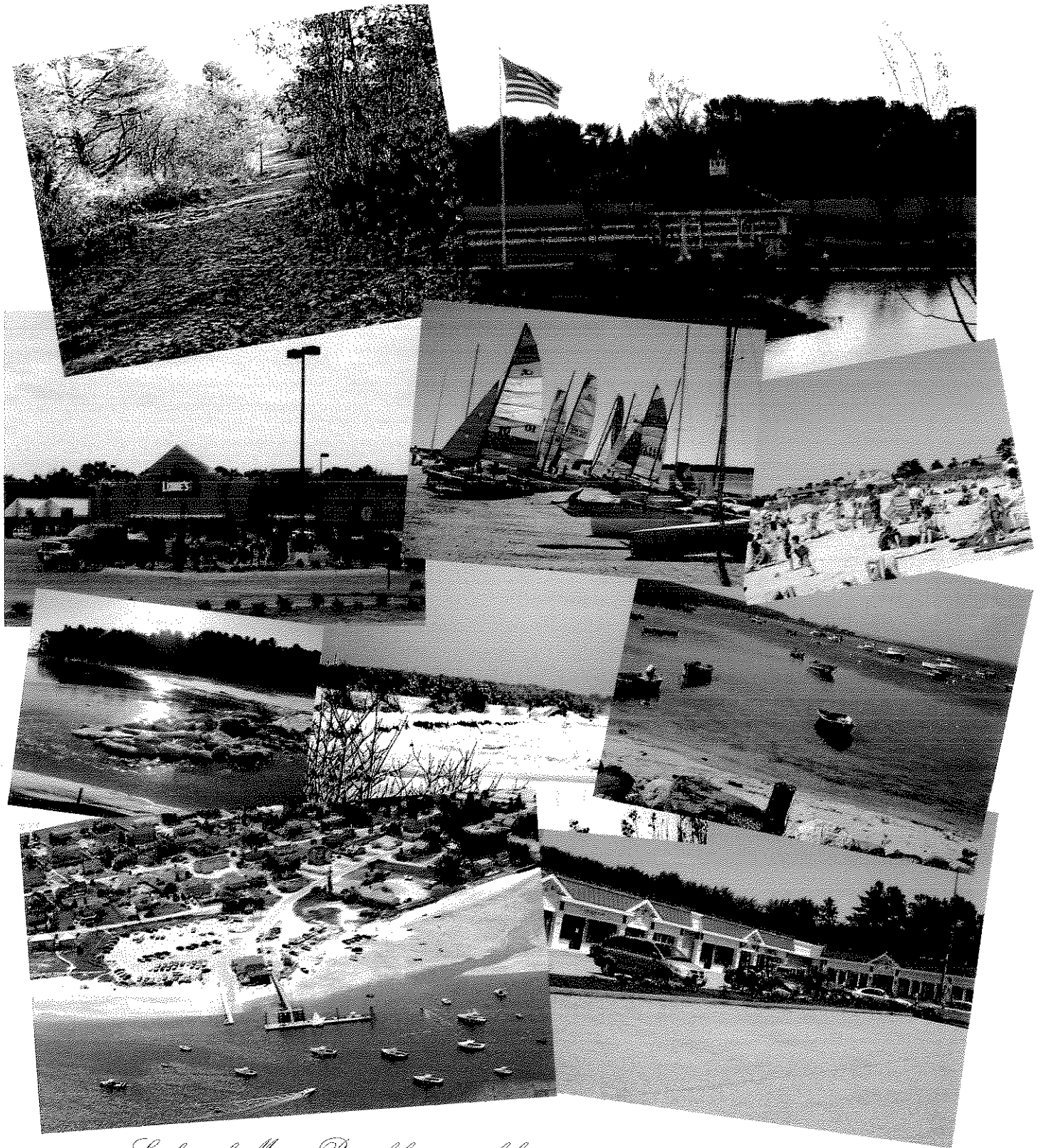
APPENDIX A

**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2007**

(With Report of Independent Auditors' Thereon)

[This page left intentionally blank.]

Town of Scarborough, Maine Comprehensive Annual Financial Report For the Fiscal Year Ending June 30, 2007



Scarborough Maine- Beautiful anytime of the year!

TOWN OF SCARBOROUGH, MAINE

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2007

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

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2007

Table of Contents

	<u>Statement</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		1-8
Certificate of Achievement for Excellence in Financial Reporting		9
Organizational Chart		11
List of Elected and Appointed Officials		12
FINANCIAL SECTION		
Independent Auditor's Report		15-16
Management's Discussion and Analysis		17-27
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	31
Statement of Activities	2	32
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	35
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	6	36
Statement of Fiduciary Net Assets – Fiduciary Funds	7	37
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	8	38
Notes to Basic Financial Statements		39-57
 <u>Exhibit</u>		
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	61
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis	A-2	62-64
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	68
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	74-75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	76-77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Categorical Funds	C-3	78

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2007

Table of Contents, continued

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

Table

STATISTICAL SECTION

Statistical Information:

Net Assets by Component - Last Four Fiscal Years	1	99
Changes in Net Assets - Last Four Fiscal Years	2	100
Fund Balances of Governmental Funds - Last Ten Fiscal Years	3	101
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	4	102
General Governmental Expenditures by Function - Last Ten Fiscal Years	5	103
Governmental Activities Tax Revenue by Source - Last Ten Fiscal Years	6	104
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	7	105
Property Tax Rates Direct and Overlapping Governments - Last Ten Fiscal Years	8	106
Principal Property Taxpayers - Current Year and Nine Years Ago	9	107
Property Tax Levies and Collections - Last Ten Fiscal Years	10	108
Assessed Valuations and Tax Levies - Last Ten Fiscal Years	11	109
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	12	110
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures - Last Ten Fiscal Years	13	111
Legal Debt Margin Information - Last Ten Fiscal Years	14	112
Demographic and Economic Statistics	15	113
Principal Employers - Current Year and Nine Years Ago	16	114
Operating Indicators by Function - Last Ten Fiscal Years	17	115
Departmental Listings by Division, Department and Function	18	116
Unemployment Data - Last Seven Fiscal Years	19	117
Town Governmental Employees by Function	20	118

INTRODUCTION



Scarborough Color Guard at Memorial Park

2007



Town of Scarborough, Maine

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

RUTH D. PORTER
FINANCE DIRECTOR
TREASURER

December 18, 2007

Jeffrey Messer, Council Chairman
And Distinguished Members of the Town Council
Scarborough, Maine

In accordance with the requirements of our Town Charter and state statutes, we hereby issue to the citizens of the Town of Scarborough and to all interested parties, the comprehensive annual financial report of the Town of Scarborough, Maine for the fiscal year ended June 30, 2007.

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

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

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

TOWN'S ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

The Town of Scarborough is located on the southern coast of the State of Maine in the southeastern most section of the County of Cumberland, the State's most populous county. Scarborough is bordered by the Spurwink River and the Atlantic Ocean on its eastern side and is bordered by the communities of Westbrook, South Portland, Cape Elizabeth, Gorham, Buxton, Saco and Old Orchard Beach. The Town, first settled in 1633, was incorporated as the sixth town in the Province of Maine on July 14, 1658. The Town operates under a charter first adopted on October 7, 1969 and provides for a Town Council and Town Manager form of government. The legislative body consists of a seven-member town council. A seven-member school board has general authority for the public schools. The Town Council is responsible for, passing ordinances, adopting the annual budget, appointing committees and hiring both the Town Manager and the Town Assessor. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the government, and for appointing the administrators of the various departments.

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

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

Financial statements for the following entities are not included in this report as they are administered by boards that are legally separate from and independent of the Town Council and otherwise they have not met the established criteria for inclusion in this report. A brief description, however, is incorporated in the notes to the financial statements:

Portland Water District	Scarborough Sanitary District
ecomaine (formerly Regional Waste)	Biddeford Saco Water District

In accordance with the provisions of Article V of the Town Charter, the annual budget serves as the foundation for Scarborough's financial planning and control. The Town's budget year begins July 1 and ends June 30 of the following year. The Charter provides that the Town Manager submit a budget to the Town Council. The Finance Committee reviews the proposed budget and makes recommendations to the Town Council. The Council orders a public hearing with prior public notification. If the Council does not adopt the annual budget prior to July 1, then the budgets presented by the Town Manager and the Board of Education becomes the budget for the fiscal year. Department Administrators and the Board of Education may make transfers of appropriations within their departments. Transfers of appropriations between departments, however, require the approval of the Town Council.

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. By nearly every measure, the Maine economy grew slowly in 2007. Gasoline and energy prices affected growth, but the unemployment rate held. Maine's unemployment rate has been below the national average for nearly eight years. In 2007, employment increased by .1% or 577 jobs. The major industry groups creating the most jobs were education and health services, leisure and hospitality, construction and the trade-transportation-utilities group. The largest declines were in manufacturing and financial services. Maine taxable sales were up over 2% over last year. Housing permits for the state were down 13%. Interest rates rose over the past year. The interest rates have now leveled off but a slowdown in the housing industry may persist, as building, gasoline and energy costs continue to grow. The scheduled closing of the Brunswick Naval Air Station is not likely to have much effect for another year or so.

Local Economy. The Town of Scarborough is primarily a suburban residential community that enjoys a favorable economic environment and local indicators continue to point to stability and growth. Approximately 1,300 businesses are located within Scarborough reflecting more than an 11% increase in businesses over last year. As well as being home to two excellent major medical research facilities, the Town of Scarborough continues to attract high tech and biotech industries. Additionally, the Town of Scarborough is an active participant in the development of private industrial and commercial facilities. The Town of Scarborough has a varied manufacturing, industrial and commercial base that adds to the relative stability of the unemployment rate. For more information, please review the Statistical Section of this report.

The business community in Scarborough is diverse and is located primarily in distinct areas of the Town. U.S. Route One, one of three major routes through the community, is primarily a commercial business district serving the daily needs of Scarborough's residents. It is a mix of retail, business, and professional offices. Payne Road, a continuation of the Maine Mall Road, is home to many larger, big box type retailers and serves a regional clientele. Industrial development is largely contained in the Scarborough Industrial Park and the Pleasant Hill Road areas. A fourth business area is being developed along the corridor connecting exit 42 of the Maine Turnpike and U.S. Route One, known as the Haigis Parkway. The Town installed utilities along this stretch of roadway and plans are in place to develop approximately 330 acres as a high-end business park over the next 15 years.

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

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

Comprehensive Plan. In July of 2006, the Town Council adopted an update to the 1994 Comprehensive Plan. This update provides a comprehensive growth strategy and a plan for future land use for residential, commercial and industrial development as well as land and natural resource conservation. Key components include: the creation of several mixed-use districts to promote a combination of commercial and residential uses in our town and village centers, increased residential density in the developed areas of the community that are served by public utilities and infrastructure, and the prospect of expanded business and industrial development in selected areas west of the Maine Turnpike. The overall plan is designed to insure that the Town realizes and maintains approximately 20% to 25% of its tax base as commercial and industrial properties. The updated plan was adopted after a three-year process that included the creation of a vision document for the Town's future; a series of meetings in all geographic areas of the community; and the creation of a Comprehensive Plan Update Committee consisting of both demographic and political cross sections of the community.

Major Initiatives For the Year. Construction has begun by private developers to create a 70-acre business and retail development on the Haigis Parkway named The Gateway at Scarborough. The Gateway at Scarborough will include the destination retailer Cabela's, a preeminent hunting, fishing and outdoor gear retail operation; several smaller retail stores; a hotel; restaurants and several office buildings. This development, when completed within the next two years, should have an estimated value of approximately \$74,000,000.

The Enterprise Business Park, a private business park, developed in partnership with the Town of Scarborough, continues to develop with the completion of seven buildings and one currently under construction. Presently, industrial and hi-tech research and development facilities, professional offices and a day care facility are currently located in the Enterprise Business Park.

The new 400,000 square foot, state of the art, United States Post Office Distribution Center for Southern Maine, located off Mussey Road was completed in September 2006. In that same vicinity, Gallery Boulevard was completed and will provide access to a new Lowe's Home Improvement Store, Super Wal-Mart and a number of restaurants that are likely to open in 2007 and 2008.

As noted earlier, Scarborough continues to be a focal point for the development of small biotech start-up companies. In May 2007, Maine Medical Center received occupancy for a new ambulatory Surgery Center on its Scarborough campus and they recently broke ground for an expansion to their Research Institute. These are exciting new facilities for the Town and its citizens.

In the Scarborough Industrial Park, twenty-one commercial condominiums are now available to meet the needs of small trades' people, mail-order facilities, warehouse and distribution tenants, and other small industrial business users in Town. New buildings and additions on existing sites were developed in fiscal year 2007 as this economic development area approaches building out.

The Town has successfully created a Municipal Campus consisting of the Municipal Building, High School, Middle School, Intermediate School, a municipal day care facility, Library and the Memorial Park. The Memorial Park is a multi-generational park with an amphitheater for summer concerts, walking trails, a skateboard park and various sports fields. The High School, which is a part of the municipal campus, was completely renovated and expanded to allow for the growth of our student population. A new artificial turf field was installed in 2006 and first used in fiscal year 2007.

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

The Fire Department's competitive grant application was denied. The grant was the Assistance to Firefighters Grant program, to replace the current self-contained breathing apparatus (SCBA). This grant would have funded 95% of the purchase cost. Because the units have a limited testing life and are no longer National Fire Protection Association (NFPA) compliant, we have begun the process of replacing the SCBA through the Town's capital replacement program and we anticipate the replacement program to be completed within two years.

During fiscal year 2007, the Fire Department placed in service, a new heavy rescue apparatus. This replaced a 1981 used truck purchased from Cinnaminson, NJ in 1993. This modern heavy rescue unit carries all of our hydraulic extrication tools that we use at vehicle accidents as well as a mobile air station used to refill SCBA bottles at the scene of an emergency.

A new grant for Public Works, approved by the USDA Forest Service-Urban and Community Forestry, is the 2006 Project Canopy Assistance grant. During the year, we inventoried trees in the Pine Point area of Scarborough. As a result, we have constructed a plan of care and maintenance for each tree. At the same time, we tagged each tree and utilized a GPS unit, accurate to less than one meter, to enter the location of each tree. The GPS points were then entered into a GIS database with all the pertinent information associated with the tree. As a result, the town completed work on a number of trees and will continue its efforts into the future with a second grant from the same agency.

Public Works staff continues their efforts in the National Pollution Elimination System program (NPDES). Currently, the town is continuing with the plan submitted to the Dept. of Environmental Protection (DEP). Additionally, we submitted our annual report and this was accepted by the DEP. The Town of Scarborough is part of an inter-local stormwater working group made up of 28 southern Maine communities to assist with the fulfillment of the EPA requirements.

After exploring various avenues for improved garbage pickup and recycling, Public Works implemented an automated curbside recycling and trash collection system. While the Town has provided curbside trash collection in the past, this is the first time the Town will provide curbside recycling to all residential homes on public streets. The recycling rate prior to the new curbside collection recycling was about 20%, and as of the first three months of the 2008, fiscal year is averaging about 37%.

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

As mentioned above, Super Wal-Mart and Lowe's, Home Improvement stores, will anchor the Scarborough Gallery, a 500,000 square foot shopping destination. Restaurants (Red Robin and Texas Roadhouse) and smaller retail establishments will also be included in this project, all of which are likely to open in late 2007 or 2008. There are also a number of other commercial projects under construction or approved for development in the Payne Road corridor. They include a multi-tenant retail facility neighboring the Scarborough Gateway project at Payne Road and Haigis Parkway, an expansion and renovation of the Sam's Club and a new Homewood Suites Hotel in the Southborough Business Park.

The Town approved a wetlands mitigation project that will result in the rehabilitation of a former gravel pit into a wetlands conservation area and ultimately a town park that stresses conservation with trails through the rehabilitated areas. The plan will protect over 280 acres of land and a mile on both sides of the Nonesuch River and provide a twenty-acre upland site for the possible location of a new school or other municipal facility. On the heels of its approval, the developer promptly began creating wetlands with at least a third of the area reserved for pending projects in Scarborough and surrounding communities.

The revitalization of the U.S. Route One corridor continues to progress. Completed during the summer of 2006, the state-of-the-art Mercedes Benz dealership and service facility combined seven previous properties into this one project. A number of other projects are also evidence of this trend as follows:

- The former high school, Bessey School, which had been used for warehouse and office space, is under construction to become subsidized housing for the elderly. Phase I of this project will include 54 elderly housing units.
- Bessey Square, right next to the Bessey School, is currently under construction to become a mixed-use development offering a coffee shop, retail office and ten live/work units.
- The Orion Center will involve the complete makeover of an older shopping center into a more village-like atmosphere emphasizing a pedestrian connection. This site, now named Scarborough Village Square, approved by the Planning Board has not yet commenced construction.
- On the Maine Medical Center campus, just off Route One, a substantial addition to the research center was recently approved and construction is now starting. This addition will increase the existing facility by more than 50% and provide more space for medical research in Scarborough.
- Additionally, in the Dunstan area, the Town is proposing to replace sidewalks in the area along Route One to improve pedestrian safety and to encourage a more village-like setting.

Dunstan Crossing is a mixed residential project combining single-family homes, condominiums, townhouses, rental units and elderly housing for a total number of 264 units. This project is under construction in the Dunstan area and will have a positive impact on revitalization of the Dunstan neighborhood.

Acquisition and preservation of open space and environmentally sensitive areas continue as priorities for the citizens of Scarborough. In 2000, the citizens approved a \$1.5 million bond for open space preservation and these funds were used in partnership with the Scarborough Land Trust to acquire two farms, one of which remains a working farm with an agricultural easement. Of the original bond issue, \$200,000 is currently available. The voters also approved an additional \$2.5 million for open space preservation in 2003.

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

The Town of Scarborough is one of twenty-one (21) communities that own and operate a waste to energy facility. This facility was renamed to **ecomaine** from Regional Waste Systems (RWS). The original operation was established in 1974 to dispose of the participating community's trash. Additionally, **ecomaine** is moving forward with the expansion of a landfill for ash disposal without the issuance of any new debt and adding single stream recycling in an expanded recycling building.

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

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

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

Two school referendum questions were presented to the public in November 2006 to expand the Middle School and build a new Intermediate School, both of which would have been funded by the citizens of Scarborough. Both referendum questions were not accepted. The School Department is gathering ideas and options. School administrators may apply to the State to assist with the construction of a new school. The school is considering plans to re-organize their buildings by changing the grades enrolled in the school buildings.

The Scarborough Library is experiencing an increase in demand for services. The current structure is 18 years old and is in need of mechanical improvements and expansion. Voters voted down a nonbinding referendum question that would have allowed the Library to borrow funds from the Department of Agriculture's Rural Economic Development Program. The Library Board of Trustees has begun the process of renovating and improving the current Library building.

FINANCIAL INFORMATION

Assessed Valuation and Collections. An indicator of our strong local economy is reflected in the growth of the Town's assessed value of real and personal property. The taxable valuation of Scarborough has more than tripled since 1990. For the 2007 tax year, the valuation was \$3,317,498,000 compared to the 1990 valuation of \$995,448,900.

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

\$244,195 in 2003,
\$221,223 in 2004,
\$311,646 in 2005,
\$297,237 in 2006,
\$287,295 in 2007.

Cash Management Policies and Practices. The Town of Scarborough invests cash, temporarily idle during the year, in demand deposits, certificates of deposit, U.S. Government obligations and repurchase agreements. The average yield on all investments was approximately 4.88%. Total investment income during the year amounted to \$881,960 compared to \$718,020 last year.

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

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

OTHER INFORMATION

Independent Audit. The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of Runyon Kersteen Ouellette was engaged to perform the annual audit for the Scarborough Town Council for the fiscal year 2007. This audit is designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The independent auditor's report is presented as the first component of the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Scarborough for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the second consecutive year that the Town of Scarborough has submitted and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully Submitted,

Ruth D. Porter
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Scarborough
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

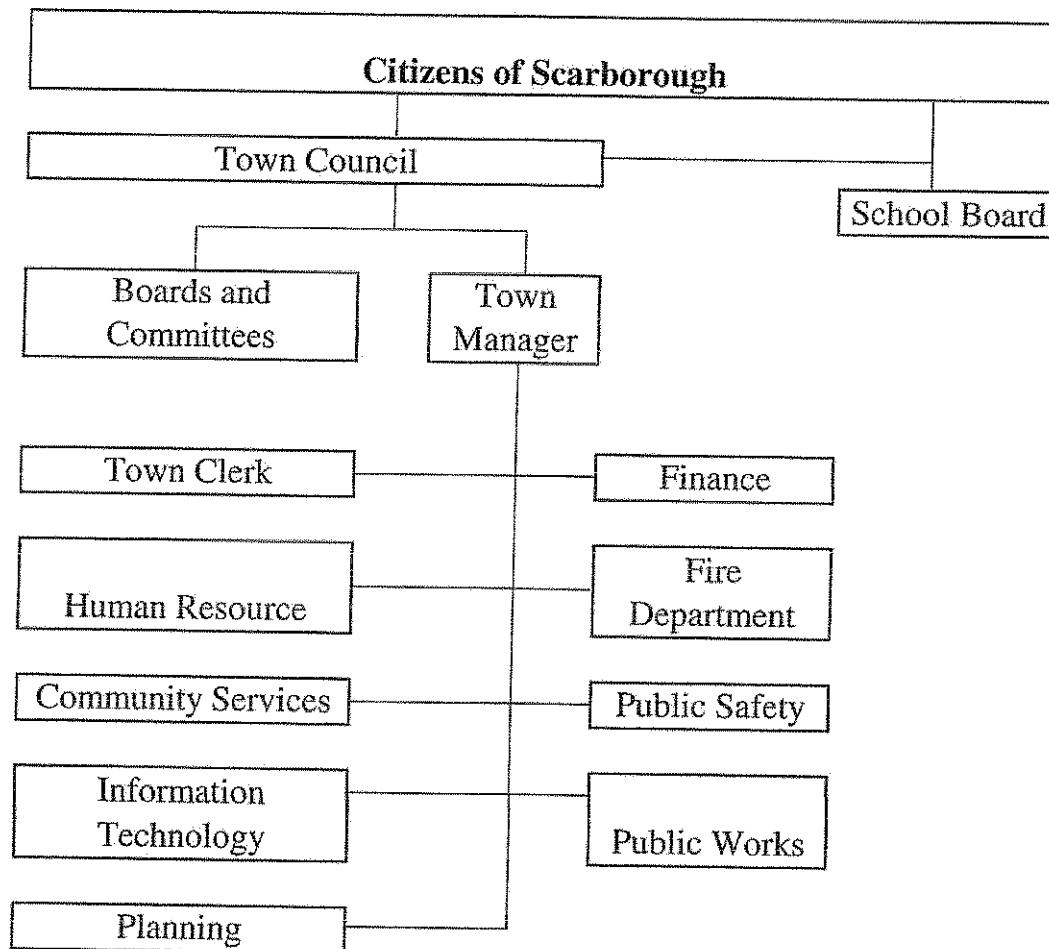


President

Executive Director

Town of Scarborough, Maine

Organizational Chart



TOWN OF SCARBOROUGH, MAINE
PRINCIPAL EXECUTIVE OFFICERS

AS OF JUNE 30, 2007

Elected Town Council

Jeffrey A. Messer, Chair

Ronald D. Alquist
Shawn A. Babine
Sylvia J. Most

Carol S. Rancourt
Richard J. Sullivan, Jr.
Vacancy (to be filled in 2007)

Appointed Town Staff

Ronald W. Owens	Town Manager
Yolande P. Justice	Town Clerk
Ruth D. Porter	Finance Director
Paul G. Lesperance	Assessor
Brian A. Smith	Human Resource Director
Stephen Tewhey	Information Systems
Daniel B. Bacon	Town Planner
Bruce W. Gullifer	Community Services Director
B. Michael Thurlow	Fire Chief
Robert A. Moulton	Police Chief
Michael E. Shaw	Public Works Director
David A. Doyle	Superintendent of Schools

FINANCIAL SECTION



Maine Medical Research Center

2007

Independent Auditor's Report

Town Council
Town of Scarborough, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scarborough, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

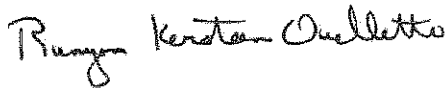
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2007, 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 18, 2007 on our consideration of the Town of Scarborough, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



December 18, 2007
South Portland, Maine

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2007

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, 2007. Please consider this information in conjunction with the transmittal letter at the front of this report and the Town's basic financial statements following this section. All dollar amounts are expressed in thousands of dollars unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Scarborough exceeded liabilities at the close of the 2007 fiscal year by \$56,102 (net assets).
- The Town's total net assets increased \$1,798. Total assets increased with the positive investment rates as well as the purchases and improvements to town owned land. Long-term liabilities decreased mostly as a result of the Town's aggressive debt repayment practices.
- As of June 30, 2007, the Town's governmental funds reported combined fund balances of \$19,348, a decrease of \$1,341 compared with the prior year. Of the approximately \$18,547 reported as unreserved fund balance, \$7,523 are special revenue funds authorized for specific projects, \$2,927 are for major capital construction projects and \$78 is for maintenance of the Town's cemeteries. The remaining amount of \$8,019 is available for the discrete purposes for which these funds are collected.
- As of June 30, 2007, unreserved undesignated fund balance for the general fund was \$6,022 or 9.68% of the total general fund expenditures of \$62,240. The Town of Scarborough's Fund Balance policy calls for 8.33% of the total operating budget or \$5,185.
- The Town of Scarborough's total debt decreased by \$2,000 from the prior year. Total debt retired was \$5,999. Total debt issued was \$4,000 in general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The government-wide financial statements include not only the Town of Scarborough (known as the *primary government*), but also the legally separate public library for which the Town of Scarborough is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the Town of Scarborough itself. The Scarborough Economic Development Corporation, although also legally separate, functions as a department of the Town of Scarborough, and therefore it has been included as an integral part of the primary government and not shown as a component unit.

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

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

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

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

The Town of Scarborough maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Performance Bonds, Haigis Parkway, General Town Improvements, and the General School Improvements all of which are considered to be major funds. Data from the remaining 27 funds (Special Revenue, Capital Projects, and Permanent) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in Exhibit C-1 through Exhibit E-2.

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

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

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

The permanent fund financial statements can be found on pages 85-86 of this report.

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

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

The basic fiduciary fund financial statements can be found on pages 89-91 of this report.

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

Other Information. The combining statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 61-96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Town of Scarborough, assets exceeded liabilities by \$56,102 as of June 30, 2007.

By far the largest portion of the Town of Scarborough's net assets (78.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Scarborough uses these capital assets to provide services to our citizens; consequently, these assets are *not* available for future spending. Although the Town of Scarborough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Town of Scarborough's Net Assets

Governmental Activities

	<u>2007</u>	<u>2006</u>
Assets:		
Current and other assets	\$ 25,314	\$ 26,360
Capital Assets not depreciated	44,991	44,366
Capital assets	<u>62,470</u>	<u>60,874</u>
Total Assets	132,775	131,600
Liabilities:		
Long term liabilities outstanding	63,907	64,208
Other liabilities	<u>12,766</u>	<u>12,907</u>
Total Liabilities	76,673	77,115
Net assets:		
Invested in capital assets, net of related debt	44,077	36,323
Restricted	3,054	4,210
Unrestricted	<u>8,971</u>	<u>13,952</u>
Total Net Assets	\$ 56,102	\$ 54,485

5.44% 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 \$8,971, may be used to meet the Town of Scarborough's ongoing obligations to its citizens and creditors.

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

The Town of Scarborough saw a decrease of \$1,156 in restricted net assets due to the completion of various paving and other capital projects.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

GOVERNMENTAL ACTIVITIES. All of the increase pertaining to the Town of Scarborough's net assets, of \$1,798, 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

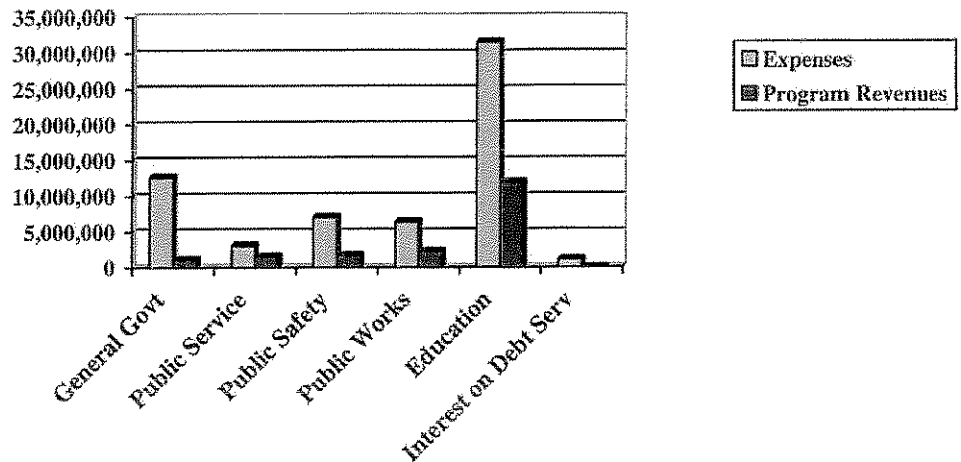
	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 7,758	\$ 7,024
Operating grants and contributions	11,403	10,706
Capital grants and contributions	(559)	4,681
General Revenues:		
Property and excise taxes, levied for general purposes	42,616	41,260
Franchise Tax	156	145
Grants and contributions not restricted to specific programs	1,743	1,777
Unrestricted investment earnings	404	261
Other	188	285
Total revenues	63,709	66,139
Expenses:		
General government	12,641	8,783
Public Services	3,092	2,871
Public Safety	7,080	6,552
Public Works	6,426	6,277
Education	31,531	33,491
Interest on Debt Service	1,141	1,069
Total expenses	61,911	59,043
Increase in net assets	1,798	7,096
Net assets beginning, restated	54,304	47,388
Net assets ending	\$ 56,102	\$ 54,484

Capital Grants and Contributions show a negative \$559 as a result of the decrease in the Haigis Parkway assessments approved by the Town Council. These revisions resulted in refunds of some of the assessments.

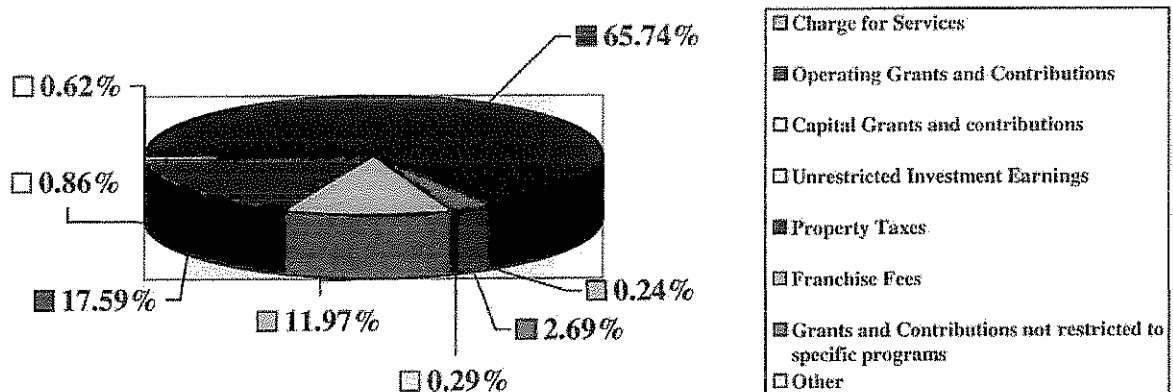
Due to the reclassification of some expense categories, General government expenses increased from 2006 to 2007.

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, 2007, the Town of Scarborough's governmental funds reported combined ending fund balances of \$19,348, a decrease of \$1,341 in comparison with the prior year. This decrease is the result of the Town Council revision of the Haigis Parkway Assessment. This revision reduced the assessments within the Haigis Parkway.

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>2007</u>	<u>2006</u>
General Fund	\$ 8,693	\$ 8,226
Special Revenue Funds	7,536	8,195
Capital Project Funds	2,926	4,085
Permanent Funds	193	183
Total	\$ 19,348	\$ 20,689

As noted earlier, governmental funds reported combined fund balances of \$19,348, a decrease of \$1,341 compared with the prior year. Of the \$18,547 reported as unreserved fund balance, \$7,523 are special revenue funds authorized for specific projects, \$2,926 are for major capital construction projects and \$78 is for maintenance of the town's cemeteries. The remaining amount of \$8,019 is available for the discrete purposes for which these funds are collected.

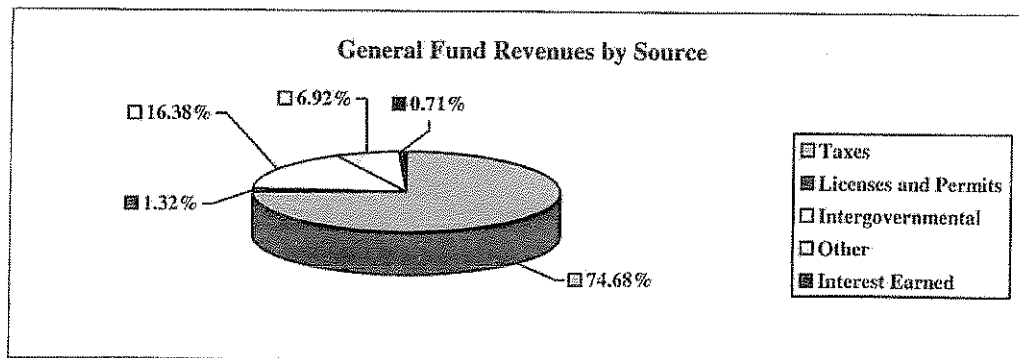
The remaining \$801 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

\$ 674	Non-current Fund Balances in the Special Revenue and Capital Projects Fund
114	Perpetual Care of Municipal Cemeteries
<u>13</u>	Food Service Inventory
<u>\$ 801</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, 2007, unreserved fund balance in the General Fund was \$8,019 compared to total fund balance of \$8,693. As a measure of the General Fund's liquidity, we believe it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.88% of total general fund expenditures, while total fund balance represents 13.97% of the same amount. Thus, the year-end fund balance is in compliance with the Town's policy of maintaining a minimum fund balance of 8.33% of the total operating budget for the General Fund.

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

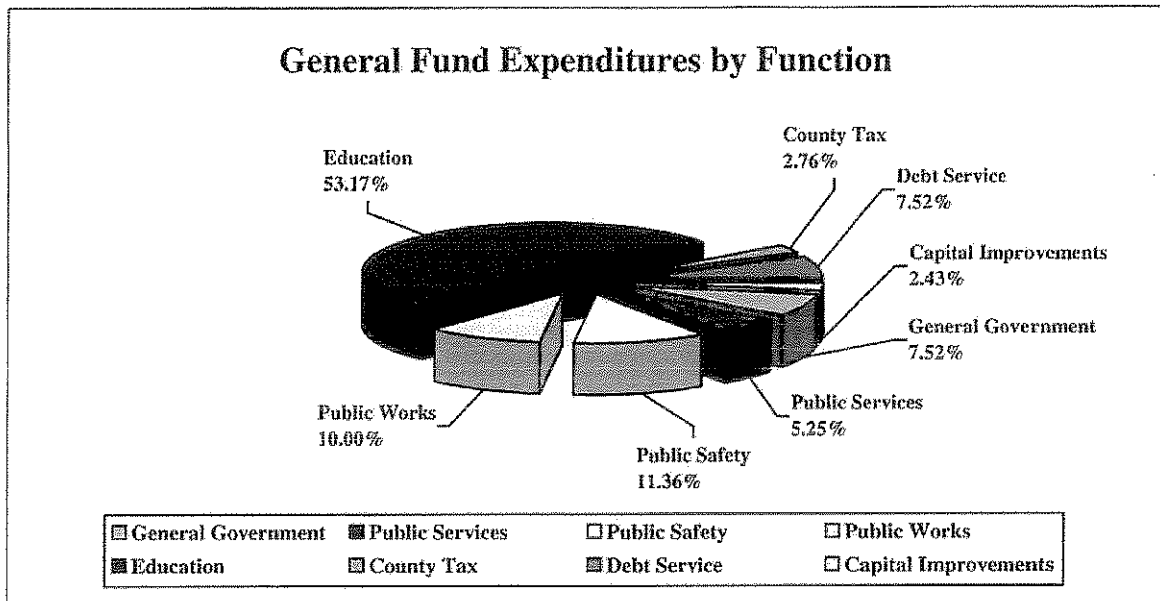


TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Property Tax revenues increased \$1,340 from 2006 to 2007 compared to the 2005 to 2006 increase of \$1,102.

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

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



Total general fund expenditures increased \$2,305 or 4.10%. Some of the key factors in this increase are:

- General Government increased 1.39% partially due to the Town Council authorization to payoff the Maine State Retirement unfunded pension liability.
- Public Service increased 7.74% due to the Community Service's programs although the program revenues help to offset this increase.
- Public Safety increased 7.48% due to contractual salary changes within the Fire and Emergency Medical Services.

Capital Projects Fund Highlights

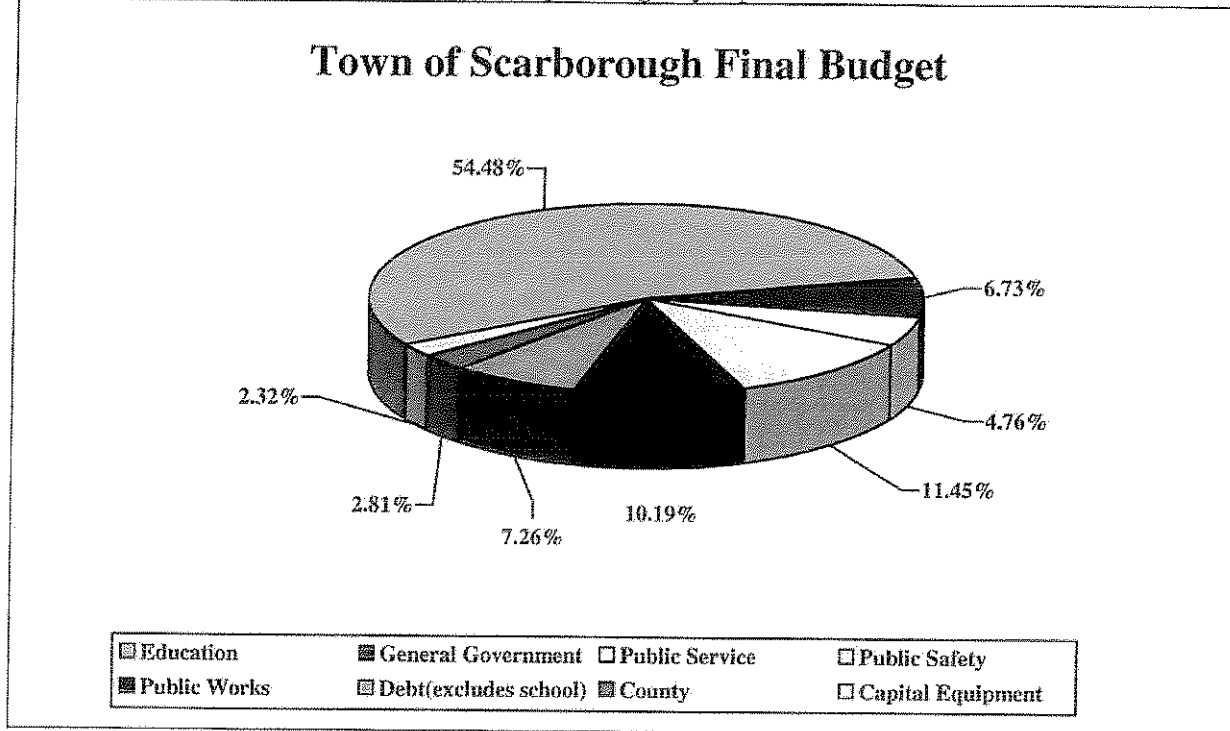
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased from \$4,085 in 2006 to \$2,926 in 2007. Expenditures decreased from \$9,259 in 2006 to \$4,724 in 2007 due to the completion or near completion of a number of capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the Town's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2007, a total of \$1,997 has been set aside for prior year encumbrances and commitments. The original budget and the final amended budget amounted to \$60,850.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2007, amounts to \$107,461 (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 2.11%.

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

Governmental Activities

	2007	2006
Land	\$ 4,396	\$ 3,921
Buildings	33,957	32,941
Vehicles	5,650	5,280
Equipment & Furniture	1,668	1,595
Infrastructure	21,195	21,057
Construction in Progress	40,595	40,445
Total	\$ 107,461	\$ 105,239

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

Long-term Debt. As of June 30, 2007, the Town had long-term bonds outstanding of \$66,845 compared to \$68,844 in the prior year. This debt is backed by the full faith and credit of the Town of Scarborough. Additional information relating to the Town's long-term debt can be found in the Notes to Financial Statements on pages 48-49 of this report.

	Outstanding Debt General Obligation Bonds	
	<u>2007</u>	<u>2006</u>
Municipal	\$ 18,368	\$ 18,477
Education	38,418	39,846
Sewer	10,059	10,521
Total Debt	\$ 66,845	\$ 68,844

Moody's Investors Service has affirmed a bond rating of "Aa3" and an "AA- (Stable)" rating was assigned from Standard and Poor's (S&P) to the Town of Scarborough, Maine's debt. Moody's prior assignment of "A1", first assigned in 1975, was upgraded in 2002 to an assignment of "Aa3". S&P's "AA- (Stable)" was an "initial" rating for the Town of Scarborough in 2003. As of June 30, 2007, the Town's rating from both rating agencies remain stable.

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

Note: Definitions of above ratings

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Below is a comparison of the 2007 budget with the 2008 budget.

	<u>2007</u>	<u>2008</u>
Administration	\$ 1,658,295	\$ 1,695,860
Finance Department	1,086,623	1,131,655
Information Systems	567,014	520,629
Planning Department	881,396	852,217
Community Services	1,963,820	1,979,625
Library	695,299	719,634
Economic Development	205,578	212,773
General Assistance/Affordable Hsg	11,900	12,325
Fire/Rescue/EMA Department	2,799,645	2,858,082
Public Safety Department	4,092,527	4,137,495
Public Works Department	6,199,822	6,305,800
Debt Service	4,409,714	4,717,767
Capital Equipment	1,892,564	1,878,746
Total Municipal Operating	26,464,197	27,022,608
Education	32,033,553	33,489,615
County Tax	1,614,651	1,735,302
Total Operating Budget	33,648,204	35,224,917
School Special Revenues	-	-
School Food Services	1,106,785	1,315,678
350 th Celebration/Wellness Initiative	15,000	40,000
Capital Improvement-Municipal	6,365,602	7,816,800
Capital Improvement-School	1,284,313	1,203,510
TIFs and Overlay	737,636	798,425
Total Budget	\$ 69,621,737	\$ 73,421,938

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOWN OF SCARBOROUGH, MAINE
Statement of Net Assets
June 30, 2007

	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 13,810,386	101,462
Investments	7,141,164	390,864
Receivables:		
Accounts	3,839,457	141
Intergovernmental	36,221	-
Taxes receivable	103,975	-
Tax liens	363,401	-
Tax acquired property	7,231	-
Inventory	12,559	1,521
Prepaid items	-	4,586
Capital assets, not being depreciated	44,990,639	-
Capital assets, net	62,470,202	860,972
Total assets	132,775,235	1,359,546
LIABILITIES		
Accounts payable and other current liabilities	2,965,528	14,653
Accrued payroll and other related liabilities	2,599,530	184,172
Taxes collected in advance	31,279	-
Accrued interest	448,129	-
Noncurrent liabilities:		
Due within one year	6,721,538	-
Due in more than one year	63,907,050	-
Total liabilities	76,673,054	198,825
NET ASSETS		
Invested in capital assets, net of related debt	44,077,001	860,972
Restricted for:		
Nonexpendable trust principal	127,337	448,123
Capital projects	2,926,481	-
Unrestricted	8,971,362	2,826
Total net assets	\$ 56,102,181	1,311,921

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2007

Functions/programs	Program revenues			Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government activities
					Component unit
					Public Library
Primary government:					
Governmental activities:					
General government	\$ 12,640,776	1,631,751	88,959	(559,458)	(11,479,524)
Public services	3,091,670	1,306,211	3,634	-	(1,581,825)
Public safety	7,080,161	1,667,291	97,326	-	(5,315,544)
Public works	6,425,408	1,754,971	553,443	-	(4,116,994)
Education	31,531,309	1,198,104	10,659,266	-	(19,673,939)
Interest on debt service	1,141,343	-	-	-	(1,141,343)
Total governmental activities	61,910,667	7,758,328	11,402,628	(559,458)	(43,309,169)
Total primary government	\$ 61,910,667	7,758,328	11,402,628	(559,458)	(43,309,169)
Component unit:					
Scarborough Public Library	\$ 951,512	1,013,998	-	-	62,486
General revenues:					
Property taxes, levied for general purposes				\$ 38,021,985	-
Excise taxes				4,442,571	-
Payments in lieu of taxes				71,450	-
Interest and costs on taxes				79,599	-
Franchise taxes				155,998	-
Grants and contributions not restricted to specific programs:					
Homestead exemption				317,821	-
Other State aid				27,323	-
State Revenue Sharing				1,397,648	-
Unrestricted investment earnings				404,622	-
Other				188,373	-
Total general revenues				45,107,390	-
Change in net assets				1,798,221	62,486
Net assets - beginning, restated				54,303,960	1,249,435
Net assets - ending				\$ 56,102,181	1,311,921

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2007

	General	Performance Bonds	Haigis Parkway	General Town Improvements	General School Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 7,916,097	2,003,831	-	2,226,161	1,388,875	275,422	13,810,386
Investments	3,019,928	-	-	-	-	4,121,236	7,141,164
Receivables:							
Accounts	606,045	-	3,209,036	-	-	21,948	3,837,029
Intergovernmental	-	-	-	-	-	36,221	36,221
Taxes receivable	103,975	-	-	-	-	-	103,975
Tax liens	363,401	-	-	-	-	-	363,401
Interfund loans receivable	483,340	-	-	40,000	-	1,423,692	1,947,032
Tax acquired property	7,231	-	-	-	-	-	7,231
Inventory	-	-	-	-	-	12,559	12,559
Total assets	\$ 12,500,017	2,003,831	3,209,036	2,266,161	1,388,875	5,891,078	27,258,998
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	806,517	9,218	-	31,784	138,680	335,693	1,321,892
Accrued payroll	2,599,530	-	-	-	-	-	2,599,530
Interfund loans payable	-	350,977	443,366	23,412	-	1,126,849	1,944,604
Taxes collected in advance	31,279	-	-	-	-	-	31,279
Deferred tax revenue	370,000	-	-	-	-	-	370,000
Performance bond deposits	-	1,643,636	-	-	-	-	1,643,636
Total liabilities	3,807,326	2,003,831	443,366	55,196	138,680	1,462,542	7,910,941
Fund balances:							
Reserved	674,006	-	-	-	-	127,337	801,343
Unreserved, reported in:							
General fund - undesignated	6,021,738	-	-	-	-	-	6,021,738
General fund - designated	1,996,947	-	-	-	-	-	1,996,947
Special revenue funds	-	-	2,765,670	-	-	4,757,604	7,523,274
Capital projects funds	-	-	-	2,210,965	1,250,195	(534,679)	2,926,481
Permanent funds	-	-	-	-	-	78,274	78,274
Total fund balances	8,692,691	-	2,765,670	2,210,965	1,250,195	4,428,536	19,348,057
Total liabilities and fund balances	\$ 12,500,017	2,003,831	3,209,036	2,266,161	1,388,875	5,891,078	
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.							107,460,841
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.							370,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.							
Bonds payable							(66,845,000)
Capital leases							(1,370,408)
Accrued interest							(448,129)
Landfill liability							(445,584)
Accrued compensated absences							(1,967,596)
Net assets of governmental activities							\$ 56,102,181

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, 2007

	General	Performance Bonds	Haigis Parkway	General Town Improvements	General School Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 42,712,153	-	-	-	-	-	42,712,153
Licenses and permits	753,026	-	-	-	-	-	753,026
Intergovernmental	11,794,756	-	-	-	-	1,409,665	13,204,421
Interest earned	404,622	-	24,731	119,579	57,081	198,838	804,851
Donations	-	-	-	-	-	86,044	86,044
Sale of lots	-	-	-	-	-	40,300	40,300
Assessments and impact fees	-	-	(746,494)	-	-	494,107	(252,387)
Other	3,955,173	-	-	5,000	100,872	2,311,435	6,372,480
Total revenues	59,619,730	-	(721,763)	124,579	157,953	4,540,389	63,720,888
Expenditures:							
Current:							
General government	4,400,675	-	-	-	-	-	4,400,675
Public services	3,070,038	-	-	-	-	-	3,070,038
Public safety	6,641,973	-	-	-	-	-	6,641,973
Public works	5,846,056	-	-	-	-	-	5,846,056
Education	33,652,081	-	-	-	-	-	33,652,081
County tax	1,614,651	-	-	-	-	-	1,614,651
Debt service	4,396,007	-	-	-	-	-	4,396,007
Capital improvements	2,618,995	-	-	3,218,256	1,505,688	655,830	7,998,769
Other	-	-	647	-	-	2,640,873	2,641,520
Total expenditures	62,240,476	-	647	3,218,256	1,505,688	3,296,703	70,261,770
Excess (deficiency) of revenues over (under) expenditures	(2,620,746)	-	(722,410)	(3,093,677)	(1,347,735)	1,243,686	(6,540,882)
Other financing sources (uses):							
Transfers in	1,855,084	-	-	336,528	-	602,222	2,793,834
Transfers out	(602,222)	-	(500,568)	(413,804)	(15,536)	(1,261,704)	(2,793,834)
Proceeds from capital lease	1,199,550	-	-	-	-	-	1,199,550
General obligation bonds	634,750	-	-	2,013,420	1,351,830	-	4,000,000
Total other financing sources (uses)	3,087,162	-	(500,568)	1,936,144	1,336,294	(659,482)	5,199,550
Net change in fund balances	466,416	-	(1,222,978)	(1,157,533)	(11,441)	584,204	(1,341,332)
Fund balances, beginning of year	8,226,275	-	3,988,648	3,368,498	1,261,636	3,844,332	20,689,389
Fund balances, end of year	\$ 8,692,691	-	2,765,670	2,210,965	1,250,195	4,428,536	19,348,057

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, 2007

Net change in fund balances - total governmental funds (from Statement 4)	\$ (1,341,332)
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	\$ 4,378,173
Depreciation expense	(1,986,161)
Loss on disposal of assets	(170,587)
	2,221,425
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(12,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	47,896
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.	(1,116,768)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$5,999,000) exceeded proceeds (\$4,000,000).	1,999,000
Change in net assets of governmental activities (see Statement 2)	\$ 1,798,221
<i>See accompanying notes to financial statements.</i>	

TOWN OF SCARBOROUGH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 42,805,675	42,805,675	42,712,153	(93,522)
Licenses and permits	706,008	706,008	753,026	47,018
Intergovernmental	9,354,910	9,354,910	9,369,598	14,688
Interest earned	182,000	182,000	404,622	222,622
Unclassified	3,973,635	3,973,635	3,955,173	(18,462)
Total revenues	57,022,228	57,022,228	57,194,572	172,344
Expenditures:				
Current:				
General government	4,193,328	4,193,328	4,400,675	(207,347)
Public services	2,940,771	2,940,771	3,070,038	(129,267)
Public safety	6,892,172	6,892,172	6,641,973	250,199
Public works	6,199,822	6,199,822	5,846,056	353,766
Education	32,033,553	32,033,553	31,100,666	932,887
County tax	1,614,651	1,614,651	1,614,651	-
Debt service	4,409,714	4,409,714	4,396,007	13,707
Capital improvements	1,892,564	1,892,564	1,419,445	473,119
Total expenditures	60,176,575	60,176,575	58,489,511	1,687,064
Deficiency of revenues under expenditures	(3,154,347)	(3,154,347)	(1,294,939)	1,859,408
Other financing sources (uses):				
Transfers in	1,785,927	1,785,927	1,855,084	69,157
Transfers out	(572,035)	(572,035)	(602,222)	(30,187)
Utilization of surplus	1,306,132	1,306,132	-	(1,306,132)
Overlay	(101,427)	(101,427)	-	101,427
General obligation bonds	735,750	735,750	634,750	(101,000)
Total other financing sources (uses)	3,154,347	3,154,347	1,887,612	(1,266,735)
Net change in fund balances - budgetary basis	-	-	592,673	592,673
Reconciliation to GAAP basis:				
Change in accrued salaries			(126,257)	
Fund balance, beginning of year			8,226,275	
Fund balance, end of year	\$		8,692,691	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	198,330
Investments	257,862	-
Interfund loans receivable	3,035	-
Total assets	260,897	198,330
LIABILITIES		
Interfund loans payable	5,463	-
Accounts payable	1,950	-
Due to student groups	-	198,330
Total liabilities	7,413	198,330
NET ASSETS		
Held in trust	\$ 253,484	-

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, 2007

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ 1,851
Interest and dividends	12,774
Total additions	14,625
Deductions:	
School scholarships	8,900
Total deductions	8,900
Change in net assets	5,725
Net assets, beginning of year	247,759
Net assets, end of year	\$ 253,484

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

The General School Improvements Fund accounts for certain school capital improvements.

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

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

The Haigis Parkway Fund accounts for assessments to be used for the Haigis Parkway project.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the Town reports the following fund type:

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

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

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

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

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

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

D. Assets, Liabilities, and Equity

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment and infrastructure of the primary government are depreciated using the straight-line method over the asset's estimated useful lives ranging from 3 to 60 years.

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

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

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

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

Interfund Transactions - 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 transfers.

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2006 -2007 budget as adopted	\$ 59,519,405	59,519,405
Budgetary adjustments:		
Subsequent authorization	499,500	499,500
Prior year encumbrances and carryforwards	831,132	831,132
Total adjusted budget	\$ 60,882,037	60,882,037

B. Excess of Expenditures over Appropriations

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

The over-expenditure in General Government was the result of legal fees, benefits (due to payoff off MSRS liability) and engineering exceeding budget.

C. Deficit Fund Balance

At June 30, 2007, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$50,705. 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 \$35,148. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The Departmental Grants and Programs Fund (a special revenue fund) had a deficit of \$53,474. It is expected that this deficit will be adequately funded in future years through additional grant and other revenues.

The Municipal Building Fund (a capital project fund) had a deficit of \$534,679. This deficit is expected to be adequately funded in future years with TIF revenues.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk because it was not covered by F.D.I.C. insurance or additional collateral. As of June 30, 2007, the Town reported deposits of \$14,008,716 with a bank balance of \$14,314,099. Of the Town's bank balances of \$14,314,099, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 13,810,386
Reported in fiduciary funds	198,330
Total deposits	\$ 14,008,716

At June 30, 2007, the Scarborough Public Library's cash balance was \$101,462 with a bank balance of \$95,972 all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2007, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Certificates of deposit	\$ 797,870	797,870	-	-
Mutual funds (1)	6,601,156		not applicable	
Total investments	\$ 7,399,026	797,870	-	-

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

Reported in governmental funds	\$ 7,141,164
Reported in fiduciary funds	257,862
Total investments	\$ 7,399,026

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

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

Custodial Credit Risk-Town Investments: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. None of the Town's investments totaling \$7,399,026 was exposed to custodial credit risk. At June 30, 2007, the Scarborough Public Library's investment balance was \$390,864, none of which was exposed to custodial credit risk.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX

Property taxes for the current year were committed on August 30, 2006, 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 16, 2006 and 50% on March 15, 2007. Interest at the rate of 11% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the Town's Assessor at 100% of the assumed market value as of June 30, 2007 and the Town's value was 102% of the 2007 State valuation of \$3,255,800,000.

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 \$101,427 for the year ended June 30, 2007.

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

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the June 30 levy:

	<u>2007</u>	<u>2006</u>
Assessed value	\$ 3,317,497,800	3,256,841,900
Tax rate (per \$1,000)	11.48	11.30
Commitment	38,084,875	36,802,313
Supplemental taxes assessed	55,086	22,334
	38,139,961	36,824,647
Less - collections and abatements	37,852,666	36,527,410
<u>Receivable at June 30</u>	<u>287,295</u>	<u>297,237</u>
Consisting of:		
Taxes	47,609	17,129
Liens	239,686	280,108
<u>Receivable at June 30</u>	<u>\$ 287,295</u>	<u>297,237</u>
Collection rate	99.30%	99.19%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,920,500	482,588	6,966	4,396,122
Construction in progress	40,445,270	1,924,325	1,775,078	40,594,517
<u>Total capital assets, not being depreciated</u>	<u>44,365,770</u>	<u>2,406,913</u>	<u>1,782,044</u>	<u>44,990,639</u>
Capital assets, being depreciated:				
Buildings	40,025,797	1,922,955	391,088	41,557,664
Vehicles	9,756,104	1,315,518	714,618	10,357,004
Equipment and furniture	3,540,509	507,865	139,352	3,909,022
Infrastructure	28,595,767	-	-	28,595,767
<u>Total capital assets being depreciated</u>	<u>81,918,177</u>	<u>3,746,338</u>	<u>1,245,058</u>	<u>84,419,457</u>
Less accumulated depreciation for:				
Buildings	7,084,359	523,716	7,456	7,600,619
Vehicles	4,475,753	751,849	520,640	4,706,962
Equipment and furniture	1,945,972	366,644	71,812	2,240,804
Infrastructure	7,538,447	343,952	481,531	7,400,870
<u>Total accumulated depreciation</u>	<u>21,044,531</u>	<u>1,986,161</u>	<u>1,081,438</u>	<u>21,949,255</u>
<u>Total capital assets being depreciated, net</u>	<u>60,873,646</u>	<u>1,760,177</u>	<u>163,620</u>	<u>62,470,202</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 105,239,416</u>	<u>4,167,090</u>	<u>1,945,664</u>	<u>107,460,841</u>

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

Governmental activities:	
General government	\$ 325,118
Public services	21,633
Public safety	438,188
Public works, including depreciation of general infrastructure assets	583,402
Education	617,820
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,986,161</u>

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

Buildings	\$ 1,268,766
Equipment, artwork and software	507,322
Books	760,097
<u>Total</u>	<u>2,536,185</u>
<u>Less accumulated depreciation</u>	<u>(1,675,213)</u>
<u>Property and equipment, net</u>	<u>\$ 860,972</u>
<u>Depreciation expense</u>	<u>\$ 92,581</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES

Interfund balances result from the sharing of pooled cash and investments. Individual interfund receivables and payables at June 30, 2007, were as follows:

	Interfund receivables	Interfund payables
<u>General Fund</u>	\$ 483,340	-
<u>General Town Improvements</u>	40,000	23,412
<u>Haigis Parkway</u>	-	443,366
<u>Performance Bonds</u>	-	350,977
Other Governmental Funds:		
Nonmajor Special Revenue Funds:		
Unemployment compensation	-	732
Hurd Park and Ferry Beach	129,636	-
Recreational development	-	178,906
Sewer expansion	546,720	-
Boat Launch	-	35,065
Scarborough Memorial improvement	-	16,150
Industrial Park	-	97,680
Payne Road improvements	-	23,959
Payne Road impact fees	398,245	-
Other impact fees	151,793	-
Police asset forfeiture	101,783	-
Hunnewell House	858	-
Rescue equipment	-	62,862
Fire Dept Equipment	6,807	-
Departmental grants and programs	-	140,410
School lunch program	75,000	-
Computer replacement fund	-	34,987
Total Nonmajor Special Revenue Funds	1,410,842	590,751
Nonmajor Capital Project Funds:		
Municipal building fund	-	534,679
Total Nonmajor Capital Project Funds	-	534,679
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	12,850	-
Dunstan Perpetual Care	-	1,419
Total Nonmajor Permanent Funds	12,850	1,419
Total Other Governmental Funds	1,423,692	1,126,849
<u>Private-purpose Trust Funds</u>	3,035	5,463
<u>Total all funds</u>	<u>\$ 1,950,067</u>	<u>1,950,067</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES, CONTINUED

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

INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 1,855,084	602,222
Haigis Parkway	-	500,568
General Town Improvements	336,528	413,804
General School Improvements	-	15,536
Nonmajor Governmental Funds	602,222	1,261,704
Total	\$ 2,793,834	2,793,834

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 68,844,000	4,000,000	5,999,000	66,845,000	6,030,000
Capital leases	253,640	1,199,550	82,782	1,370,408	280,420
Compensated absences	1,876,612	90,984	-	1,967,596	407,068
Landfill post-closure care costs	449,634	-	4,050	445,584	4,050
Governmental activity					
Long-term liabilities	\$ 71,423,886	5,290,534	6,085,832	70,628,588	6,721,538

As of June 30, 2007, the Town had authorized, but unissued debt totaling \$3,776,453. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

BONDS PAYABLE

Bonds payable at June 30, 2007 is comprised of the following:

General Obligation Notes and Bonds	Amount originally issued	Percentage applicable to			Interest rate	Final maturity date	Balance end of year
		Town	School	Sewer			
1987 Capital improvements	\$3,300,000	-	-	100.00%	Varies	2008	125,000
1988 Capital improvements	6,615,000	16.80%	-	83.20%	Varies	2009	550,000
1989 Capital improvements	2,300,000	100.00%	-	-	Varies	2009	210,000
1990 Capital improvements	7,415,000	-	100.00%	-	Varies	2011	1,300,000
1993 Capital improvements	1,135,000	100.00%	-	-	Varies	2012	150,000
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	1,840,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	2,385,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	1,100,000
1998 Capital improvements	1,475,000	82.35%	17.65%	-	Varies	2008	85,000
1999 Capital improvements	6,493,000	95.15%	4.85%	-	Varies	2019	1,490,000
2000 Capital improvements	4,770,000	70.87%	29.13%	-	Varies	2020	1,770,000
2001 Capital improvements	4,932,000	58.93%	41.07%	-	Varies	2021	1,875,000
2003 Capital improvements	24,579,000	9.37%	49.10%	40.00%	Varies	2032	21,420,000
2004 Capital improvements	14,628,000	17.05%	78.11%	5.08%	Varies	2034	12,000,000
2005 Capital improvements	10,665,000	11.10%	88.90%	-	Varies	2034	10,010,000
2006 Capital improvements	7,014,000	78.19%	21.81%	-	Varies	2036	6,535,000
2007 Capital improvements	4,000,000	66.20%	33.80%	-	Varies	2022	4,000,000
Total							\$ 66,845,000

The annual requirements to amortize all debt outstanding as of June 30, 2007 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 6,030,000	2,738,869	8,768,869
2009	5,510,000	2,504,320	8,014,320
2010	4,640,000	2,294,039	6,934,039
2011	4,520,000	2,104,929	6,624,929
2012	3,875,000	1,931,361	5,806,361
2013-2017	14,480,000	7,554,954	22,034,954
2018-2022	10,985,000	4,981,141	15,966,141
2023-2027	6,895,000	2,932,973	9,827,973
2028-2032	6,895,000	1,523,892	8,418,892
2033-2036	3,015,000	163,798	3,178,798
Totals	\$ 66,845,000	28,730,275	95,575,275

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

STATUTORY DEBT LIMIT

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

	June 30, 2007 outstanding bonds	Percent of 2007 State assessed value of \$ 3,255,800,000	Amount	Margin
For school purposes	\$ 38,418,164	10.00%	325,580,000	281,168,836
For storm or sanitary sewer	10,058,600	7.50%	244,185,000	234,126,400
For municipal airport, water and special district purposes	-	3.00%	97,674,000	97,674,000
For all other purposes	18,368,236	7.50%	244,185,000	225,816,764
Total	\$ 66,845,000	15.00%	488,370,000	

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building repairs and computer hardware and software. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The amount of assets capitalized under capital leases is \$1,578,995.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2007:

2008	\$ 331,951
2009	301,968
2010	271,757
2011	140,311
2012-thereafter	528,793
Total minimum lease payments	1,574,780
Less: amount representing interest	204,372
Present value of future minimum lease payments	\$ 1,370,408

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES

Overlapping Debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2007, the Town's State valuation of \$3,255,800,000 was 8.56% of the County's State valuation of \$38,041,800,000. The Town's share is 8.56% or \$684,642 of Cumberland County's \$7,999,569 long-term debt outstanding as of June 30, 2007.

The Town is also served by the Portland Water District. At June 30, 2007, the Town's share of self-supporting bonded water debt is 12.87% or \$2,556,955 of total debt of \$19,862,858.

Contingencies

ecomaine, formerly Regional Waste Systems, a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town of Scarborough, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of ecomaine, payable from and secured by a pledge of ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal to the required debt service on the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. At June 30, 2007, outstanding "Incinerator Debt" of ecomaine totaled \$35,772,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.43% or \$3,016,502.

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2007, the Town's share is 6.30% or \$278,334 of ecomaine's outstanding MRF debt of \$4,418,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$20,454,988 at June 30, 2006, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs 8.29%, or \$1,696,675.

Total Debt and Contingencies

Governmental <u>Unit</u>	As of June 30, 2007			
	Direct <u>debt</u>	Overlapping <u>debt</u>	Contingent <u>debt</u>	Total <u>debt</u>
Town of Scarborough	\$ 66,845,000	-	-	66,845,000
Cumberland County	-	684,642	-	684,642
Portland Water District - water debt	-	2,556,955	-	2,556,955
Regional Waste Systems:				
Resource recovery system	-	-	3,016,502	3,016,502
Material recovery facility	-	-	278,334	278,334
Landfill closure/postclosure costs	-	-	1,696,675	1,696,675
Totals	\$ 66,845,000	3,241,597	4,991,511	75,078,108

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED

Arbitrage

Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. The Town has had several issues for which a rebate calculation is or has been required. As of June 30, 2007, substantially all such calculations have been performed.

Grants

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS

Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill under a waiver granted by the State. The estimated total current cost of landfill closure, \$445,584, 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, 2007. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year. The total closure and postclosure care costs of \$445,584 have been accrued in the statement of activities. Presently, the State of Maine is providing partial funding for certain closure costs; however, future funding is based on availability of funds. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

DESIGNATED FUND BALANCES

At June 30, 2007, portions of the General Fund fund balance were designated to future periods as follows:

	<u>2007</u>
General Fund:	
State revenue sharing	\$ 78,539
Comprehensive plan	36,797
Co-Op boat lunch improvements	(5,718)
Finance – New equipment	19,566
Finance – Supplies	3,200
Finance – Employee training	957
Public Safety – Night vision goggles	3,540
Police Department - 2006 QED software	9,300
Police Department – Auxiliary vehicles	700
Fire Department – Squad truck	2,115
Fire Department – Municipal holding tank	42,994
Public Works – Paving	42,000
Public Works – Employee training	1,400

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DESIGNATED FUND BALANCES, CONTINUED

	<u>2007</u>
General Fund, continued:	
Assessing -- Town maps	\$ 5,000
Library roof replacement	46,940
Library system efficiency/safety	182,518
Library HVAC	54,497
SEMA Canteen replacement vehicle	22,418
Fire Dept -- ADA/Energy improvements	46,280
Municipal building design study	5,310
Municipal building repairs	11,365
Town clerk -- employee training	800
Administration -- employee training	3,816
Human resources -- employee training	477
Child care revenues	1,027
Cable franchise fees	17,854
Marine Resource Office -- Inventory Management	6,770
Town-wide ADA projects	13,790
Town-wide computer purchases	102,359
Geographical information	19,364
Encumbered purchase orders	282,588
Reserve for accrued sick pay	938,384
Total General Fund designated fund balance	\$ 1,996,947

RESERVED FUND EQUITY

At June 30, 2007, the Special Revenue fund equity for the School Lunch Program included a reserve for inventory on hand at June 30, 2007 of \$12,559. Fund balance has been reserved in the permanent funds for nonexpendable principal of \$114,778. The total reserved fund balance for other governmental funds on Statement 3 was \$801,344. As of June 30, 2007, the General Fund fund balance was reserved in the amount of \$674,006, reflecting the non-current portion of the interfund loan receivable from the Municipal Building Fund in the amount of \$534,679, the Boat Launch Fund deficit of \$35,148, the Departmental Grants & Programs deficit of \$53,474 and the Recreation Development Fund amount of \$50,705.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

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

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan, the Town had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooled unfunded liability (IUUAL) on a scheduled basis, in addition to making the normal contribution to the plan. The IUUAL was fully paid off in 2007. The current rate is 2.8% of annual covered payroll for School employees participating in the District Plan, 2.8% for Town employees and 4.0% for Police. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the MSRS Consolidated Plan for the year ended June 30, 2007, 2006 and 2005 were \$85,274, \$49,282, and \$48,977 respectively including IUUAL payments of \$9,584.

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,425,158 (19.14%) for the fiscal year 2007. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEFINED CONTRIBUTION PENSION PLAN

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

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All municipal employees of the Town have the option of participating in the plan or the Maine State Retirement System. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his account at that time. Each employee must contribute a minimum of 6% of his or her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings.

During the year, the Town's required and actual contributions amounted to \$247,279, which was 6% of its current year covered payroll. The covered payroll amounted to \$4,121,317, while the Town's total payroll was \$9,302,052.

Employee's required contributions amounted to \$247,279, which was 6% of the Town's current year covered payroll.

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

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

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

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

Scarborough Town Center Development District:	
Original assessed value	\$ 6,915,000
Maximum authorized captured value	6,900,000
Amount captured as of June 30, 2007	6,900,000
Scarborough Eight Corners Development District:	
Original assessed value	4,522,700
Maximum authorized captured value	39,000,000
Amount captured as of June 30, 2007	39,000,000
Enterprise Business Park TIF:	
Original assessed value	544,800
Amount captured as of June 30, 2007	5,065,500
Haigis Parkway:	
Original assessed value	8,563,500
Amount captured as of June 30, 2007	10,808,200

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, for which the Town either carries commercial insurance, participates in a public entity pool, or is effectively self-insured. Currently, the municipal departments participate in several public entity and self-insured pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the Town is not aware of any material actual or potential claims liabilities which should be recorded at June 30, 2007. There have been no significant reductions in commercial insurance coverage from the prior year and no settlements have exceeded commercial insurance coverage in any of the past three years.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2007:

	Governmental Activities
Capital assets	\$ 129,410,096
Accumulated depreciation	(21,949,255)
Bonds payable	(66,845,000)
Unspent bond proceeds	3,461,160
<u>Total invested in capital assets net of related debt</u>	<u>\$ 44,077,001</u>

Net assets in the Governmental Activities has been restated by \$181,099 from \$54,485,059 to \$54,303,960 as of June 30, 2006 to account for previously unrecorded capital leases. Beginning capital lease liability has been adjusted accordingly.

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).

TOWN OF SCARBOROUGH, MAINE
General Fund
Comparative Balance Sheets
June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 7,916,097	6,551,527
Investments	3,019,928	3,307,048
Receivables:		
Taxes receivable	103,975	59,797
Tax liens	363,401	407,661
Accounts receivable	606,045	403,966
Interfund loans receivable	483,340	1,041,875
Tax acquired property	7,231	7,231
Total assets	\$ 12,500,017	11,779,105
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	806,517	695,103
Accrued payroll	2,599,530	2,457,799
Taxes collected in advance	31,279	17,928
Deferred tax revenues	370,000	382,000
Total liabilities	3,807,326	3,552,830
Fund balance:		
Reserved	674,006	771,193
Unreserved:		
Designated - Town	1,996,947	1,935,252
Undesignated - Education	672,761	483,874
Undesignated - Town	5,348,977	5,035,956
Total fund balance	8,692,691	8,226,275
Total liabilities and fund balance	\$ 12,500,017	11,779,105

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, 2007
(with comparative totals for June 30, 2006)

		2007					
	2006		Total		Variance	2006	
	carryforward	Budget	Available	Actual	positive (negative)	Actual	
Revenues:							
Taxes:							
Property taxes	\$ -	38,069,875	38,069,875	38,021,985	(47,890)	36,682,277	
Change in deferred property tax revenue	-	-	-	12,000	12,000	18,000	
Excise taxes	-	4,526,000	4,526,000	4,442,571	(83,429)	4,438,334	
Cable franchise taxes	-	155,000	155,000	155,998	998	145,809	
Interest and costs on taxes	-	54,800	54,800	79,599	24,799	61,243	
Total taxes	-	42,805,675	42,805,675	42,712,153	(93,522)	41,345,663	
Licenses and permits:							
Plumbing fees	-	22,000	22,000	17,785	(4,215)	21,759	
Town Clerk fees	-	121,298	121,298	162,675	41,377	124,556	
Building permits	-	459,410	459,410	465,942	6,532	347,226	
Electrical permits	-	20,000	20,000	19,685	(315)	26,079	
Zoning Board of Appeals	-	7,000	7,000	16,575	9,575	14,867	
License plate fees	-	66,300	66,300	63,364	(2,936)	68,033	
Subdivision fees	-	10,000	10,000	7,000	(3,000)	8,900	
Total licenses and permits	-	706,008	706,008	753,026	47,018	611,420	
Intergovernmental:							
Education state subsidies	-	6,428,939	6,428,939	6,423,999	(4,940)	5,715,173	
FEMA reimbursement	-	-	-	188,903	188,903	-	
State Revenue Sharing	-	1,450,000	1,450,000	1,397,648	(52,352)	1,432,953	
Homestead exemption	-	317,421	317,421	317,821	400	305,211	
URIP (D.O.T. block grant)	-	344,000	344,000	364,540	20,540	347,440	
ecomaine payment in lieu of taxes	-	77,148	77,148	71,450	(5,698)	78,581	
Adult education State subsidies	-	32,000	32,000	29,264	(2,736)	31,554	
General assistance reimbursement	-	5,000	5,000	3,634	(1,366)	1,184	
Federal HIDTA revenues	-	90,000	90,000	97,326	7,326	90,660	
Medicaid	-	150,000	150,000	169,780	19,780	104,795	
Other Federal and State revenues - School	-	442,402	442,402	277,910	(164,492)	374,309	
Other Federal and State revenues - Town	-	18,000	18,000	27,323	9,323	38,447	
Total intergovernmental	-	9,354,910	9,354,910	9,369,598	14,688	8,520,307	
Interest earned	-	182,000	182,000	404,622	222,622	260,661	
Unclassified:							
School Department miscellaneous	-	66,000	66,000	58,488	(7,512)	96,670	
Adult education	-	17,500	17,500	9,118	(8,382)	5,555	
Community services	-	1,359,708	1,359,708	1,426,176	66,468	1,351,165	
Police court time	-	10,000	10,000	16,918	6,918	9,753	
Snow plowing service	-	8,400	8,400	10,768	2,368	8,364	
Alarm repair reimbursements	-	-	-	-	-	21,050	
Insurance reimbursements	-	15,000	15,000	66,734	51,734	33,511	
Public Violations	-	27,500	27,500	44,009	16,509	10,180	
Special duty police/fire	-	101,000	101,000	120,561	19,561	100,677	
Inspection/review fees	-	115,000	115,000	252,075	137,075	177,991	
Rescue donations	-	475,000	475,000	475,000	-	350,000	
Rental income	-	55,568	55,568	51,793	(3,775)	30,193	
Sale of Town-owned property	-	146,452	146,452	162,305	15,853	96,636	
Legal/engineering	-	-	-	-	-	374,199	
Salary reimbursement	-	436,363	436,363	420,739	(15,624)	-	
Vehicle fuel reimbursement	-	367,200	367,200	355,621	(11,579)	386,574	
Vehicle maintenance reimbursement	-	268,750	268,750	296,495	27,745	216,364	
Lease revenue	-	429,319	429,319	72,097	(357,222)	151,270	
Miscellaneous	-	74,875	74,875	116,276	41,401	133,550	
Total unclassified	-	3,973,635	3,973,635	3,955,173	(18,462)	3,553,702	
Total revenues	-	57,022,228	57,022,228	57,194,572	172,344	54,291,753	

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

	2006 carryforward	2007		Actual	Variance positive (negative)	2006 Actual
		Budget	Total available			
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	11,572	1	11,573
Administration	5,000	231,357	236,357	234,569	1,788	227,637
Town Clerk	500	197,924	198,424	174,568	23,856	167,525
Planning	35,510	765,886	801,396	766,989	34,407	885,041
Assessing	-	236,544	236,544	212,970	23,574	229,606
Human resources	-	175,285	175,285	174,683	602	170,671
Personnel benefits	(11,765)	61,500	49,735	230,024	(180,289)	111,031
Management information systems	61,251	505,763	567,014	546,438	20,576	494,303
Municipal building	-	271,561	271,561	257,186	14,375	284,616
General government	(5,000)	86,870	81,870	78,515	3,355	79,462
Finance	-	388,237	388,237	344,853	43,384	349,413
Purchasing	-	78,390	78,390	77,422	968	59,311
Taxation/Treasury	-	383,452	383,452	407,472	(24,020)	379,868
Legal	-	84,000	84,000	122,360	(38,360)	345,882
Risk management	-	474,500	474,500	480,898	(6,398)	475,398
Public information	-	9,600	9,600	5,825	3,775	8,603
Engineering	2,500	77,500	80,000	211,799	(131,799)	2,599
Outside agencies	-	65,390	65,390	62,532	2,858	57,809
Total general government	87,996	4,105,332	4,193,328	4,400,675	(207,347)	4,340,348
Public services:						
Library	-	695,299	695,299	695,299	-	645,679
Public health and welfare	-	11,900	11,900	12,163	(263)	12,927
Enterprise Park tax rebate	-	64,174	64,174	61,934	2,240	-
Economic Development Corporation	-	205,578	205,578	204,885	693	210,133
Community services	6,638	1,957,182	1,963,820	2,095,757	(131,937)	1,980,654
Total public services	6,638	2,934,133	2,940,771	3,070,038	(129,267)	2,849,393
Public safety:						
Fire Department	28,256	1,601,376	1,629,632	1,566,381	63,251	1,412,628
Police Department	93,308	3,911,153	4,004,461	3,881,578	122,883	3,733,757
Emergency Management	2,600	34,334	36,934	31,361	5,573	27,687
Marine resources	7,020	81,046	88,066	83,144	4,922	76,720
Emergency Medical Services	16,967	1,116,112	1,133,079	1,079,509	53,570	928,959
Total public safety	148,151	6,744,021	6,892,172	6,641,973	250,199	6,179,751
Public works:						
Public Works Department	44,780	2,447,564	2,492,344	2,223,908	268,436	2,290,275
Vehicle maintenance	600	1,330,456	1,331,056	1,351,183	(20,127)	1,294,614
Water charges	-	172,412	172,412	159,756	12,656	151,793
Street lighting	-	135,660	135,660	158,198	(22,538)	150,377
Traffic signals	-	118,910	118,910	97,019	21,891	100,213
Cemetery care	-	37,853	37,853	31,685	6,168	25,291
Memorials	-	9,172	9,172	10,570	(1,398)	7,818
Shade trees	2,000	25,092	27,092	16,920	10,172	30,305
Engineering services	16,972	91,455	108,427	90,597	17,830	29,814
Solid waste program	-	1,766,896	1,766,896	1,706,220	60,676	1,621,533
Total public works	64,352	6,135,470	6,199,822	5,846,056	353,766	5,702,033
Education:						
Regular instruction	-	17,558,285	17,558,285	17,313,651	244,634	-
Improvement of instruction	-	360,959	360,959	298,661	62,298	-
Special services	-	2,317,687	2,317,687	2,218,692	98,995	-
General & special administration	-	350,679	350,679	319,976	30,703	-
Board of education	-	38,150	38,150	34,156	3,994	-
Office of the superintendent	-	672,519	672,519	636,731	35,788	-
Business administration	-	1,118,561	1,118,561	1,121,783	(3,222)	-
Transportation	-	1,374,934	1,374,934	1,360,166	14,768	-
Operation and maintenance of plant	-	3,784,089	3,784,089	3,339,160	444,929	-
Debt service	-	4,457,690	4,457,690	4,457,690	-	-
Total education	-	32,033,553	32,033,553	31,100,666	932,887	30,348,883

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

		2007				
	2006 carryforward	Budget	Total available	Actual	Variance positive (negative)	2006 Actual
Expenditures, continued:						
Current, continued:						
County tax	\$ -	1,614,651	1,614,651	1,614,651	-	1,584,344
Debt service (excluding education):						
Principal	-	3,226,635	3,226,635	3,219,135	7,500	2,957,054
Interest and other costs	-	1,183,079	1,183,079	1,176,872	6,207	1,108,323
Total debt service	-	4,409,714	4,409,714	4,396,007	13,707	4,065,377
Capital improvements	523,995	1,368,569	1,892,564	1,419,445	473,119	1,114,864
Total expenditures	831,132	59,345,443	60,176,575	58,489,511	1,687,064	56,184,993
Excess (deficiency) of revenues over (under) expenditures	(831,132)	(2,323,215)	(3,154,347)	(1,294,939)	1,859,408	(1,893,240)
Other financing sources (uses):						
Transfers in	-	1,785,927	1,785,927	1,855,084	69,157	2,166,015
Transfers out	-	(572,035)	(572,035)	(602,222)	(30,187)	(608,069)
General obligation bonds	-	735,750	735,750	634,750	(101,000)	936,000
Utilization of prior year surplus and carryforward balance	831,132	475,000	1,306,132	-	(1,306,132)	-
Overlay	-	(101,427)	(101,427)	-	101,427	-
Total other financing sources (uses)	831,132	2,323,215	3,154,347	1,887,612	(1,266,735)	2,493,946
Net change in fund balances - budgetary basis	-	-	-	592,673	592,673	600,706
Reconciliation to GAAP basis:						
Change in accrued salaries				(126,257)		(134,439)
Fund balances, beginning of year				8,226,275		7,760,008
Fund balances, end of year				\$ 8,692,691		8,226,275

OTHER GOVERNMENTAL FUNDS

TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 275,422	-	-	275,422
Investments	3,939,615	-	181,621	4,121,236
Accounts receivable	21,948	-	-	21,948
Due from State of Maine	36,221	-	-	36,221
Interfund loans	1,410,842	-	12,850	1,423,692
Inventory	12,559	-	-	12,559
Total assets	\$ 5,696,607	-	194,471	5,891,078
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	335,693	-	-	335,693
Interfund loans	590,751	534,679	1,419	1,126,849
Total liabilities	926,444	534,679	1,419	1,462,542
Fund balances (deficit):				
Reserved for:				
Inventory	12,559	-	-	12,559
Principal	-	-	114,778	114,778
Unreserved, undesignated	4,757,604	(534,679)	78,274	4,301,199
Total fund balances (deficit)	4,770,163	(534,679)	193,052	4,428,536
Total liabilities and fund balances	\$ 5,696,607	-	194,471	5,891,078

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,409,665	-	-	1,409,665
Contributions	86,044	-	-	86,044
Assessments and impact fees	494,107	-	-	494,107
Sale of lots	35,450	-	4,850	40,300
Other revenue	2,311,435	-	-	2,311,435
Interest revenue	192,231	-	6,607	198,838
Total revenues	4,528,932	-	11,457	4,540,389
Expenditures:				
Current:				
Capital expenditures	655,830	-	-	655,830
Other	2,639,454	-	1,419	2,640,873
Total expenditures	3,295,284	-	1,419	3,296,703
Excess of revenues over expenditures	1,233,648	-	10,038	1,243,686
Other financing sources (uses):				
Transfers in	534,490	67,732	-	602,222
Transfers out	(1,204,116)	(57,588)	-	(1,261,704)
Total other financing sources (uses)	(669,626)	10,144	-	(659,482)
Net change in fund balances	564,022	10,144	10,038	584,204
Fund balances (deficit), beginning of year	4,206,141	(544,823)	183,014	3,844,332
Fund balances (deficit), end of year	\$ 4,770,163	(534,679)	193,052	4,428,536

NONMAJOR SPECIAL REVENUE FUNDS

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

Special revenue funds are established for the following purposes:

Unemployment Compensation

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

Ferry Beach

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

Recreation Development

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

Sewer Expansion

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

Hurd Park

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

Scarborough Memorial Improvement

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

Dunstan Cemetery Improvement

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

Industrial Park

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

Prouts Landing Conservation

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Payne Road Improvements

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

Payne Road Impact Fees

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

Boat Launch Facility

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

Police Asset Forfeiture

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

Hunnewell House

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

Rescue Equipment

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

Fire Department

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

Departmental Grants and Programs

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

School Development Impact Fees

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

Friends of the Scarborough Marsh

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

Pleasant Hill Area Drainage

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

School Categorical Programs

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

School Lunch Program

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

Computer Replacement Fund

This fund is used for the replacement of municipal computers.

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	Unemploy- ment Compen- sation	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	Sewer Expansion	Boat Launch	Scarborough Memorial Improve- ment	Dunstan Cemetery Improve- ment	Industrial Park	Prongs Landing Conserva- tion	Payne Road Improvements
ASSETS										
Cash and cash equivalents	\$ -	-	128,201	-	-	-	-	-	-	-
Investments	178,067	275,659	-	-	-	74,629	1,201	565,695	23,172	89,054
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Due from State of Maine	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	-	129,636	-	546,720	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 178,067	405,295	128,201	546,720	-	74,629	1,201	565,695	23,172	89,054
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	2,830	-	-	83	-	-	-	-	-
Interfund loans payable	732	-	178,906	-	35,065	16,150	-	97,680	-	23,959
Total liabilities	732	2,830	178,906	-	35,148	16,150	-	97,680	-	23,959
Fund balances:										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Undesignated	177,335	402,465	(50,705)	546,720	(35,148)	58,479	1,201	468,015	23,172	65,095
Total fund balances (deficit)	177,335	402,465	(50,705)	546,720	(35,148)	58,479	1,201	468,015	23,172	65,095
Total liabilities and fund balances	\$ 178,067	405,295	128,201	546,720	-	74,629	1,201	565,695	23,172	89,054

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

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
1,620,846	523,467	-	-	-	-	87,767	-	16,655	130,204	(87,405)	-	275,422
-	-	2,617	854	489,661	3,068	-	754	-	-	-	90,871	3,939,615
-	-	7,495	-	8,750	410	1,051	-	-	4,242	-	-	21,948
398,245	151,793	-	-	-	-	-	-	-	-	36,221	-	36,221
-	-	101,783	858	-	6,807	-	-	-	-	75,000	-	1,410,842
-	-	-	-	-	-	-	-	-	-	12,559	-	12,559
2,019,091	675,260	111,895	1,712	498,411	10,285	88,818	754	16,655	134,446	36,375	90,871	5,696,607
216,572	4,608	-	-	962	-	1,882	-	-	71,994	36,762	-	335,693
-	-	-	-	62,862	-	140,410	-	-	-	-	34,987	590,751
216,572	4,608	-	-	63,824	-	142,292	-	-	71,994	36,762	34,987	926,444
-	-	-	-	-	-	-	-	-	-	12,559	-	12,559
1,802,519	670,652	111,895	1,712	434,587	10,285	(53,474)	754	16,655	62,452	(12,946)	55,884	4,757,604
1,802,519	670,652	111,895	1,712	434,587	10,285	(53,474)	754	16,655	62,452	(387)	55,884	4,770,163
2,019,091	675,260	111,895	1,712	498,411	10,285	88,818	754	16,655	134,446	36,375	90,871	5,696,607

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	Unemploy- ment Compen- sation	Hurd Park and Ferry Beach	Recrea- tional Develop- ment	Sewer Expansion	Boat Launch	Scarborough Memorial Improve- ment	Dunstan Cemetery Improve- ment	Prouts Landing Conserva- tion	Payne Road Improvements
Revenues:									
Intergovernmental	-	-	-	-	-	-	-	-	-
Interest earned	9,383	14,730	-	-	-	4,015	64	1,221	6,641
Contributions	4,000	55,418	-	-	8,290	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	4,850	-	-	-
Other	-	-	-	-	-	-	-	-	-
Assessments and impact fees	-	-	54,450	439,657	-	-	-	-	-
Total revenues	13,383	70,148	54,450	439,657	8,290	8,865	64	1,221	6,641
Expenditures:									
Construction and acquisitions	-	42,507	-	-	6,566	-	-	-	23,959
Benefits paid	1,124	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total expenditures	1,124	42,507	-	-	6,566	-	-	-	23,959
Excess (deficiency) of revenues over (under) expenditures	12,259	27,641	54,450	439,657	1,724	8,865	64	1,221	(17,318)
Other financing sources (uses):									
Transfers in	-	-	-	459,200	-	-	-	-	-
Transfers out	-	-	(16,681)	(813,678)	-	(21,000)	-	-	-
Total other financing sources (uses)	-	-	(16,681)	(354,478)	-	(21,000)	-	-	-
Net change in fund balances	12,259	27,641	37,769	85,179	1,724	(12,135)	64	1,221	(17,318)
Fund balances (deficit), beginning of year	165,076	374,824	(88,474)	461,541	(36,872)	70,614	1,137	21,951	82,413
Fund balances (deficit), end of year	\$ 177,335	402,465	(50,705)	546,720	(35,148)	58,479	1,201	23,172	65,095

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

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
-	-	64,196	-	-	-	12,314	-	-	1,099,963	233,192	-	1,409,665
85,415	18,369	138	47	13,413	162	2,124	444	-	-	-	4,789	192,231
-	-	-	-	-	3,336	15,000	-	-	-	-	-	86,044
-	-	-	-	30,600	-	-	-	-	-	-	-	35,450
137,376	335,607	-	1,550	646,883	-	59,521	-	-	99,781	1,030,717	-	2,311,435
-	-	-	-	-	-	-	-	-	-	-	-	494,107
222,791	353,976	64,334	1,597	690,896	3,498	88,959	444	-	1,199,744	1,263,909	4,789	4,528,932
-	7,365	20,000	-	520,079	-	35,354	-	-	-	-	-	655,830
-	-	-	-	-	-	-	-	-	-	-	-	1,124
-	-	-	-	135,552	-	-	-	-	1,159,718	1,343,060	-	2,638,330
-	7,365	20,000	-	655,631	-	35,354	-	-	1,159,718	1,343,060	-	3,295,284
222,791	346,611	44,334	1,597	35,265	3,498	53,605	444	-	40,026	(79,151)	4,789	1,233,648
-	-	-	-	-	-	290	-	-	-	75,000	-	534,490
-	(170,650)	-	-	(75,762)	-	(6,345)	-	-	-	-	-	(1,204,116)
-	(170,650)	-	-	(75,762)	-	(6,055)	-	-	-	75,000	-	(669,626)
222,791	175,961	44,334	1,597	(40,497)	3,498	47,550	444	-	40,026	(4,151)	4,789	564,022
1,579,728	494,691	67,561	115	475,084	6,787	(101,024)	310	16,655	22,426	3,764	51,095	4,206,141
1,802,519	670,652	111,895	1,712	434,587	10,285	(53,474)	754	16,655	62,452	(387)	55,884	4,770,163

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, 2007

	Fund balances beginning of year	Revenues Grants	Other	Program expenditures	Fund balances end of year
Federal education grant programs:					
NCLB/Title IA	\$ 1,801	164,988	-	162,994	3,795
NCLB/Title IIA	16,803	22,386	-	45,781	(6,592)
NCLB/Title IID	3,274	1,792	-	1,048	4,018
NCLB/Title IVA	6,741	5,078	-	7,314	4,505
NCLB/Title VA	3,097	27,362	-	17,499	12,960
Refugee Resettlement	5,920	-	-	809	5,111
Local Entitlement	(66,900)	736,426	-	660,752	8,774
Preschool handicapped	-	-	-	-	-
Goals 2000	48	-	-	-	48
Total federal education grant programs	(29,216)	958,032	-	896,197	32,619
Other State grant programs:					
State Agency Clients	968	112,015	-	97,786	15,197
Professional Development Grant	41,833	29,916	-	62,699	9,050
Total other state grant programs	42,801	141,931	-	160,485	24,247
Co-curricular programs:					
Red Storm Football	976	-	5,230	6,206	-
Ice Hockey	7	-	12,724	12,731	-
HS Girls Ice Hockey	(1)	-	6,107	6,106	-
HS Lacrosse	-	-	-	2,445	(2,445)
Girl's Lacrosse	(170)	-	170	2,799	(2,799)
Gym Dandies	338	-	12,759	12,687	410
MS Baseball	(4)	-	-	1,765	(1,769)
Freshman Baseball	(92)	-	-	-	(92)
Softball Expansion	1,221	-	-	-	1,221
High/Middle school swim	3,048	-	10,937	12,485	1,500
HS / MS Field Hockey	(60)	-	5,000	3,566	1,374
Foreign Language Club	(59)	-	-	-	(59)
HS Volleyball	-	-	2,616	2,809	(193)
HS Wrestling	(73)	-	7,725	6,476	1,176
Maine Nutrition Program	500	-	-	-	500
Community Services transportation	(3,194)	-	25,142	21,948	-
Community Foundation Grant	157	-	-	-	157
Beacon Learning Center	4,033	-	4,800	2,088	6,745
Band	(204)	-	1,730	1,730	(204)
Math	2	-	-	-	2
Wal-Mart	1,000	-	-	-	1,000
MS Health Grant/other	(1,516)	-	-	-	(1,516)
Total co-curricular programs	5,909	-	94,940	95,841	5,008
Other special programs:					
Wellness Activities	46	-	-	-	46
Winslow Homer Auditorium	2,886	-	4,841	7,195	532
Total other special programs	2,932	-	4,841	7,195	578
Total school categorical programs	\$ 22,426	1,099,963	99,781	1,159,718	62,452

NONMAJOR CAPITAL PROJECT FUNDS

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

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

Municipal Building Fund

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

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Fund
Balance Sheet
June 30, 2007

		Municipal Building Fund
ASSETS		
Cash and cash equivalents	\$	-
Total assets	\$	-
LIABILITIES AND FUND BALANCE		
Liabilities:		
Interfund loans payable		534,679
Total liabilities		534,679
Fund balance (deficit):		
Unreserved:		
Undesignated		(534,679)
Total fund deficit		(534,679)
Total liabilities and fund balance	\$	-

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2007

	Municipal Building Fund
Revenues:	
Interest earned	\$ -
Total revenues	-
Expenditures:	
Construction and professional services	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	-
Other financing sources (uses):	
Transfers in	67,732
Transfers out	(57,588)
Proceeds of general obligation bonds	-
Total other financing sources (uses)	10,144
Net change in fund balances	10,144
Fund deficit, beginning of year	(544,823)
Fund deficit, end of year	\$ (534,679)

NONMAJOR PERMANENT FUNDS

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

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

Scarborough Memorial Cemetery

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

Dunstan Perpetual Care

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

Mary A. Tucker Fund

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

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2007

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 152,535	26,244	2,842	181,621
Interfund loans receivable	12,850	-	-	12,850
Total assets	\$ 165,385	26,244	2,842	194,471
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	1,419	-	1,419
Total liabilities	-	1,419	-	1,419
Fund balances:				
Principal	100,911	13,367	500	114,778
Unexpended income	64,474	11,458	2,342	78,274
Total fund balances	165,385	24,825	2,842	193,052
Total liabilities and fund balances	\$ 165,385	26,244	2,842	194,471

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 5,159	1,419	29	6,607
Sale of lots/perpetual care deposits	4,850	-	-	4,850
Total revenues	10,009	1,419	29	11,457
Expenditures:				
Earnings retained by General Fund	-	1,419	-	1,419
Other	-	-	-	-
Total expenditures	-	1,419	-	1,419
Net change in fund balances	10,009	-	29	10,038
Fund balances, beginning of year	155,376	24,825	2,813	183,014
Fund balances, end of year	\$ 165,385	24,825	2,842	193,052

PRIVATE-PURPOSE TRUST FUNDS

Shirley Grover Fund

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

Mary Campbell Peterson Fund

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

Edith Warga Art Scholarship

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

Packy McFarland Scholarship Fund

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

Roy Nelson Scholarship Fund

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

Daniel Tranchemontagne Scholarship Fund

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

Virginia Jackson Scholarship Fund

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

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, 2007

	Mary Campbell Peterson Fund	Shirley Grover Fund	Edith Wargo Art Scholarship Fund	Jacky McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchesi Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Lally-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	1,512	98,701	105,438	3,573	12	76	27,031	292	3,324	12,114	1,540	4,249	257,862
Receivable from	-	-	-	535	-	1,000	1,500	-	-	-	-	-	3,035
Total assets	\$ 1,512	\$ 98,701	\$ 105,438	\$ 4,108	\$ 12	\$ 1,076	\$ 28,531	\$ 292	\$ 3,324	\$ 12,114	\$ 1,540	\$ 4,249	\$ 260,897
LIABILITIES AND NET ASSETS													
Liabilities													
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	2,000	-	-	-	-	2,013	300	150	1,500	400	-	5,463
Total liabilities	-	2,000	-	-	-	-	2,013	300	150	1,500	400	-	1,950
Net assets:													
Principal	1,240	87,680	103,000	-	-	-	-	-	-	-	-	-	-
Undesignated	272	9,021	5,438	4,108	12	1,076	25,618	500	2,026	3,500	-	3,810	198,756
Total net assets	\$ 1,512	\$ 96,701	\$ 108,438	\$ 4,108	\$ 12	\$ 1,076	\$ 25,618	\$ 92	\$ 1,148	\$ 7,114	\$ 1,140	\$ 189	\$ 54,728
Total liabilities and net assets	\$ 1,512	\$ 98,701	\$ 108,438	\$ 4,108	\$ 12	\$ 1,076	\$ 28,531	\$ 292	\$ 3,324	\$ 12,114	\$ 1,540	\$ 4,249	\$ 260,897

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Shirley Grover Fund	Mary Campbell Pederson Fund	Edith Wagon Art Scholarship Fund	Pucky McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Truheimontague Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	Howard Mem. Scholarship Fund	S. Dwight Libby-Lary Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Deduction Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions														
Donations	\$ -	-	-	1,675	-	-	-	176	-	-	-	-	-	1,851
Interest and dividends	73	4,961	5,406	189	12	34	1,504	1,504	15	117	187	101	165	12,774
Total additions	73	4,961	5,406	1,864	12	44	1,680	1,680	15	117	187	101	165	14,625
Deductions														
School scholarships	-	1,000	3,000	800	300	1,000	1,500	1,500	-	150	250	900	-	8,900
Total deductions	-	1,000	3,000	800	300	1,000	1,500	1,500	-	150	250	900	-	8,900
Changes in net assets	73	3,961	2,406	1,064	(288)	(956)	180	(820)	15	(33)	(63)	(799)	165	5,725
Net assets, beginning of year	1,439	92,740	103,012	3,034	300	2,032	25,438	25,438	77	3,207	10,677	1,939	3,834	247,759
Net assets, end of year	\$ 1,512	\$ 96,701	\$ 105,418	\$ 4,108	\$ 12	\$ 1,076	\$ 25,618	\$ 25,618	\$ 92	\$ 3,174	\$ 10,614	\$ 1,140	\$ 3,999	\$ 253,484

TOWN OF SCARBOROUGH, MAINE
 Agency Funds
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 2007

	Balance			Balance
	July 1, 2006	Additions	Deletions	June 30, 2007
STUDENT ACTIVITIES:				
ASSETS				
Cash	\$ 174,185	463,408	439,263	198,330
LIABILITIES				
Payable to student groups	\$ 174,185	463,408	439,263	198,330

GENERAL LONG-TERM DEBT

TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2007

For the year ended June 30, 2007								
	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
						Issued	Retired	
<u>General Obligation Bonds</u>								
1987 Capital Improvements	Varies	2008	\$	125,000 to 2008	250,000		125,000	125,000
1988 Capital Improvements	Varies	2009		275,000 to 2009	825,000		275,000	550,000
1989 Capital Improvements	Varies	2009		110,000 to 2008				
				100,000 in 2009	320,000		110,000	210,000
1990 Capital Improvements	Varies	2011		335,000 to 2007				
				325,000 to 2010	1,635,000		335,000	1,300,000
1993 Capital Improvements	Varies	2013		25,000 to 2013	175,000		25,000	150,000
1994 Capital Improvements	Varies	2015		230,000 to 2015	2,070,000		230,000	1,840,000
1995 Capital Improvements	Varies	2016		265,000 to 2016	2,650,000		265,000	2,385,000
1997 Capital Improvements	Varies	2017		205,000 to 2007				
				110,000 to 2017	1,305,000		205,000	1,100,000
1998 Capital Improvements	Varies	2008		100,000 to 2007				
				85,000 in 2008	185,000		100,000	85,000
1999 Capital Improvements	Varies	2019		400,000 to 2007				
				395,000 to 2009				
				70,000 to 2019	1,890,000		400,000	1,490,000
2000 Capital Improvements	Varies	2020		210,000 to 2008				
				205,000 to 2010				
				155,000 to 2020	1,980,000		210,000	1,770,000
2001 Capital Improvements	Varies	2021		190,000 in 2007				
				180,000 to 2011				
				120,000 in 2012				
				115,000 to 2021	2,065,000		190,000	1,875,000
2002 Capital Improvements	2.700%	2007		845,000 in 2007	845,000		845,000	0
2003 Capital Improvements	Varies	2033		890,000 in 2007				
				995,000 in 2008				
				655,000 in 2009				
				685,000 in 2010				
				750,000 in 2011				
				840,000 in 2012				
				925,000 in 2013				
				595,000 in 2014				
				685,000 in 2015				
				780,000 in 2016				
				885,000 in 2017				
				1,005,000 in 2018				
				1,135,000 in 2019				
				1,280,000 in 2020				
				1,435,000 in 2021				
				1,610,000 in 2022				
				1,800,000 in 2023				
				430,000 in 2024				
				450,000 in 2025				
				475,000 in 2026				
				495,000 in 2027				
				520,000 in 2028				
				545,000 in 2029				
				570,000 in 2030				
				595,000 in 2031				
				625,000 in 2032				
2004 Capital Improvements	2.250%	2034		655,000 in 2033	22,310,000		890,000	21,420,000
				975,000 to 2008				
				985,000 in 2009				
				665,000 in 2010				
				680,000 to 2012				
				690,000 in 2013				

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

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
<u>General Obligation Bonds</u>								
2004 Capital Improvements	con'td	2034	\$	265,000 in 2020 280,000 in 2021 290,000 in 2022 305,000 in 2023 320,000 in 2024 335,000 in 2025 350,000 in 2026 365,000 in 2027 385,000 in 2028 400,000 in 2029 420,000 in 2030 440,000 in 2031 460,000 in 2032 480,000 in 2033 500,000 in 2034	12,975,000	-	975,000	12,000,000
2005 Capital Improvements	Varies	2034		510,000 in 2007 520,000 in 2008 525,000 in 2009 385,000 in 2010 390,000 in 2011 395,000 in 2012 395,000 in 2013 315,000 in 2014 250,000 in 2015 230,000 in 2016 240,000 in 2017 250,000 in 2018 260,000 in 2019 270,000 in 2020 280,000 in 2021 290,000 in 2022 300,000 in 2023 315,000 in 2024 325,000 in 2025 340,000 in 2026 355,000 in 2027 370,000 in 2028 385,000 in 2029 405,000 in 2030 420,000 in 2031 440,000 in 2032 460,000 in 2033 480,000 in 2034	10,350,000	-	340,000	10,010,000
2006 Capital Improvements	Varies	2021		479,000 in 2007 665,000 in 2008 690,000 in 2009 805,000 in 2010 835,000 in 2011 480,000 in 2012 510,000 in 2013 515,000 in 2014 530,000 in 2015 505,000 in 2016 185,000 in 2017 190,000 in 2018 195,000 in 2019 210,000 in 2020 220,000 in 2021	7,014,000		479,000	6,535,000
2007 Capital Improvements	4.00%	2023		550,000 to 2012 225,000 to 2017 25,000 to 2023		4,000,000		4,000,000
Total bonds					68,844,000	4,000,000	5,999,000	66,845,000
Total long-term debt			\$		68,844,000	4,000,000	5,999,000	66,845,000

STATISTICAL SECTION



Hurd Park at Pine Point

2007

STATISTICAL SECTION

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

Contents

Table

Financial Trends

1-7

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

Revenue Capacity

8-12

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

Debt Capacity

13-15

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

15-16

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

Operating Information

17-20

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the government provides and the activities it performs.

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

Table 1

TOWN OF SCARBOROUGH, MAINE

Net Assets by Component

Last Five Fiscal Years (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets,					
net of related debt	\$ 6,893	\$ 6,689	\$ 29,885	\$ 36,323	44,077
Restricted	21,040	19,332	7,629	4,210	3,053
Unrestricted	10,187	9,709	9,874	13,952	8,971
Total governmental activities net assets	\$ 38,120	\$ 35,730	\$ 47,388	\$ 54,485	56,101

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

Table 2

TOWN OF SCARBOROUGH, MAINE

Changes in Net Assets

Last Five Fiscal Years (1)

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Program revenues:					
Charges for services	\$ 2,728	\$ 5,363	\$ 6,488	\$ 7,024	7,758
Operating grants and activities	6,992	8,744	9,297	10,706	11,403
Capital grants and contributions	312	-	-	4,681	(559)
General revenues:					
Property and excise taxes, levies for general purposes	34,472	37,182	40,075	41,406	42,772
Grants and contributions not restricted to specific programs	6,667	2,096	1,952	2,062	1,931
Unrestricted investment earnings	209	105	159	261	404
Total revenues	51,380	53,490	57,971	66,140	63,709
Expenses:					
General government	9,902	8,622	9,996	8,783	12,641
Public services	2,701	2,597	2,658	2,871	3,092
Public safety	5,552	6,127	6,153	6,552	7,080
Public works	5,175	5,266	5,882	6,276	6,425
Education	23,444	25,442	28,695	33,491	31,531
Interest on debt service	895	2,610	1,168	1,069	1,142
Total expenses	47,669	50,664	54,552	59,042	61,911
Change in Net Assets	\$ 3,711	\$ 2,826	\$ 3,419	\$ 7,098	1,798

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

Table 3

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 1,373	\$ 991	\$ 936	\$ 889	\$ 800	\$ 752	\$ 710	\$ 697	\$ 771	\$ 674
Unreserved	926	1,735	2,778	3,669	5,753	6,211	5,919	7,063	7,455	8,019
Total general fund	\$ 2,299	\$ 2,726	\$ 3,714	\$ 4,558	\$ 6,553	\$ 6,963	\$ 6,629	\$ 7,760	\$ 8,226	\$ 8,693
All Other Governmental Funds										
Reserved	254	374	469	733	140	132	123	117	125	127
Unreserved, reported in:										
Special revenue funds	1,016	1,878	3,040	3,736	4,288	5,010	5,011	4,403	8,180	7,523
Capital projects funds	(330)	(201)	207	864	239	20,278	18,611	6,963	4,085	2,926
Permanent funds	45	47	50	54	67	68	69	70	73	78
Total all other governmental funds	\$ 985	\$ 2,098	\$ 3,766	\$ 5,427	\$ 4,734	\$ 25,488	\$ 23,814	\$ 11,553	\$ 12,463	\$ 10,654

Table 4

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 25,015	\$ 25,260	\$ 27,560	\$ 29,311	\$ 32,380	\$ 34,582	\$ 37,191	\$ 40,066	\$ 41,377	\$ 42,712
Licenses and permits	386	419	653	433	413	429	480	567	611	753
Intergovernmental	7,899	8,700	10,186	11,006	11,212	11,600	10,823	11,219	12,604	13,204
Interest earned	405	327	392	533	272	209	348	442	644	805
Other	2,574	3,031	3,310	3,266	3,640	4,877	4,648	5,677	10,921	6,247
Total revenues	36,279	37,737	42,101	44,549	47,917	51,697	53,490	57,971	66,157	63,721
Expenditures										
General government	2,358	2,538	2,756	2,923	3,041	3,425	3,568	3,727	4,340	4,401
Public services	1,960	1,996	2,305	2,504	2,325	2,653	2,572	2,643	2,849	3,070
Public safety	3,552	3,850	4,271	4,465	4,706	5,275	5,934	5,962	6,180	6,642
Public works	3,318	3,642	3,585	4,103	4,108	4,767	4,877	5,370	5,702	5,846
Education (Includes School Debt)	17,998	19,468	21,130	22,901	25,091	26,880	28,862	30,919	32,792	33,652
County tax	900	902	842	933	1,062	1,307	1,442	1,520	1,584	1,615
Debt service (Principal-Town Only)	1,690	1,711	2,023	2,171	2,206	2,423	3,918	3,176	2,957	3,219
Debt service (Interest-Town Only)	778	741	796	875	834	769	1,128	1,128	1,108	1,177
Capital improvements	4,069	5,797	4,882	4,256	4,643	4,908	15,820	23,374	11,467	7,999
Other	1,856	2,051	1,631	1,857	2,612	2,704	2,003	2,323	2,816	2,641
Total expenditures	38,479	42,696	44,221	46,988	50,628	55,111	70,124	80,142	71,795	70,262
Excess (deficiency) of revenues over (under) expenditures	(2,200)	(4,959)	(2,120)	(2,439)	(2,711)	(3,414)	(16,634)	(22,171)	(5,638)	(6,541)
Other financing sources (uses)										
Transfers in	2,763	1,711	2,144	2,040	2,402	1,538	2,115	2,923	2,780	2,794
Transfers out	(2,763)	(1,711)	(2,144)	(2,040)	(2,402)	(1,538)	(2,115)	(2,923)	(2,780)	(2,794)
General obligation bonds and capital leases	2,225	6,493	4,770	4,932	4,000	24,579	14,628	10,665	7,014	5,200
Total other financing sources (uses)	2,225	6,493	4,770	4,932	4,000	24,579	14,628	10,665	7,014	5,200
Net change in fund balances	\$ 25	\$ 1,534	\$ 2,650	\$ 2,493	\$ 1,289	\$ 21,165	\$ (2,006)	\$ (11,506)	\$ 1,376	\$ (1,341)
Debt Service as a % of non-capital expenditures	7.17 %	6.65 %	7.17 %	7.13 %	6.61 %	6.36 %	9.29 %	7.58 %	6.74 %	7.06 %

Table 5

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

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Other	Capital expenditures	Total
1998	\$ 2,358	\$ 1,960	\$ 3,552	\$ 3,318	\$ 16,298	\$ 900	\$ 2,468	\$ 92	\$ -	\$ 30,946
1999	2,538	1,996	3,850	3,642	17,403	902	2,452	47	-	32,830
2000	2,756	2,305	4,271	3,585	19,138	842	2,819	50	-	35,766
2001	2,923	2,504	4,465	4,103	20,721	933	3,046	57	-	38,752
2002**	3,041	2,325	4,706	4,108	22,688	1,062	3,040	102	1,234	42,306
2003	3,425	2,653	5,275	4,767	24,172	1,307	3,192	148	1,209	46,148
2004	3,568	2,572	5,934	4,877	26,281	1,442	5,046	-	653	50,373
2005	3,727	2,643	5,962	5,370	28,288	1,520	4,304	-	1,120	52,934
2006	4,340	2,849	6,180	5,702	30,348	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

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
1998	\$ 22,187	\$ 154	\$ 2,652	\$ 22	\$ -	\$ 25,015
1999	22,184	120	2,929	27	-	25,260
2000	24,145	120	3,269	26	-	27,560
2001	25,778	102	3,412	19	-	29,311
2002	28,611	105	3,637	27	-	32,380
2003	30,547	179	3,828	27	-	34,581
2004	32,862	72	4,143	27	-	37,104
2005	35,549	58	4,228	26	143	40,004
2006	36,700	61	4,409	29	146	41,345
2007	38,034	80	4,416	26	156	42,712

Table 7

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

Fiscal Year	Real property		Personal property		Totals		Ratio of total assessed value to total estimated actual value
	Assessed property	Estimated actual value	Assessed property	Estimated actual value	Assessed property	Estimated actual value	
1998	\$ 1,125,960	\$ 1,125,960	\$ 60,195	\$ 60,195	\$ 1,186,155	\$ 1,186,155	100%
1999	1,138,292	1,138,292	67,852	67,852	1,206,144	1,206,144	100%
2000	1,180,279	1,180,279	79,051	79,051	1,259,330	1,259,330	100%
2001	1,230,378	1,230,378	83,306	83,306	1,313,684	1,313,684	100%
2002	1,764,041	1,764,041	94,304	94,304	1,858,345	1,858,345	100%
2003	1,831,117	1,831,117	99,459	99,459	1,930,576	1,930,576	100%
2004	1,903,869	1,903,869	99,118	99,118	2,002,987	2,002,987	100%
2005	1,951,952	1,951,952	105,637	105,637	2,057,589	2,057,589	100%
2006	3,143,853	3,143,853	112,989	112,989	3,256,842	3,256,842	100%
2007	3,207,720	3,207,720	109,778	109,778	3,317,498	3,317,498	100%

Table 8

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

Fiscal Year	Town	School	Community Services	County Tax	Tax Increment		Overlay	State Revenue Sharing (1)	Total Property Tax Rates by Year
					Financing District				
1998	6.919	10.333	0.346	0.758	0.642		0.160	(0.759)	18.40
1999	6.826	11.107	0.349	0.748	0.702		0.103	(1.435)	18.40
2000	7.169	11.640	0.356	0.668	0.701		0.141	(1.476)	19.20
2001	7.250	12.168	0.327	0.710	0.686		0.106	(1.649)	19.60
2002	5.507	9.393	0.231	0.571	0.378		0.210	(0.991)	15.30
2003	5.487	9.871	0.201	0.677	0.373		0.051	(0.960)	15.70
2004	5.501	10.522	0.133	0.720	0.377		0.060	(0.853)	16.46
2005	5.535	11.332	0.110	0.739	0.387		0.036	(0.798)	17.34
2006	3.618	7.366	0.065	0.486	0.181		0.113	(0.529)	11.30
2007	3.685	7.381	0.114	0.482	0.183		0.022	(0.387)	11.48

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)

1997				2007			
Taxpayer	Taxable	Rank	Percentage of	Taxpayer	Taxable	Rank	Percentage of
	Assessed		Total Taxable		Assessed		Total Taxable
	Value		Assessed		Value		Assessed
James McBrady	\$ 21,000,600	1	1.84%	Maine Life Care	\$ 61,397,300	1	1.85%
Wal-Mart	15,759,300	2	1.38%	Hannaford Brothers	29,908,300	2	0.90%
Gavin Ruotolo	9,541,800	3	0.84%	Wal-Mart/Sam's Club	29,562,500	3	0.89%
Hannaford Brothers	8,954,300	4	0.79%	Black Point Inn	15,762,800	4	0.48%
Konica Quality Photo	8,838,400	5	0.78%	Gavin Ruotolo	15,036,900	5	0.45%
Shaw's Supermarket	7,466,100	6	0.66%	MMC Realty	14,957,600	6	0.45%
Central Maine Power	6,587,000	7	0.58%	ERP Operating LP	11,922,700	7	0.36%
Ram Trust 2 and 3	6,007,900	8	0.53%	Davric Maine Corp.	10,047,500	8	0.30%
Davric Maine Corp.	5,412,000	9	0.48%	Scarborough Gallery	9,749,500	9	0.29%
Black Point Inn	4,485,900	10	0.39%	Shaw's Supermarket	9,552,100	10	0.29%
Total Principal Taxpayers	94,053,300		8.26%		207,897,200		6.27%
Total Assessed Value: \$ 1,138,964,400				\$ 3,317,497,800			

Table 10

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Within Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 21,888,873	\$ 21,381,876	97.7%	\$ 503,319	\$ 21,885,195	100.0%
1999	22,202,538	21,745,877	97.9%	450,499	22,196,376	100.0%
2000	24,185,214	23,716,155	98.1%	462,098	24,178,253	100.0%
2001	25,765,523	25,339,458	98.3%	419,490	25,758,948	100.0%
2002	28,450,220	28,120,508	98.8%	322,879	28,443,387	100.0%
2003	30,348,015	30,103,820	99.2%	232,987	30,336,807	100.0%
2004	32,969,169	32,747,946	99.3%	211,630	32,959,576	100.0%
2005	35,735,569	35,423,923	99.1%	215,762	35,639,685	99.7%
2006	36,824,648	36,527,411	99.2%	193,668	36,721,079	99.7%
2007	38,048,325	37,950,281	99.7%	-	37,950,281	99.7%

Table 11

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

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Personal Property Valuation</u>	<u>Total Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>
1998	\$ 1,125,960	\$ 60,195	\$ 1,186,155	\$ 18.40	\$ 21,825
1999	1,138,292	67,851	1,206,143	18.40	22,193
2000	1,180,279	79,051	1,259,330	19.20	24,179
2001	1,230,378	83,306	1,313,684	19.60	25,748
2002	1,764,013	94,303	1,858,316	15.30	28,433
2003	1,831,117	99,459	1,930,576	15.70	30,310
2004	1,903,869	99,118	2,002,987	16.46	32,969
2005	1,951,952	105,637	2,057,589	17.34	35,679
2006	3,143,853	112,989	3,256,842	11.30	36,802
2007	3,207,720	109,778	3,317,498	11.48	38,085

Table 12

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

Fiscal Year	General Obligation Bonds	Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Population*	Debt Per Capita
1998	\$ 31,531,840	\$ 1,186,155,300	2.66%	12,518	2,519
1999	34,071,571	1,206,143,900	2.82%	12,518	2,722
2000	35,059,806	1,259,330,100	2.78%	16,970	2,066
2001	35,787,515	1,313,684,200	2.72%	16,970	2,109
2002	35,095,667	1,858,344,800	1.89%	16,970	2,068
2003	54,759,228	1,930,576,300	2.84%	16,970	3,227
2004	62,952,163	2,002,987,200	3.14%	16,970	3,710
2005	67,737,433	2,057,589,000	3.29%	18,812	3,601
2006	68,844,000	3,256,841,900	2.11%	18,812	3,660
2007	66,845,000	3,317,497,800	2.01%	18,812	3,553

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

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

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

Fiscal year	Principal	Interest	Total debt service	Total general fund expenditures	Ratio of debt service to general fund expenditures
1998	\$ 3,193	\$ 1,991	\$ 5,184	\$ 30,945	16.75%
1999	3,203	1,927	5,130	32,829	15.63%
2000	3,782	1,905	5,687	35,766	15.90%
2001	4,204	1,858	6,062	38,752	15.64%
2002	4,692	1,895	6,587	42,305	15.57%
2003	4,915	1,634	6,549	46,463	14.10%
2004	6,435	2,358	8,793	50,373	17.46%
2005	5,880	2,634	8,514	52,934	16.08%
2006	5,907	2,846	8,753	56,185	15.58%
2007	5,999	2,821	8,820	59,017	14.94%

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

	Fiscal Year										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 159,053	\$ 166,425	\$ 173,295	\$ 188,018	\$ 206,243	\$ 235,755	\$ 279,720	\$ 323,745	\$ 380,820	\$ 430,980	\$ 488,370
Total net debt applicable to limit	32,500	31,532	34,072	35,060	35,788	35,096	54,759	62,952	67,737	68,844	66,845
Legal debt margin	126,553	134,893	139,223	152,958	170,455	200,659	224,961	260,793	313,083	362,136	421,525
Total net debt applicable to the limit as a percentage of debt limit	20.43%	18.95%	19.66%	18.65%	17.35%	14.89%	19.58%	19.44%	17.79%	15.97%	13.69%

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

Table 15

TOWN OF SCARBOROUGH, MAINE
Demographic and Economic Statistics

Fiscal Year	Population (a)	Per Capita			Median Age (a)	School Enrollment (c)	Unemployment Rate (d)
		Personal Income (b)	Personal Income (a)	Unemployment Rate (d)			
1998	12,518	\$	223,433,782	\$	17,849	35.20	1.90%
1999	12,518		223,433,782		17,849	35.20	1.80%
2000	16,970		302,897,530		17,849	35.20	1.40%
2001	16,970		302,897,530		17,849	35.20	1.80%
2002	16,970		302,897,530		17,849	35.20	2.00%
2003	16,970		446,667,370		26,321	38.80	2.20%
2004	16,970		446,667,370		26,321	38.80	2.90%
2005	18,812		495,150,652		26,321	38.80	3.00%
2006	18,812		495,150,652		26,321	38.80	3.00%
2007	18,812		495,150,652		26,321	38.80	3.40%

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

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

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

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

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

1997			2007		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Town of Scarborough	1,172	1	Town of Scarborough	1,340	1
Hannaford Brothers	780	2	Hannaford Brothers	951	2
Konica Quality Photo	450	3	Postal Service Distribution Ctr	800	3
Hanover Insurance	185	4	NordX	256	4
Wal-Mart	161	5	Wal-Mart	225	5
Humpty Dumpty	155	6	Sam's Wholesale Club	176	6
Rock-Team Converting	120	7	Neill and Gunter	153	7
Gabriel Electronics	116	8	Piper Shores	150	8
R.C. Moore Trucking	95	9	Scarborough Downs	150	9
N.E. Tech Air, Inc.	85	10	R.C. Moore Trucking	145	10

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

[illegible]

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

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

Table 19

TOWN OF SCARBOROUGH, MAINE
Unemployment Data
Last Eight Fiscal Years

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

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

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

Table 20

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Fiscal Year										
General Govt:										
Full time						34	35	35	35	37
Pt Time						47	52	36	58	19
Public Services:										
Full time						13	13	13	14	14
Pt Time						106	89	77	99	103
Public Safety:										
Police										
Full time						46	46	47	48	51
Pt Time						37	35	28	33	27
Fire										
Full time						4	4	4	4	4
Pt Time						177	155	159	144	152
Rescue										
Full time						9	9	9	9	12
Pt Time						14	21	16	18	15
Public Works:										
Full time	31	32	30	30	31	31	32	32	32	33
Pt Time	0	0	0	0	0	2	1	3	2	2
Education:										
						N/A	886	881	891	842
Total:							1378	1340	1387	1311

Source: Govt Finance Office.

Comment: Fiscal Years 1998 thru 2002 data not available.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

[This page left intentionally blank.]

BERNSTEIN SHUR

COUNSELORS AT LAW

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

(Date of Closing)

(Purchaser)

We have examined the law and certified proceedings submitted in connection with the issuance and sale of \$8,513,000 aggregate principal amount of 2008 General Obligation Bonds (the "Bonds") of the Town of Scarborough, Maine (the "Issuer"), a public municipal corporation in the State of Maine organized and existing under and pursuant to the Charter of the Town of Scarborough, Maine (the "Charter").

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

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

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

The Bonds are dated June 1, 2008, and will mature on the dates and in the respective principal amounts and will bear interest from their date, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2008, 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>
2008	\$593,000		2018	\$185,000	
2009	800,000		2019	185,000	
2010	800,000		2020	185,000	
2011	790,000		2021	185,000	
2012	790,000		2022	185,000	
2013	595,000		2023	185,000	
2014	580,000		2024	185,000	
2015	570,000		2025	185,000	
2016	570,000		2026	185,000	
2017	575,000		2027	185,000	

The Bonds maturing on and before November 1, 2017 are not subject to redemption prior to their respective dates of maturity. The Bonds maturing after November 1, 2017 are subject to redemption prior to maturity, at the option of the Issuer, on and after November 1, 2017.

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 and with one denomination of \$3,000 that will mature on November 1, 2008. The Bonds are lettered R and shall be numbered from one (1) upwards.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs. The Issuer, in executing its Arbitrage Certificate, has certified to the effect that the Issuer will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for purposes of federal income tax, be excluded from the gross income of the owners thereof. In rendering this opinion, we have assumed that the Issuer will comply with the provisions and procedures set forth in its Arbitrage Certificate and Tax Certificate.

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

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

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

3. The interest on the Bonds is excluded from gross income for federal income tax purposes, and exempt from the State of Maine Income Tax imposed on individuals under existing law, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989). The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

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

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

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

Very truly yours,

[This page left intentionally blank.]

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

[This page left intentionally blank.]

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

In connection with the issuance by the Town of Scarborough, Maine (the "Issuer") of its \$8,513,000 2008 General Obligation Bonds, dated as of June 1, 2008 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated May __, 2008 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to each nationally recognized municipal securities information repository ("NRMSIR") and the appropriate state information depository for the State of Maine ("SID"), if any (as of the date hereof there is no SID for Maine): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2009, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles. Any filing under this certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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

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

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

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

4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. The NRMSIRs as of the date of this Continuing Disclosure Certificate are set forth in EXHIBIT A hereto.
7. Except for a late filing for fiscal year ended June 30, 2003, due to its initial compliance with GASB Rule 34, the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.
8. The Issuer's Finance Director, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Ruth D. Porter, Finance Director, Town of Scarborough, 259 U.S. Route 1, P.O. Box 360, Scarborough, ME 04070-0360; Telephone: (207) 883-4301.

TOWN OF SCARBOROUGH, MAINE

By: _____

Its: _____

Dated: _____, 2008

EXHIBIT A

NRMSIRs:

Bloomberg Financial Markets

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

DPC Data, Inc.

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

Standard & Poor's Securities Evaluations, Inc.

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

FT Interactive Data

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

OR TO THE CPO:

Disclosure USA

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

[This page left intentionally blank.]