



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

NEW ISSUE

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In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds will be excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of a corporation for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest on the Bonds is exempt from State of Maine (the "State") income taxes imposed on individuals, estates, trusts and corporations under existing statutes, regulations and court decisions. **The Town will not 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
\$46,545,000
2012 GENERAL OBLIGATION BONDS

Dated: Date of Delivery

Due: November 1, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2012	\$ 975,000	2.00%	0.30
2013	615,000	1.50	0.57
2014	575,000	3.00	0.70
2015	1,065,000	3.00	0.88
2016	1,690,000	4.00	1.08
2017	2,400,000	4.00	1.33
2018	2,825,000	4.00	1.53
2019	3,210,000	4.00	1.75
2020	3,475,000	5.00	2.00
2021	3,685,000	3.00	2.19
2022	3,520,000	3.00	2.37

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2023	\$2,170,000	4.00%	2.53*
2024	1,870,000	4.00	2.71*
2025	1,585,000	4.00	2.85*
2026	1,335,000	4.00	2.96*
2027	1,310,000	4.00	3.05*
2028	1,330,000	4.00	3.14*
2029	1,355,000	4.00	3.22*
2030	1,775,000	4.00	3.29*
2031	1,815,000	4.00	3.35*
2032	1,800,000	4.00	3.41*

\$2,740,000 5.00% Bond, due November 1, 2036, to Yield 3.50%*

\$3,425,000 4.00% Bond, due November 1, 2041, to Yield 4.05%

The 2012 General Obligation Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2012 and semi-annually on each May 1 and November 1 thereafter until maturity or redemption prior to maturity.

The legal opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Portland, Maine, Bond Counsel, will be provided to the initial purchaser and will indicate that the Bonds are valid general obligations of the Town of Scarborough, Maine (the "Town") 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 (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. See "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein. Bonds issued for school projects are not subject to the property tax limit set forth in Section 5721-A. The Treasurer has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the initial purchaser.

Bonds maturing on and before November 1, 2022 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing after November 1, 2022 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2022 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein). The Bonds due November 1, 2036 and November 1, 2041 are also subject to mandatory redemption, as more fully set forth herein (see "THE BONDS—MANDATORY REDEMPTION") 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. Certain legal matters will be passed on for the Underwriter by its counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. Moors & Cabot, Inc., Boston, Massachusetts, serves as Financial Advisor to the Town. The Bank of New York Mellon Trust Company, N.A. will serve as Escrow Agent. Causey Demgen & Moore Inc., Denver, Colorado, will serve as Verification Agent. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about May 8, 2012.

Raymond James | Morgan Keegan

NOTE: * Priced assuming redemption on November 1, 2022, at the option of the Town (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY").

No dealer, broker, salesman or other person has been authorized by the Town 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 Town 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 Town. 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 Town since the date hereof. The Underwriter has included the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

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

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

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

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

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 Treasurer, 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 Treasurer and furnished at the closing.

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

Ruth D. Porter
Treasurer
Town of Scarborough, Maine

OFFICIAL STATEMENT

TOWN OF SCARBOROUGH, MAINE \$46,545,000 2012 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 2012 General Obligation Bonds (the “Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated May 8, 2012. The Bonds will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest, payable on November 1, 2012, 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>
\$975,000	2012	806075WR4	\$3,520,000	2022	806075XB8
615,000	2013	806075WS2	2,170,000	2023	806075XC6
575,000	2014	806075WT0	1,870,000	2024	806075XD4
1,065,000	2015	806075WU7	1,585,000	2025	806075XE2
1,690,000	2016	806075WV5	1,335,000	2026	806075XF9
2,400,000	2017	806075WW3	1,310,000	2027	806075XG7
2,825,000	2018	806075WX1	1,330,000	2028	806075XH5
3,210,000	2019	806075WY9	1,355,000	2029	806075XK8
3,475,000	2020	806075WZ6	1,775,000	2030	806075XL6
3,685,000	2021	806075XA0	1,815,000	2031	806075XM4
			1,800,000	2032	806075XN2

\$2,740,000 5.00% Bond, due November 1, 2036^(*); CUSIP: 806075XP7

\$3,425,000 4.00% Bond, due November 1, 2041^(*); CUSIP: 806075XJ1

It is expected that the Bonds will be available for delivery at DTC on or about May 8, 2012.

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

NOTE: ^(*) The Bonds due November 1, 2036 and November 1, 2041 are subject to mandatory redemption on and after November 1, 2033 and November 1, 2037, respectively, as more fully set forth herein. See “THE BONDS - MANDATORY REDEMPTION” herein.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before November 1, 2022 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after November 1, 2022 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2022, 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 the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any ("Optional Redemption").

MANDATORY REDEMPTION

Bonds maturing November 1, 2036 and November 1, 2041 are subject to mandatory redemption, plus accrued interest to the date of redemption thereof, and shall be redeemed on November 1 in the following years and principal amounts:

Bond Due November 1, 2036

<u>November 1,</u>	<u>Amount</u>
2033	\$685,000
2034	685,000
2035	685,000
2036 ^(*)	685,000

Bond Due November 1, 2041

<u>November 1,</u>	<u>Amount</u>
2037	\$685,000
2038	685,000
2039	685,000
2040	685,000
2041 ^(*)	685,000

NOTE: ^(*)Year of final maturity.

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Optional Redemption

In the case of every Optional Redemption of the Bonds, the Town shall cause notice of such Optional Redemption to be given to the registered owner of any Bonds designated for Optional 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 Optional Redemption notice by first class mail not less than thirty (30) days prior to the Optional 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 Optional Redemption of any Bond of any other owner.

Each notice of Optional Redemption shall specify the date fixed for Optional 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 Optional 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 Optional 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 Optional Redemption of such Bond.

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

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

Cancellation

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

Partial Redemption of Bonds

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

RECORD DATE; PAYMENT

Payment of principal of and interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the day preceding the fifteenth day that 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.

PLAN OF REFUNDING

Attached hereto, as APPENDIX C, is a description of the Bonds to be refunded (the "Refunded Bonds") with the proceeds of a portion of the Bonds (the "Refunding Bonds" as defined herein).

Upon delivery of the Bonds, the Town will enter into an Escrow Agreement with The Bank of New York Mellon Trust Company, N.A., or its successor, as Escrow Agent (the "Escrow Agent"), to provide for the refunding of the Refunded Bonds. See "THE BONDS – ESCROW AGENT" herein. Upon receipt of the proceeds of the Bonds, the Escrow Agent will deposit in the Escrow Fund established under the Escrow Agreement the amount which (except for any outstanding cash balances) will be invested in direct general obligations of the United States of America or in obligations directly and unconditionally guaranteed by the United States of America (collectively, "Government Obligations") maturing in amounts and bearing interest at rates sufficient to pay when due, interest on, and upon maturity or redemption, the outstanding

principal of and redemption premium, if any, on the Refunded Bonds. The Escrow Fund, including the interest earnings on the Government Obligations, is pledged solely for the benefit of the owners of the Refunded Bonds and is not available to pay the Bonds offered hereby. See APPENDIX D – PROPOSED FORM OF ESCROW AGREEMENT herein.

AUTHORIZATION AND PURPOSE

The authority to issue the Bonds is granted under Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and Sections 204.3, 901.3, and 907 of the Town’s Charter (the “Charter”). Section 204.3 of the Charter authorizes the Town Council to make ordinances; Section 901.3 of the Charter provides for a petition for overrule of Council action of orders or resolves authorizing bond issues of \$100,000 or more for a single capital improvement or capital equipment, by the initiative and referendum provisions of Article IX of the Town’s Charter providing that the procedure is within twenty days following the enactment of such ordinance; and Section 907 of the Town’s Charter requires voter referendum approval for bond issues of \$400,000 or more for a single capital improvement or capital equipment. The Bonds of this financing comply with the provisions of the Charter.

<u>Project</u>	<u>Order Number(s)</u>	<u>Authorized And Issued</u>	<u>To be Financed by the Bonds</u>	<u>Not to be Refunded</u>
2003 Bonds:				
Various CIP (Town)	02-031 & 03-041	\$2,115,500		
Various CIP (School)	02-032 & 03-042	1,764,450		
High School & Access Road	02-129, 02-151 & 11/05/02 Vote	11,700,000		
Haigis Parkway Project	01-120 & 03-033	<u>8,999,050</u>		
		\$24,579,000	\$17,495,000	\$0
2004 Bonds:				
Various CIP (Town)	00-140, 02-031, 03-141, 03-150	\$3,431,000		
Various CIP (School)	03-142	1,022,000		
High School & Access Road	02-129, 02-151 & 11/05/02 Vote	8,775,000		
Refund 1992 Bonds	91-56 & 11/05/91 Vote	<u>1,400,000</u>		
		\$14,628,000	\$4,125,000	\$3,890,000
2005 Bonds:				
Various CIP (Town)	00-140, 04-083 & 05-007	\$1,509,275		
Various CIP (School)	05-008	980,725		
High School	02-129, 02-151 & 11/05/02 Vote	<u>8,175,000</u>		
		\$10,665,000	\$3,470,000	\$4,210,000
2012 Bonds:				
Various CIP (Town)	11-030 & 12-028	\$3,017,000		
Various CIP (School)	08-123, 10-012, 11-031 & 12-028	383,000		
Wentworth School	11-100 & 11/08/11 Vote	20,000,000 ⁽¹⁾		
Refunding Bonds	(see above)	<u>24,605,000⁽²⁾</u>	\$25,090,000	\$8,100,000
2012 Bond Proceeds⁽²⁾		\$50,807,507		

NOTE: ⁽¹⁾ Includes Bond Proceeds of \$18,540,000, plus Bond Premium of \$1,460,000.

⁽²⁾ Includes Bond Premium, which reduces the par amount of Bonds issued.

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.

WENTWORTH SCHOOL PROJECT

By referendum vote on November 8, 2011, the voters of the Town authorized the issuance of up to \$39,077,594 in bonds to provide funds to finance construction and equipping of a new intermediate school to replace the existing Wentworth Intermediate School (the "Wentworth Intermediate School Project"). A portion of the Bond proceeds, in the amount of \$20,000,000 (includes bid premium), will provide the initial portion of funds for this project. The remaining authorized, but as yet unissued, debt for the project, in the amount not to exceed \$19,077,594, is expected to be issued in calendar year 2013 or 2014 (see "INDEBTEDNESS – FUTURE FINANCING - Wentworth Intermediate School Project" herein).

The portion of the Bonds which will be used to provide funds to partially finance the Wentworth Intermediate School Project, are being issued in accordance with the Maine State Board of Education's Rules for Major Capital School Construction Projects (the "Rules"). On March 28, 2012, the Commissioner of the State Department of Education approved the Wentworth Intermediate School Project as a locally-funded construction project pursuant to Title 20-A, Section 15905-A of the Maine Revised Statutes, as amended. To date, all necessary approvals for the project under the Rules have been obtained.

THE 2012 CIP PROJECTS

<u>CIP Year</u>	<u>Bond Order</u>	<u>Project</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>Authorized Unissued</u>	<u>2012 Bonds</u>
2010/2011	11-030	Traffic Fire Alarm Cable	\$20,000	\$0		\$20,000
2010/2011	11-030	Higgins Beach Pkg	300,000	(200,000)		100,000
2010/2011	11-030	Haigis P'kw'y/Rte 1	2,235,000	(1,704,000)	(\$93,500)	437,500
2010/2011	11-030	Martin Ave/Broadturn Rd	115,000	0	(55,000)	60,000
2011/2012	12-028	PW Plow Truck	180,000		(3,400)	176,600
2011/2012	12-028	PW Loader	172,000		(19,600)	152,400
2011/2012	12-028	Fire/Police Radio	240,750			240,750
2011/2012	12-028	Dunstan Corner	771,750			771,750
2011/2012	12-028	Library HVAC	50,000			50,000
2011/2012	12-028	Fire Station	110,000			110,000
2011/2012	12-028	Cranberry Pines Rd	245,000			245,000
2011/2012	12-028	Mid-Level Rd Rehab	463,000			463,000
2011/2012	12-028	Hanson Rd Rehab	190,000			190,000
Sub-total Municipal			5,092,500	(1,904,000)	(171,500)	3,017,000
2008/2009	08-123	Security System Upgrade	35,000	0		35,000
2009/2010	10-012	IS Equip	260,610	(200,610)		60,000
2009/2010	10-012	Security System Upgrade	35,000	0		35,000
2010/2011	11-031	Desktop Comp	137,000	0	(52,000)	85,000
2010/2011	11-031	Teacher Laptops	144,000	(74,000)		70,000
2010/2011	11-031	Energy Conserv	45,000	0	(32,000)	13,000
2011/2012	12-028	Security System Upgrade	40,000		(25,000)	15,000
2011/2012	12-028	New Tech Equip	145,250	(75,250)		70,000
Sub-total School			841,860	(349,860)	(109,000)	383,000
Total 2012 CIP			\$5,934,360	(\$2,253,860)	(\$280,500)	\$3,400,000

Amortization of the 2012 CIP Projects

Due Nov. 1,	School						Town												2012 CIP	
	DW Energy	DW Security	Sec Sys Upgrade	Sec Sys Upgrade	IT Equip	IT New Equip	Fire/Police Radio	Lib HVAC	Fire Alarm	PW Plow Truck	PW Loader	Fire Stat	Higgins Bch P'k'g	Martin/ Broadtur	Dunstan Corner	Cranb'y Pines Rd	PW Road Rehab	Hanson Rd		Haigis P'kw'y
2012	6,500	5,000	7,000	7,000	29,000	28,000	48,150	10,000	4,000	17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	24,100	325,000
2013	6,500	5,000	7,000	7,000	29,000	28,000	48,150	10,000	4,000	17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	24,100	325,000
2014		5,000	7,000	7,000	29,000	28,000	48,150	10,000	4,000	17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	20,600	315,000
2015			7,000	7,000	29,000	28,000	48,150	10,000	4,000	17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	20,600	310,000
2016			7,000	7,000	29,000	28,000	48,150	10,000	4,000	17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	20,600	310,000
2017										17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	23,750	180,000
2018										17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	23,750	180,000
2019										17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	23,750	180,000
2020										17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	23,750	180,000
2021										17,660	15,240	11,000	10,000	6,000	51,450	12,250	23,150	9,500	23,750	180,000
2022															51,450	12,250	23,150	9,500	23,650	120,000
2023															51,450	12,250	23,150	9,500	23,650	120,000
2024															51,450	12,250	23,150	9,500	23,650	120,000
2025															51,450	12,250	23,150	9,500	23,650	120,000
2026															51,450	12,250	23,150	9,500	23,650	120,000
2027																12,250	23,150	9,500	20,100	65,000
2028																12,250	23,150	9,500	20,100	65,000
2029																12,250	23,150	9,500	20,100	65,000
2030																12,250	23,150	9,500	15,100	60,000
2031																12,250	23,150	9,500	15,100	60,000
	13,000	15,000	35,000	35,000	145,000	140,000	240,750	50,000	20,000	176,600	152,400	110,000	100,000	60,000	771,750	245,000	463,000	190,000	437,500	3,400,000

AMORTIZATION OF THE BONDS

Due Nov. 1,	Wentworth School	CIP	Refunding Bonds	2012 Bonds
2012	\$0	\$325,000	\$650,000	\$975,000
2013	0	325,000	290,000	615,000
2014	0	315,000	260,000	575,000
2015	690,000	310,000	65,000	1,065,000
2016	690,000	310,000	690,000	1,690,000
2017	690,000	180,000	1,530,000	2,400,000
2018	690,000	180,000	1,955,000	2,825,000
2019	690,000	180,000	2,340,000	3,210,000
2020	690,000	180,000	2,605,000	3,475,000
2021	690,000	180,000	2,815,000	3,685,000
2022	690,000	120,000	2,710,000	3,520,000
2023	690,000	120,000	1,360,000	2,170,000
2024	685,000	120,000	1,065,000	1,870,000
2025	685,000	120,000	780,000	1,585,000
2026	685,000	120,000	530,000	1,335,000
2027	685,000	65,000	560,000	1,310,000
2028	685,000	65,000	580,000	1,330,000
2029	685,000	65,000	605,000	1,355,000
2030	685,000	60,000	1,030,000	1,775,000
2031	685,000	60,000	1,070,000	1,815,000
2032	685,000		1,115,000	1,800,000
2033	685,000			685,000
2034	685,000			685,000
2035	685,000			685,000
2036	685,000			685,000
2037	685,000			685,000
2038	685,000			685,000
2039	685,000			685,000
2040	685,000			685,000
2041	685,000			685,000
	\$18,540,000 ⁽¹⁾	\$3,400,000	\$24,605,000 ⁽¹⁾	\$46,545,000 ⁽¹⁾

NOTE: ⁽¹⁾ Includes Bond Premium, which reduces the par amount of Bonds issued.

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 amended, in which case 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 (see THE BONDS – SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein), 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 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). Bonds issued for the School Department, including various annual School CIP; Bonds issued to refund the High School project (financed by portions of the 2003, 2004 and 2005 Bonds); the school project originally financed by a portion of the 1992 Bonds (and refunded, on a current basis, by a portion of the 2003 Bonds); and Bonds issued to finance the Wentworth Intermediate School Project, are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Treasurer 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. 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. The opinion of Bond Counsel 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 is subject to general principles of equity.

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

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

Limitation on Municipal Property Tax Levy

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

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

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

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

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

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

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

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, 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 bonds issued for school projects 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 such bonds.

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

TAX MATTERS

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of a corporation for the purpose of computing the alternative minimum tax imposed on certain corporations.

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 Town will certify that the Town will 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 representations of the Town set forth in certain tax-related certificates and assume that the Town will comply with the provisions and procedures set forth in such tax-related 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.

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

In the opinion of Bond Counsel, pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended interest on the Bonds is exempt from State income taxes imposed on individuals, estates, trusts and corporations under existing statutes, regulations and judicial decisions. See "Proposed Form of Legal Opinion" in APPENDIX B herein.

*The Town **will not 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”). Original Issue Discount accrues over the term of a bond in accordance with Section 1272 of the Code. Purchasers of the Bonds should consult their own tax advisers with respect to the computation of Original Issue Discount on such accruals of interest during the period in which any such Bond is held.

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

Bond Counsel will not express an opinion regarding the treatment of Original Issue Discount or Bond Premium for federal income tax purposes.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

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

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

RATINGS

The Bonds are rated "Aa3" by Moody's Investors Service ("Moody's") and "AA" by Standard & Poor's, Public Finance Ratings ("S&P"). 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. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding debt obligations, including the Bonds.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX E and referred to under "THE BONDS – CONTINUING DISCLOSURE" herein, the Town has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

In order to assist Morgan Keegan & Company, Inc., or its successor in interest, (the "Underwriter" or "Morgan Keegan") 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 E. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

Except for a late filing for fiscal year ended June 30, 2003, the Town has not failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule. Furthermore, recognizing the importance of the Rule, the Town's undertaking thereof, and prompt compliance thereon, the Town amended Section 215.1 of its Charter on November 2, 2004, effective December 1, 2004, such that "*The audit shall be completed and delivered to the Town Council not later than December 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 with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to bid on, or participate in, an underwriting syndicate for the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in certain schedules provided by the Underwriter on behalf of the Town relating to computation of anticipated receipts of, principal of, and interest on the Government Obligations and anticipated payments of principal and interest to redeem the Refunded Bonds, was examined by Causey, Demgen & Moore Inc, certified public accountants and consultants (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by the Underwriter, on behalf of the Town. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of such computations and has not made any study or evaluation of the assumptions and information upon which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

ESCROW AGENT

Upon delivery of the Bonds the Town and The Bank of New York Mellon Trust Company, N.A., a national banking association, with a corporate trust office located at 222 Berkeley Street, 2nd Floor, Boston, Massachusetts 02116, as Escrow Agent, will enter into an Escrow Agreement, to be dated May 8, 2012 (the "Escrow Agreement"). See "APPENDIX D – PROPOSED FORM OF ESCROW AGREEMENT" herein.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Bernstein, Shur, Sawyer & Nelson, P.A., Portland, Maine, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine.

UNDERWRITING

The Bonds are being purchased by the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price of \$50,934,133.40, which purchase price reflects an Underwriter's discount, from the initial offering prices of the Bonds, in the amount of \$232,393.75 and a premium in the amount of \$4,621,527.15. The contract relating to purchasing the Bonds provides that the Underwriter will purchase all of the Bonds, if any Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter. The Town has been advised by the Underwriter that (i) it presently intends to make a market in the Bonds, (ii) it is not, however, obligated to do so, (iii) any market making may be discontinued at any time and (iv) there

can be no assurance that an active public market for the Bonds will develop. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices stated on the cover page hereof.

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Preliminary Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution arrangement with Raymond James (Raymond James has not been designated by the Town as an underwriter of the Bonds) for the distribution of the Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

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

Approval of Legality

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

Certification of the Bonds

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

Certificate With Respect to Treasurer

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

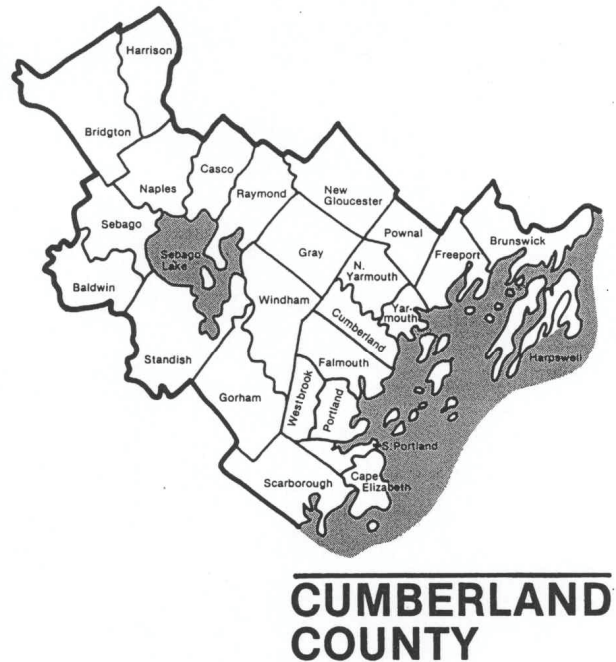
GENERAL

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 the Spurwink River and on the Atlantic Ocean; its northeastern border is formed by the cities of South Portland and Westbrook and the Town of Cape Elizabeth; the towns of Gorham and Buxton are contiguous on its northwest; and its southwest boundaries align the City of Saco and Town of Old Orchard Beach. Sections of the Town include, North Scarborough, Oak Hill, Black Point, Pleasant Hill, Higgins Beach, Pine Point (first called Blue Point) and Prouts Neck. Originally known as Libby's Neck, Prouts Neck is a broadening point of land extending into the sea. On the outer northeastern side of Prouts Neck the Town's oceanfront begins with Scarborough

Beach, about two miles in length, going north to Higgins Beach, which succeeds and continues to the Spurwink River at the Town's line. On the western side of Prouts Neck, is a small harbor facing Pine Point and Ferry Rock, nearly enclosing from the sea a considerable basin into which waters of 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 runs 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 operates 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, Capt. Cammock and his wife moved from Richmond's Island to Prouts Neck, and Capt. Cammock 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, named Dunstan. The Town was incorporated as the 6th town in the Province of Maine on July 14, 1658 and was 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'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 comprised of 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 80.3% are owner-occupied. The land area of the Town is comprised of residential, local business, industrial, medical, commercial and resource protection zones, as well as recreation, oceanfront, open space, farmland and woodland areas. The area of the Town totals 27,919 acres or approximately 54 square miles.

GOVERNMENT

There are two basic forms of local government in Maine: the "Direct" form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the "Representational" form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* form of government, the most common in Maine, currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (36 cities or towns) and *Council/Mayor/Administrator* (four cities in Maine).

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

MUNICIPAL SERVICES

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

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

Public Safety

The Police Department is staffed by employees which include a Police Chief, two Captains, six Sergeants, three detectives, one evidence technician, one community resource officer, two school resource officers, two task force officers and 19 patrol officers and three full-time civilian personnel. In addition, the Town employs a Marine Resource Officer/Harbor Master, an Animal Control Officer, 11 Dispatchers, one crime analyst and 40 part-time personnel. The Police Department maintains 28 vehicles, which are in excellent repair.

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

Public Works

The Public Works Department is comprised of three divisions managed by a Director of Publics Works and a Deputy Director as discussed below: The *Operations Division* is comprised of a Supervisor and 16 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling and processes "Excavator Licenses," "Street Opening Permits," and "Building Permit Coordination Forms." The *Vehicle Maintenance Division* consists of a Supervisor and seven fleet technicians and is responsible for the maintenance of all Town-owned vehicles including Fire Trucks, Rescue Vehicles, Police Cruisers, School Buses, Public Works equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment and for overseeing the town-wide fuel distribution program. The *Traffic/Electrical Division* is manned by one person who oversees the town-wide alarm system, traffic signals and associated equipment. In addition, Public Works is staffed by two full-time office personnel, and a full-time GIS coordinator.

In 1996 the Town ceased using its landfill for solid waste disposal, and has closed the site in conformance with the State of Maine Department of Environmental Protection procedures, but is permitted to continue operating a demolition debris landfill at the site, in its existing capacity, until 2027, under a waiver granted by the State. The current cost of closure is estimated to be \$429,384; annual post-closure monitoring cost is estimated to be \$4,050 per year. The Town transports its solid waste to ecomaine's facility which maintains a waste-to-energy resource recovery system for which the Member Municipalities (as defined herein) 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 entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility at ecomaine's demolition debris and recycling facility in Gorham. See "INDEBTEDNESS – CONTINGENT DEBT – ecomaine" herein.

PUBLIC EDUCATION

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

Superintendent, an Assistant Superintendent one Business Office Manager, one Director of Special Education, one Director of Curriculum/Assessment, 10 full-time equivalent (“FTE”) Principals or Assistant Principals, 540 teachers and various other professional and non-professional staff.

Schools

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	241
Eight Corners School	K-2	250 ⁽¹⁾	232
Pleasant Hill School	K-2	200 ⁽¹⁾	159
Benjamin Wentworth Intermediate	3-5	750 ⁽¹⁾	774
Scarborough Middle	6-8	800 ⁽¹⁾	778
Scarborough High	9-12	1,200	1,064

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

Enrollment Trends

April 1,	Grades					Total Enrollment
	K-2	3-5	6-8	9-12	Other	
2011	679	767	778	1,065	5	3,295
2010	725	754	796	1,070	6	3,351
2009	750	728	810	1,048	7	3,343
2008	714	772	828	1,024	9	3,347
2007	718	790	797	993	8	3,306
2006	724	790	803	1,007	0	3,324
2005	727	799	805	977	0	3,308
2004	723	777	811	923	0	3,234
2003	715	789	754	850	102	3,210
2002	724	754	782	785	92	3,137

Portland Arts and Technology High School

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

The law regarding the funding of Portland Arts and Technology High School (“PATHS”), a Center, was changed by Private and Special Laws of Maine for its 2000/2001 school year such that Scarborough no longer pays per student tuition to Portland but pays for attendance through a cost sharing agreement. State subsidy for PATHS no longer goes entirely to Portland; rather each school sending students to PATHS receives some subsidy for Career and Technical Education (“CTE”) based on its costs for student enrollment at PATHS. For the school year 2011/2012, the Scarborough School Department’s assessment is 4.054% of the total of the 2011/2012 Part I cost and the 2011/2012 Part II cost for PATHS. This represents the enrollment average for October 1, 2011, being 22.5 FTE students from Scarborough of the 555 student total enrollment average for PATHS.

THE SCARBOROUGH PUBLIC LIBRARY

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

In 1937, the Town purchased land on the south side of the Corporation’s building and, with a gift of two additional parcels of land on the north and west sides of the building, an addition to the one-room library was planned. The north wing, known as the Fiction Room, was completed in 1938. Another building fund, starting in 1947, led to a south wing completion in October 1951, to become the Reference Room. In 1976, the library underwent extensive renovation including an addition to the rear of the building for an expansion of the children’s section, added office space and moving the circulation desk to a central location. Additionally, a public meeting room was built and storage space provided. A one-floor 12,000 square feet library building, located in the central Oak Hill area, opened in 1990.

The Scarborough Public Library operates as a private, non-profit, tax-exempt entity. 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 75,500 items of print and audiovisual materials. The Library averages 2,300 visitors per week and circulates approximately 223,000 items per year, with a Library Director who oversees a staff of six full-time and 16 part-time employees and various volunteers.

LABOR RELATIONS

The Town employs approximately 541 full-time and various part-time personnel, and approximately 788 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union ⁽¹⁾	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	31	July 1, 2010	June 30, 2011 ⁽²⁾
SPA	Dispatchers	11	July 1, 2011	June 30, 2012
SPA	Paramedics	20	July 1, 2011	June 30, 2014
SEA	Teachers	282	Sept 1, 2010	Aug 31, 2013
SAA	School Administrators	11	July 1, 2010	June 30, 2013
SESPA	School Staff and Teacher's Aids	106	July 1, 2011	June 30, 2014
SEA	School Custodians	26	July 1, 2011	June 30, 2012
SEA	Bus Drivers	22	July 1, 2011	June 30, 2014
SEA	Food Service Workers	24	July 1, 2011	June 30, 2012

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

⁽²⁾ The respective unit and the Town are, or will be, negotiating the terms of a new contract. The employees continue to perform duties pursuant to the terms of the expired contract. The Town has provided in its budget amounts that it expects that the Town would incur in the successor contract.

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
2011	1	\$3,559.3	75	\$59,434.3	45	\$68,636.5	336	\$60,781.8	457	\$192,411.9
2010	1	0.0	70	96,903.9	58	84,399.5	401	62,448.9	530	243,752.3
2009	16	30,286.2	53	21,820.3	47	62,154.1	268	61,243.5	384	175,504.1
2008	10	35,447.4	80	55,559.8	75	100,517.1	359	79,765.4	524	271,329.7
2007	19	56,828.5	123	13,410.1	75	32,653.6	364	6,366.0	581	109,258.2
2006	86	40,296.6	72	12,103.9	86	24,508.5	356	9,163.6	600	86,072.6
2005	6	2,495.0	298	5,637.5	107	26,146.9	300	10,086.7	711	44,366.1
2004	14	26,077.8	222	11,033.8	120	32,104.1	286	10,286.1	642	79,501.8
2003	10	8,210.0	61	6,770.5	169	36,338.5	243	7,717.7	483	59,036.7
2002	7	5,357.0	214	5,037.8	147	30,400.4	366	6,697.9	734	47,493.1

ECONOMIC DEVELOPMENT

Former Portland Metropolitan Statistical Area

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



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

Employment

Representative Employer	Type of Business	Approximate Number of Employees	% All Town Employees (2012)
Hannaford Brothers	Supermarket Chain & Corp Office	1,108	7.3%
Postal Service Distribution Ctr	Distribution	444	2.9
NorDX	Medical Laboratory	293	1.9
Maine Medical Center	Hospital	278	1.8
Cabela's	Sports Equipment	275	1.8
Wal-Mart	Retail Department Store	275	1.8
Shaw's	Supermarket Chain	215	1.4
Sam's Wholesale Club	Wholesale Department Store	200	1.3
Piper Shores	Nursing Home	192	1.3
Johnson & Jordan	Mechanical Contractors	167	1.1
Total Employees in the Town (2012)		15,217	100.0%

Commuter Trends

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

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

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
2011	48,303	42,148	22,409	148,699	80,649	31,406	59,601	433,214	384,912
2010	37,569	44,048	22,326	145,410	77,596	29,637	57,352	413,937	376,369
2009	47,569	41,367	21,975	129,496	71,546	26,774	54,470	393,197	345,628
2008	59,956	53,132	21,863	119,227	61,808	26,598	50,302	392,886	332,930
2007	64,616	38,068	21,611	121,064	20,874	28,526	43,324	338,083	273,467
2006	74,371	31,443	19,950	126,021	19,906	27,932	42,248	341,872	267,501
2005	68,042	27,163	18,554	126,485	15,767	29,575	40,514	326,100	258,057
2004	62,306	23,339	17,834	132,589	14,957	28,798	39,129	318,951	256,645
2003	51,560	19,497	16,803	128,063	14,531	29,212	36,824	296,489	244,929
2002	48,284	18,740	15,445	122,010	13,074	24,926	37,267	279,747	231,462

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.

ECONOMIC CHARACTERISTICS

		-----% Change-----		
Population	Town of Scarborough	Town	State	USA
1970	7,845	22.2	2.4	13.4
1980	11,347	44.6	13.4	11.4
1990	12,518	10.3	9.2	9.8
2000	16,970	35.6	3.8	13.2
2010	18,919	11.5	4.2	8.9

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

Population Characteristics^(a)	Town of Scarborough	Cumberland County	State of Maine	USA
Median age (years)	44.5	41.0	42.7	37.2
% School age	19.0%	26.1%	18.2%	20.4%
% Working age	59.0%	64.8%	63.4%	62.9%
% 65 and over	12.2%	14.3%	15.9%	13.0%
Persons/household	2.48	2.32	2.32	2.58

Income^(b)	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 ^(a)	80.3%	66.9%	71.3%	65.1%
% Built 1939 or earlier ^(b)	16.1%	29.0%	29.1%	15.0%
% Built since 1990 ^(b)	25.6%	13.7%	14.6%	17.0%
Owner occupied med. value ^(b)	\$159,800	\$131,200	\$98,700	\$119,600
Median gross rent ^(b)	\$804	\$615	\$497	\$602
Occupied housing units ^(a)	7,506	117,339	557,219	

SOURCE: ^(a) 2010 Census; ^(b) 2000 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Scarborough	Cumberland County	State of Maine	USA
2011	5.1%	6.0%	7.5%	8.9%
2010	5.4	6.3	7.9	9.6
2009	5.6	6.4	8.0	9.3
2008	3.3	4.0	5.4	5.8
2007	2.9	3.5	4.6	4.7
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1
2004	2.9	3.3	4.6	5.5
2003	2.2	3.0	5.1	6.0
2002	2.0	2.8	4.4	5.8

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,

	2008	2009	2010	2011	2012
EXPENDITURES					
General government	\$4,250,361	\$4,358,084	\$4,598,652	\$4,612,151	\$4,520,293
Public services	2,924,357	3,134,633	3,175,563	3,191,728	3,198,847
Public safety	6,995,577	7,563,495	7,840,302	8,201,277	8,470,702
Public works	6,305,800	6,501,204	6,539,503	6,349,595	6,397,756
Education	33,489,615	35,145,994	35,199,614	35,084,868	35,652,462
County Tax	1,735,302	1,836,509	1,885,984	1,922,952	1,975,585
Debt service	4,717,767	4,935,548	4,750,145	4,814,046	4,909,870
CIP	1,878,746	947,360	1,055,426	789,928	909,450
TOTAL EXPENDITURES	62,297,525	64,422,827	65,045,189	64,966,545	66,034,965
REVENUES					
Taxes	44,611,816	46,929,139	47,279,994	49,175,751	50,739,366
Licenses and permits	667,115	602,140	406,890	433,280	801,540
Intergovernmental	9,372,942	9,908,963	9,937,412	8,045,187	8,392,466
Interest earned	227,000	227,000	100,000	95,000	30,000
Other	3,807,265	4,629,952	4,536,004	5,397,978	5,019,362
TOTAL REVENUES	58,686,138	62,297,194	62,260,300	63,147,196	64,982,734
OTHER SOURCES					
Operating transfers	2,253,882	1,399,606	532,747	314,020	310,175
Prior year fund balance	540,000	799,770	1,700,000	1,150,000	600,000
Overlay	(99,688)	(73,743)	(274,184)	(100,849)	(209,944)
Bond and note proceeds	917,193	0	826,326	456,178	352,000
TOTAL OTHER	3,611,387	2,125,633	2,784,889	1,819,349	1,052,231
TOTAL BUDGET	\$62,297,525	\$64,422,827	\$65,045,189	\$64,966,545	\$66,034,965

CAPITAL IMPROVEMENT PLAN

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

PROPERTY TAX LEVY LIMIT

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

Fiscal year:	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
State Personal Income Factor:	2.47%	2.24%	2.28%	1.78%	1.66%
Town Prop Growth Factor:	<u>2.34</u>	<u>2.57</u>	<u>2.64</u>	<u>0.89</u>	<u>0.41</u>
Growth Limitation Factor:	4.81%	4.81%	4.92%	2.67%	2.07%
Property Tax Levy Limit:	\$11,857,392	\$12,437,733	\$13,211,025	\$13,749,067	\$14,428,637
Property Tax Levy:	<u>11,587,653</u>	<u>12,567,077</u>	<u>13,426,693</u>	<u>14,136,022</u>	<u>14,346,334</u>
Over/(below) Levy Limit:	(\$269,739)	\$129,344	\$215,668	\$386,955	(\$82,303)

INVESTMENT POLICY

The Town established a formal Investment Policy on March 21, 2012, which it continues to follow. Additionally, pursuant to applicable Maine law [Title 30-A, Section 5706 et seq. of the Maine Revised Statutes, as amended (the "Act")], all investments of the Town must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FUND BALANCE POLICY

The Town established, and follows, a formal policy that recognizes the importance of maintaining an appropriate level of unrestricted fund balance. On January 20, 2010 the Town amended its Fund Balance Policy, previously adopted on September 17, 1997, to comply with Governmental Accounting Standards Board ("GASB") Statement 54 ("GASB 54"). The purpose of the policy is to establish a target level of fund balance for the General Fund and to establish a process and criteria for the continued evaluation of that target level as conditions warrant. After evaluating the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes goals regarding to the unrestricted fund balances of the General Fund of the Town.

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

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Committed, Assigned & Unassigned ⁽¹⁾					
General Fund Balance	\$8,317,308	\$8,974,492	\$8,173,847	\$4,755,708	\$3,807,948
Total Revenues (Current Year)	57,194,572	61,362,787	65,367,223	64,114,724	65,932,351
Fund Bal as % Revenues	14.54%	14.63%	12.50%	7.42%	5.78%
Unassigned ⁽²⁾ General Fund Balance	\$5,646,355	\$6,222,425	\$6,355,529	\$3,286,399	\$954,650
Total Revenues (Current Year)	57,194,572	61,362,787	65,367,223	64,114,724	65,932,351
Fund Bal as % Revenues	9.87%	10.14%	9.72%	5.13%	1.45%

NOTE: ⁽¹⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Unreserved".

⁽²⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Undesignated".

Special Event Regarding Use of Fund Balance

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

The Town does not anticipate using any portion of Fund Balance for operations in FY 2013; the School anticipates using approximately \$200,000.

DEBT MANAGEMENT POLICY

On March 21, 2012 the Town enacted a formal Debt Management Policy, to standardize the issuance and management of debt. Implementation of, and adherence to, a Debt Policy is a recommended practice by the Government Finance Officers Association (“GFOA”). The Town’s policy provides guidelines regarding the timing and purpose for which debt may be issued, and presents the types of permissible debt and the methods of sale that may be used. In the policy, the Town confirms its obligation to fully and timely repay all debt as an essential requirement for entry into the capital markets.

The policy is to be used in conjunction with the operating and capital budgets, the CIP, and other financial policies and sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policy that: (1) the Town obtains financing only when desirable, (2) the process for identifying the timing and amount of debt financing be as efficient as possible, (3) obtain, and then retain, the highest possible credit rating(s), (4) obtain the most favorable interest rate and other related costs, and (5) comply with full and complete financial disclosure and reporting.

Debt financing includes: general obligation bonds, special assessment bonds, temporary notes, lease/purchase agreements, debt guaranteed by the Town, and other Town obligations permitted to be issued or incurred under Maine statute; debt financing is only to be used to purchase capital assets that cannot be acquired from current resources. The useful life of the financed asset or project needs to equal or exceed the payout schedule of any debt the Town assumes for that project, to achieve a match between those who benefit from the asset and those that pay for it.

The Town assesses all financial alternatives for funding capital improvements prior to issuing debt. “Pay-as-you-go” financing is considered before issuing debt. Pay-as-you-go financing may include: intergovernmental grants from federal, State, and other sources; current revenues and fund balances; private sector contributions; public/private partnership; or leases. Debt financing is not considered appropriate for recurring purposes, such as current operating and maintenance expenditures. Once the Town determines that pay-as-you-go is not a feasible financing option, the Town may use short-term or long-term debt to finance capital projects.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Section 204.6 of the Town’s Charter provide for independent annual audits of the Town’s accounts and establish procedures for such audits. The Town, in conformance with this statute and its Charter currently engages the services of Macdonald Page & Co., LLC, Certified Public Accountants (“Macdonald Page”) 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 2011 Annual Financial Report, audited by Macdonald Page, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of Macdonald Page for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

The Government Finance Officers Association (the “GFOA”) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Town for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2010. This is the fifth 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,)**

	2011	2010	2009	2008	2007
ASSETS					
Cash and cash equivalents	\$5,554,730	\$4,062,681	\$4,691,357	\$3,972,040	\$7,916,097
Investments	2,412,731	4,410,997	4,803,188	7,724,325	3,019,928
Receivables:					
Accounts receivable	563,698	546,871	617,828	487,613	606,045
Intergovernmental	182,202	45,238			
Taxes receivable	168,995	166,781	136,958	132,608	103,975
Tax liens	730,719	651,207	559,400	456,920	363,401
Inter-fund receivable	2,904,940	2,794,632	3,152,886	877,117	483,340
Tax acquired property	7,231	7,231	7,231	7,231	7,231
TOTAL ASSETS	12,525,246	12,685,638	13,968,848	13,657,854	12,500,017
LIABILITIES					
Accounts payable	1,092,572	1,158,183	1,057,383	1,005,571	806,517
Accrued payroll	3,676,889	3,581,414	3,459,260	3,189,200	2,599,530
Accrued absences	30,366	22,559	22,425	65,218	0
Taxes collected advance	65,091	50,845	69,250	15,003	31,279
Deferred tax revenue	671,053	634,571	556,721	408,370	370,000
TOTAL LIABILITIES	5,535,971	5,447,572	5,165,039	4,683,362	3,807,326
EQUITY⁽¹⁾					
Fund balances:					
Reserved	-	2,482,358	629,962	617,834	674,006
Unreserved:	-				
Undesignated	-	3,286,399	6,355,529	6,222,425	6,021,738
Designated	-	1,469,309	1,818,318	2,134,233	1,996,947
Non-spendable	0	-	-	-	-
Restricted	3,181,327	-	-	-	-
Committed	629,908	-	-	-	-
Assigned	2,223,390	-	-	-	-
Unassigned	954,650	-	-	-	-
TOTAL EQUITY	6,989,275	7,238,066	8,803,809	8,974,492	8,692,691
TOTAL LIABILITIES AND EQUITY	\$12,525,246	\$12,685,638	\$13,968,848	\$13,657,854	\$12,500,017

Prepared from Audited Financial Statements.

NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

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

	2011	2010	2009	2008	2007
REVENUES					
Taxes	\$48,942,881	\$46,879,920	\$46,401,191	\$44,581,175	\$42,712,153
Licenses and permits	479,746	573,438	482,314	817,847	753,026
Intergovernmental	11,728,400	11,875,110	13,526,908	12,605,805	11,794,756
Interest earned	42,024	141,496	137,533	344,371	404,622
Other	4,739,300	4,644,760	4,819,277	6,197,182	3,955,173
TOTAL REVENUES	65,932,351	64,114,724	65,367,223	64,546,380	59,619,730
EXPENDITURES					
General government	4,677,260	4,701,884	4,533,475	4,482,678	4,400,675
Public services	3,787,489	3,730,927	3,703,541	3,102,548	3,070,038
Public safety	7,967,270	7,720,965	7,399,328	6,986,430	6,641,973
Public works	6,040,273	6,224,169	6,259,412	6,765,228	5,846,056
Education	38,174,127	37,337,662	37,551,686	36,113,916	33,652,081
County tax	1,922,952	1,885,984	1,836,509	1,735,302	1,614,651
Debt service	4,771,048	4,956,091	5,070,061	4,720,620	4,396,007
Capital improvements	833,353	1,262,059	2,177,893	3,675,867	2,618,995
TOTAL EXPENDITURES	68,173,772	67,819,741	68,531,905	67,582,589	62,240,476
EXCESS OF REVENUES OVER EXPENDITURES	(2,241,421)	(3,705,017)	(3,164,682)	(3,036,209)	(2,620,746)
OTHER FINANCING SOURCES:					
Operating transfers in	1,120,962	1,551,027	2,570,284	2,782,635	1,855,084
Operating transfers out	(170,203)	(111,543)	(395,967)	(886,474)	(602,222)
Proceeds from Capital Lease	0	51,585	819,682	1,010,422	1,199,550
Bond or note proceeds	407,440	648,205	0	786,810	634,750
TOTAL OTHER FINANCING:	1,358,199	2,139,274	2,993,999	3,693,393	3,087,162
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(883,222)	(1,565,743)	(170,683)	657,184	466,416
FUND BALANCE, BEGINNING OF YEAR⁽¹⁾	7,872,497	8,803,809	8,974,492	8,317,308	8,226,275
FUND BALANCE, END OF YEAR	\$6,989,275	\$7,238,066	\$8,803,809	\$8,974,492	\$8,692,691

Prepared from Audited Financial Statements

NOTE: ⁽¹⁾ See APPENDIX A – “Notes to Financial Statements – FUND BALANCE CHANGES” herein.

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2011/2012 due dates are October 17, 2011 and March 15, 2012. All taxes paid after the due dates are subject to interest, at the rate of 7.0% per annum.

Real Estate Taxes

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

Business Personal Property Taxes

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various 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: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; 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.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

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

rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

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

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

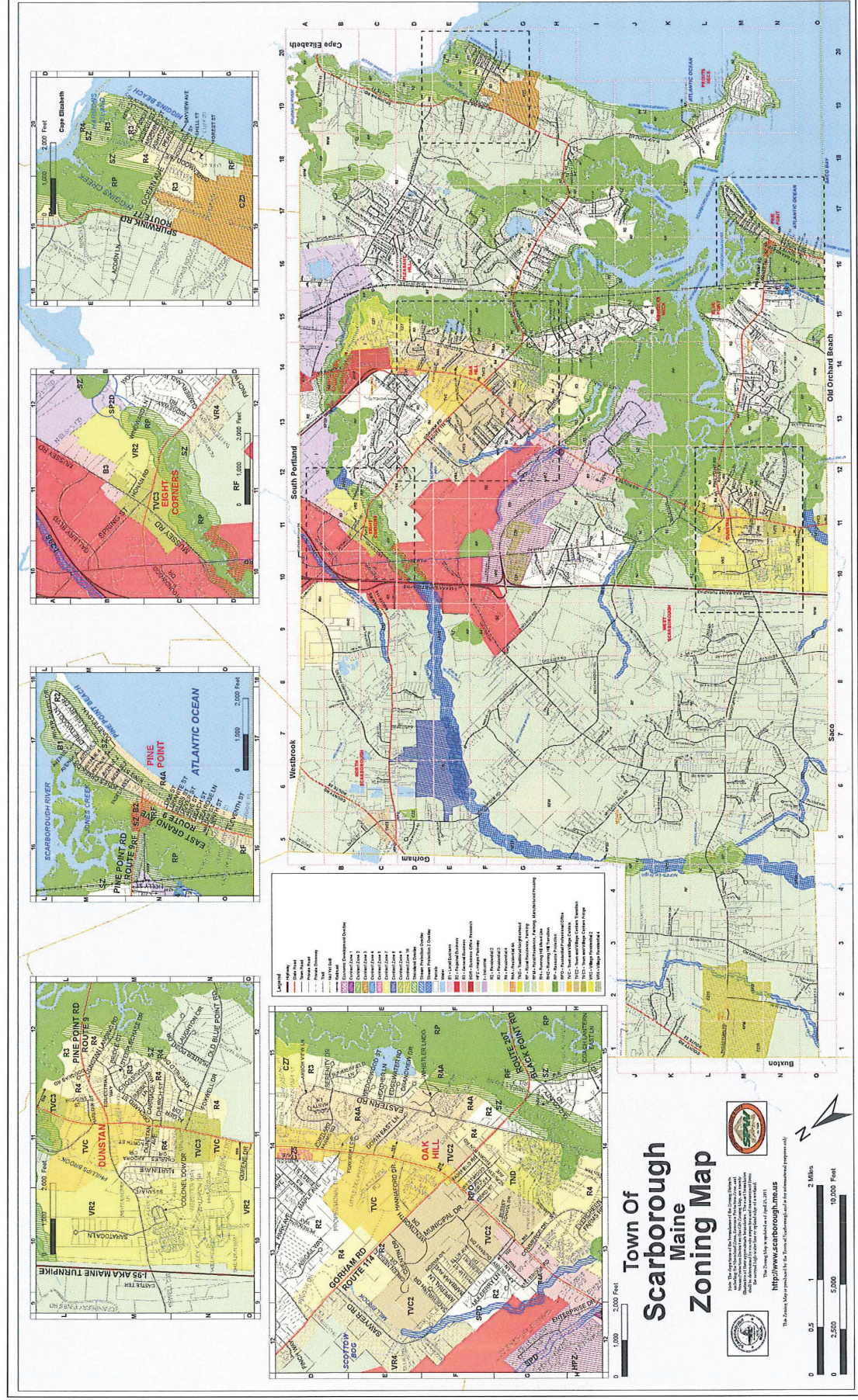
The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Commit. (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 3/1/12
2012	\$3,556,750	\$3,571,196	\$13.03	\$46,532	---- In Process ----		
2011	3,564,150	3,556,552	12.63	44,919	\$44,325	98.66%	99.40%
2010	3,620,450	3,524,772	12.15	42,826	42,319	98.82	99.92
2009	3,563,250	3,487,005	12.15	42,367	41,891	98.88	99.93
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01	99.93
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.30	99.95
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.92	100.00
2005	2,538,800	2,057,589	17.34	35,678	35,423	99.13	100.00
2004	2,158,300	2,002,987	16.46	32,969	32,747	99.33	100.00
2003	1,864,800	1,930,576	15.70	30,311	30,104	99.20	100.00
2002	1,571,700	1,858,345	15.30	28,433	28,121	98.84	100.00

ZONING MAP

The Zoning Map displays the composition of land area available for current, and the potential for future, tax base.



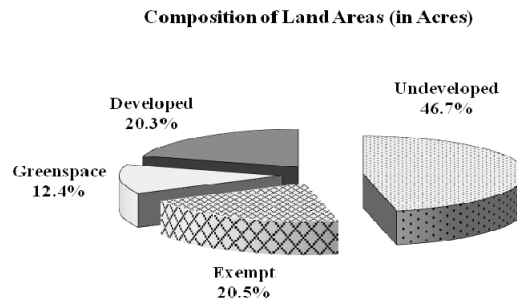
LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2011				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$59,963,000	\$908,400	\$60,871,400	\$793,154	1.70%
Walmart/Sam's Club	Wholesale/Retail	33,674,000	6,313,600	39,987,600	521,038	1.12%
New England Exped.	Retail/Restaurants	35,132,100	0	35,132,100	457,771	0.99%
MMC Realty	Maine Health	24,217,600	3,275,800	27,493,400	358,239	0.76%
Hannaford Brothers	Supermarket/Corp Off	16,931,300	8,633,100	25,564,400	333,104	0.72%
Scarborough Gallery	Retail/Restaurants	22,019,000	0	22,019,000	286,908	0.62%
Gavin Ruotolo	Commercial Leases	18,475,300	123,000	18,598,300	242,336	0.52%
Central Maine Power	Utility	14,595,300	2,200	14,597,500	190,205	0.40%
RRE Foxcroft &						
Coach Lantern	Apartments	13,009,800	243,600	13,253,400	172,693	0.38%
Shaw's	Supermarket	8,911,600	3,561,000	12,472,600	162,518	0.35%
Top Ten Taxpayers as a % of Total		\$246,929,000	\$23,060,700	\$269,989,700	\$3,517,966	7.56%

CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 28,213 acres. The below table and chart displays the composition of land area available for tax base, and the potential for future tax base by the conversion of land from undeveloped to developed.

By Land Area (acres)	2010
Undeveloped ⁽¹⁾	13,182
Exempt	5,792
Greenspace ⁽²⁾	3,504
Developed	<u>5,735</u>
Total	28,213



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.

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

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

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

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

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

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

REVENUES FROM THE STATE

The State provides revenue to the Town in a number of areas including aid to the Town in areas of education and road maintenance; reimbursement for general assistance, homestead exemption and BETE; and revenue sharing. The amount of revenue 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 and are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process.

Fiscal Yr. End June 30,	State Revenue Sharing	School Aid	Homestead Exemption	General Assist.	BETE	Other State Aid	Total From State
2011	\$1,075,523	\$5,680,516	\$287,798	\$969	\$161,090	\$579,967	\$7,785,863
2010	1,120,132	5,913,102	352,995	3,022	140,591	907,012	8,436,854
2009	1,358,911	7,069,802	339,355	8,264	23,864	881,691	9,681,886
2008	1,409,156	6,567,679	325,653	11,637	-	943,561	9,257,686
2007	1,395,552	6,423,999	317,821	5,730	-	870,906	9,014,008

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, 2012 the Town’s equalized state valuation (“equalized State Valuation”) was \$3,556,750,000. The 15% debt limit is \$533,512,500. On June 30, 2011 the Town’s long-term debt was \$66,767,000 or 1.88% of the equalized State Valuation.

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

DEBT SUMMARY

Series	Date of Issue	Issue Amount	Date of Final Mat	As of June 30, 2011	Payments 2010/2011	(less Refunding)	Projected June 30, 2012
1993	05/01/93	1,135,000	11/01/12	\$50,000	(\$25,000)		\$25,000
1994	10/15/94	6,775,000	10/15/14	920,000	(230,000)		690,000
1995	12/15/95	6,160,000	11/01/15	1,325,000	(265,000)		1,060,000
1997	04/15/97	4,230,000	11/01/16	660,000	(110,000)		550,000
2003	06/01/03	24,579,000	06/01/34	18,335,000	(840,000)	(17,495,000)	0
2004	03/15/04	14,628,000	11/01/33	8,695,000	(680,000)	(4,125,000)	3,890,000
2005	03/15/05	10,665,000	11/01/34	8,070,000	(390,000)	(3,470,000)	4,210,000
2006	05/15/06	7,014,000	11/01/20	3,540,000	(480,000)		3,060,000
2007	05/15/07	4,000,000	11/01/21	1,800,000	(550,000)		1,250,000
2008	06/01/08	8,513,000	11/01/27	6,320,000	(790,000)		5,530,000
2009	05/01/09	4,560,000	11/01/28	3,855,000	(400,000)		3,455,000
2009	10/01/09	1,780,000	11/01/19	1,595,000	(185,000)		1,410,000
2010	04/15/10	6,002,000	11/01/30	6,002,000	(482,000)		5,520,000
2011	06/15/11	5,600,000	11/01/30	5,600,000	(545,000)		5,055,000
Sub-totals				\$66,767,000	(\$5,972,000)	(\$25,090,000)	\$35,705,000
	05/08/12		11/01/41	0			18,540,000
	05/08/12		11/01/31	0			3,400,000
2012	05/08/12		11/01/32	0			24,605,000
Totals				\$66,767,000	(\$5,972,000)	(\$25,090,000)	\$82,250,000

NOTE: The shaded series in this table, and below tables, indicate the series' to be refunded by a portion of the Bonds.

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2007	2008	2009	2010	2011	2012
Total Current Year Debt Service:	\$8,819,923	\$8,768,869	\$8,853,561	\$8,209,555	\$8,304,376	\$8,404,682
Budgeted Operating Expense:	59,281,269	62,297,525	64,422,827	65,045,189	64,966,545	66,034,965
Debt Service as % Oper. Expense:	14.88%	14.08%	13.74%	12.62%	12.78%	12.73%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2012	18,919	\$3,556,750	\$3,572,000	\$82,250,000	2.31%	\$4,347.48
2011	18,919	3,564,150	3,556,552	66,767,000	1.87	3,529.10
2010	18,919	3,620,450	3,524,771	68,042,000	1.88	3,616.95
2009	18,812	3,563,250	3,487,005	67,785,000	1.90	3,603.29
2008	18,812	3,531,150	3,397,230	69,328,000	1.96	3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76
2004	16,970	2,158,300	2,023,583	62,952,163	2.92	3,709.61
2003	16,970	1,864,800	1,959,463	54,759,228	2.94	3,226.83
2002	16,970	1,571,700	1,858,345	35,095,667	2.23	2,068.10

PROJECTED DEBT SERVICE REQUIREMENTS

Yr. End June 30,	Principal	Interest	(less Ref'd'd)	Total Debt	Principal	Interest	Total Debt	Total D/S
2012	\$5,972,000	\$2,432,682	0	8,404,682	0	0	0	8,404,682
2013	5,775,000	2,249,923	(2,657,394)	5,367,529	975,000	1,755,863	2,730,863	8,098,392
2014	4,990,000	2,066,596	(2,140,294)	4,916,302	615,000	1,776,513	2,391,513	7,307,815
2015	4,750,000	1,897,329	(1,639,075)	5,008,254	575,000	1,763,275	2,338,275	7,346,529
2016	4,425,000	1,736,499	(1,702,944)	4,458,555	1,065,000	1,738,675	2,803,675	7,262,230
2017	3,640,000	1,596,113	(2,003,156)	3,232,956	1,690,000	1,688,900	3,378,900	6,611,856
2018	3,480,000	1,471,353	(2,319,194)	2,632,159	2,400,000	1,607,100	4,007,100	6,639,259
2019	3,240,000	1,351,115	(2,404,225)	2,186,890	2,825,000	1,502,600	4,327,600	6,514,490
2020	3,150,000	1,232,040	(2,497,176)	1,884,864	3,210,000	1,381,900	4,591,900	6,476,764
2021	3,215,000	1,109,261	(2,597,583)	1,726,679	3,475,000	1,230,825	4,705,825	6,432,504
2022	2,885,000	987,341	(2,704,453)	1,167,888	3,685,000	1,088,675	4,773,675	5,941,563
2023	3,075,000	863,887	(2,821,036)	1,117,851	3,520,000	980,600	4,500,600	5,618,451
2024	1,730,000	763,958	(1,401,273)	1,092,685	2,170,000	884,400	3,054,400	4,147,085
2025	1,780,000	691,218	(1,404,231)	1,066,986	1,870,000	803,600	2,673,600	3,740,586
2026	1,830,000	615,019	(1,086,688)	1,358,331	1,585,000	734,500	2,319,500	3,677,831
2027	1,695,000	539,853	(727,338)	1,507,515	1,335,000	676,100	2,011,100	3,518,615
2028	1,755,000	465,652	(729,500)	1,491,152	1,310,000	623,200	1,933,200	3,424,352
2029	1,625,000	391,883	(730,538)	1,286,345	1,330,000	570,400	1,900,400	3,186,745
2030	1,585,000	320,865	(730,450)	1,175,415	1,355,000	516,700	1,871,700	3,047,115
2031	1,650,000	248,353	(1,124,113)	774,240	1,775,000	454,100	2,229,100	3,003,340
2032	1,505,000	176,278	(1,121,038)	560,240	1,815,000	382,300	2,197,300	2,757,540
2033	1,575,000	105,298	(1,120,738)	559,560	1,800,000	310,000	2,110,000	2,669,560
2034	960,000	46,500		1,006,500	685,000	256,875	941,875	1,948,375
2035	480,000	12,000		492,000	685,000	222,625	907,625	1,399,625
2036				0	685,000	188,375	873,375	873,375
2037				0	685,000	154,125	839,125	839,125
2038				0	685,000	123,300	808,300	808,300
2039				0	685,000	95,900	780,900	780,900
2040				0	685,000	68,500	753,500	753,500
2041				0	685,000	41,100	726,100	726,100
2042				0	685,000	13,700	698,700	698,700
TOTAL	\$66,767,000	\$23,371,010	(35,662,433)	54,475,577	46,545,000	23,634,725	70,179,725	124,655,303

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

Yr. End June 30,	1993	1994	1995B	1997	2003	2004	2005	2006	2007	2008	2009	Ref'd'g 2009	2010	2011	2012	Total Debt
2012	25	230	265	110	840	680	390	480	550	790	400	185	482	545	0	5,972
2013	25	230	265	110	925	690	395	510	225	790	400	185	485	540	975	5,135
2014		230	265	110	595	555	305	515	225	595	400	185	470	540	615	4,455
2015		230	265	110	685	215	315	530	225	580	400	185	470	540	575	4,640
2016			265	110	780	225	250	505	225	570	315	185	470	525	1,065	4,710
2017				110	885	235	230	185	225	570	310	185	345	360	1,690	4,210
2018					1,005	245	240	190	25	575	310	185	345	360	2,400	4,390
2019					1,135	255	250	195	25	185	310	185	345	355	2,825	4,425
2020					1,280	265	260	210	25	185	110	115	345	355	3,210	4,555
2021					1,435	280	270	220	25	185	100		345	355	3,475	4,705
2022					1,610	290	280		25	185	100		280	115	3,685	4,390
2023					1,800	305	290			185	100		280	115	3,520	4,200
2024					430	320	300			185	100		280	115	2,170	2,850
2025					450	335	315			185	100		280	115	1,870	2,550
2026					475	350	325			185	100		280	115	1,585	2,590
2027					495	365	340			185	100		100	110	1,335	2,535
2028					520	385	355			185	100		100	110	1,310	2,545
2029					545	400	370				100		100	110	1,330	2,410
2030					570	420	385				100		100	110	1,355	2,370
2031					595	440	405				100		100	110	1,775	2,425
2032					625	460	420								1,815	2,275
2033					655	480	440								1,800	2,280
2034						500	460						685		685	1,645
2035							480						685		685	1,165
2036													685		685	685
2037													685		685	685
2038													685		685	685
2039													685		685	685
2040													685		685	685
2041													685		685	685
2042													685		685	685
Totals	50	920	1,325	660	18,335	8,695	8,070	3,540	1,800	6,320	3,855	1,595	6,002	5,600	46,545	88,222
Pd 2012	(25)	(230)	(265)	(110)	(840)	(680)	(390)	(480)	(550)	(790)	(400)	(185)	(482)	(545)		(5,972)
Ref'd'd					(17,495)	(4,125)	(3,470)									
Jul 1, 2012	25	690	1,060	550	0	3,890	4,210	3,060	1,250	5,530	3,455	1,410	5,520	5,055	46,545	82,250

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, 2012 the Town's equalized State Valuation of \$3,556,750,000 was 9.01% of the County's equalized State Valuation of \$39,497,000,000. The Town's share is 9.01%, or \$130,134, of the County's \$1,445,000 (unaudited) long-term debt projected outstanding as of December 31, 2011. See also "INDEBTEDNESS – FUTURE FINANCING – Cumberland County Recreation Center" herein.

CONTINGENT DEBT

Portland Water District

The Water Division of the Portland Water District ("PWD") also provides water to the inhabitants of 11 cities and towns and one water district within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the PWD Municipalities. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (previously codified at Title 30, Section 3211 of the Maine Revised Statutes, as amended) (the "Act"), and pursuant to an agreement with ten of the 12 PWD Municipalities, (the "Section 6103 Members"; the exceptions being the Town of Standish and the Yarmouth Water District), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the "Water System Debt"). In the event of a default by PWD in the payment of the principal of, or interest on, its Water System Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each Section 6103 Member municipality within the PWD, including the Town. Such assessment would be allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at June 30, 2011 the Town was contingently responsible for approximately 14.31%, or \$,429,090, of the PWD's \$30,950,023 Water System Debt.

ecomaine

ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 21 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 waste handling agreements among the Member Municipalities (the "Waste Handling Agreements"), the Member Municipalities are obligated severally to deliver certain of the solid waste produced within each such Member 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 Member Municipalities subject to certain limitations. On June 30, 2011, outstanding RRS Debt of ecomaine totaled \$2,660,000, of which the Town's share, based on estimated tonnage to be delivered, amounts to 8.67% or \$230,671.

The Town has also entered into an agreement with ecomaine, as one of 21 RWS 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, 2011 the Town's share is 6.30% or \$119,700 of ecomaine's outstanding MRF debt of \$1,900,000.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and post-closure care costs approximate \$15,138,502 at June 30, 2010 (the most current information available). The Town's proportionate share of these estimated landfill closure and post-closure care costs is 8.60% or \$1,302,210.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$66,767,000			\$66,767,000
County of Cumberland ⁽¹⁾		\$130,134		130,134
Portland Water District ⁽¹⁾			\$4,429,090	4,429,090
ecomaine (RRS)			230,671	230,671
ecomaine (MRF)			119,700	119,700
ecomaine (Landfill)			1,302,210	1,302,210
Total A/O June 30, 2011	\$66,767,000	\$130,134	\$6,081,671	\$72,978,805

NOTE: ⁽¹⁾ As of fiscal year ended December 31, 2011.

FUTURE FINANCING

The Town Manager develops a formal CIP 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 an indication of future projects that may be financed through the issuance of debt. Town 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 Town Council action, by the initiative and referendum provisions of Article IX of the Town's Charter. Further, Section 905 of the Town's Charter requires voter referendum approval for bond issues of \$400,000 or more for a single capital improvement or capital equipment.

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

Parks and Conservation Lands

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

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

As the Town identifies, and successfully negotiates the purchase price of, suitable properties it plans to finance such purchase(s) through the issuance of bonds. The Town has \$1,661,250 under the remaining portion of the Council Order #03-116 and \$1,000,000 of the Council Order #09-105, respectively, remaining authorized but unissued debt for this purpose.

Additional CIP

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

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>2012 Bonds</u>	<u>Authorized Unissued</u>
2003/2004	03-116	Purchase Parks & Land Cons	\$2,500,000	(\$838,750)	\$0	\$1,661,250
2004/2005	05-008	System Wide ADA	183,000	(153,500)	0	29,500
2005/2006	06-018	Fire Dept Training Building	150,000	0	0	150,000
2006/2007	06-128	IT Townwide Data/Phone	125,000	(23,190)	0	101,810
2008/2009	08-008	Dunston Sidewalk	550,000	(375,340)	0	174,660
2007/2008	08-025	Muni Bldg 2nd Fl Renov	325,000	(194,620)	0	130,380
2007/2008	08-026	Fac Support Equip	30,000	(25,160)	0	4,840
2007/2008	08-027	Syst Wide Asbestos Flrg Abat	225,000	(215,300)	0	9,700
2007/2008	08-028	Pleasant Hill/Blue Point	70,000	(55,000)	0	15,000
2007/2008	08-029	Blue Point Fence	25,000	(7,500)	0	17,500
2007/2008	08-030	Long Range Planning	160,000	(80,000)	0	80,000
2008/2009	08-122	Broadturn Road	61,700	0	0	61,700
2008/2009	08-122	Pub Safety Bldg Site Study	100,000	(25,000)	0	75,000
2008/2009	08-123	Bleacher Safety	45,000	(42,000)	0	3,000
2008/2009	08-123	Auditorium Wall & Stage	25,000	0	0	25,000
2008/2009	08-123	HS Café AC	125,000	(100,000)	0	25,000
2008/2009	08-123	WI Asbestos Abatement	25,000	0	0	25,000
2008/2009	08-123	DW & WI Bldg Envelope	65,000	(30,000)	0	35,000
2008/2009	08-123	MS & WI Bldg Modif.	100,000	(40,000)	0	60,000
2009/2010	09-105	Purchase Parks & Land Cons	1,000,000	0	0	1,000,000
2009/2010	10-011	Old County Rd Drain	1,350,000	(1,150,000)	0	200,000
2009/2010	10-011	Running Hill Swr	1,450,000	0	0	1,450,000
2009/2010	10-012	IS Equip	260,610	(200,160)	(60,000)	450
2009/2010	10-012	DW VVAC Mech	90,000	(45,000)	0	45,000
2009/2010	10-012	DW Roofing	425,000	(350,000)	0	75,000
2009/2010	10-102	DW Equip	75,000	(55,000)	0	20,000
2010/2011	11-030	PW Backhoe	121,000	(103,815)	0	17,185
2010/2011	11-030	Martin Ave/Broadturn Rd	115,000		(60,000)	55,000
2010/2011	11-030	Haigis Pky/Route 1 Intersection	2,235,000	(1,704,000)	(437,500)	93,500
2010/2011	11-031	District Wide Roofing	30,000		0	30,000
2010/2011	11-031	District Wide Energy Cons	45,000		(13,000)	32,000
2010/2011	11-031	WWI PCs	137,000		(85,000)	52,000
2011/2012	12-028	PW Plow Truck	180,000		(176,600)	3,400
2011/2012	12-028	PW Loader	172,000		(152,400)	19,600
2011/2012	12-028	Security System Upgrade	40,000		(15,000)	25,000
2011/2012	12-028	New Tech Equip	145,250		(70,000)	75,250
			<u>\$12,760,560</u>	<u>(\$5,813,335)</u>	<u>(\$1,069,500)</u>	<u>\$5,877,725</u>

Wentworth Intermediate School

By referendum vote on November 8, 2011, the voters of the Town authorized the issuance of up to \$39,077,594 in bonds to provide funds to finance construction and equipping of a new intermediate school to replace the existing Wentworth Intermediate School (the “Wentworth Intermediate School Project”). A portion of the Bond proceeds, in the amount of \$20,000,000, will provide the initial portion of funds for this project. The remaining authorized, but as yet unissued, debt for the project, in the amount not to exceed \$19,077,594, is expected to be issued in calendar year 2013 or 2014.

Cumberland County Recreation Center Project

The Cumberland County Recreation Center (the “CCRC”) was formed under Chapter 86 of the Private and Special Laws of Maine (1971), as amended by Chapter 225 of the Private and Special Laws of Maine (1974) as a district and a body politic and corporate, whose limits include all of the territory lying within the municipal boundaries of the County of Cumberland, Maine (the “County”). The CCRC was established for the purpose of acquiring and operating property for athletic, recreational and municipal purposes, and erecting, enlarging, repairing, equipping, maintaining and operating on its property a building or buildings and related athletic, recreational and municipal facilities, and facilities for parking of all manner of vehicles.

The CCRC’s facility is currently comprised of the Cumberland County Civic Center (the “Civic Center”) located at One Civic Center in the City of Portland and occupies a 2.4 acre site bounded by Free Street, Spring Street and Center Street in the heart of Portland’s downtown area. The facility consists of an arena style auditorium whereby the arena floor can be easily converted from a regulation size hockey rink, a basketball court, or a traditional convention or trade show floor in a short period of time.

The operations and obligations of the CCRC are payable from funds (a) received from payment of fees and charges for the use of facilities, (b) investment earnings, if any, (c) additional borrowing of the CCRC and (d) the County tax, which is apportioned annually among the municipalities of the County. The principal source of the Center’s income is revenue derived from fees and charges paid for use of the Center’s facilities.

On November 9, 2011 the voters of the County approved a borrowing by the County, in an amount not to exceed \$33,000,000, to provide funds to expand and renovate the Civic Center (the “CCCC Project”). While the CCRC has the authority to borrow as its own entity as a revenue bond, being a subordinate entity of the County, the County intends to issue an amount up to \$33,000,000 of its General Obligation Bonds in calendar year 2012 to provide funds to finance the CCCC Project.

While the obligations will be issued and repaid by the County, as previously discussed, County obligations are an overlapping debt obligation of the Town and are disclosed, therefore, herein. See “INDEBTEDNESS - OVERLAPPING DEBT – County of Cumberland” herein.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

The Town is a “participating local district” pursuant to Regular Plan AC and Special Plan 1C of the Consolidated Plan for Participating Local Districts (the “Consolidated Plan”) (“CPPLD”) and contributes to Maine Public Employees Retirement System’s (“MainePERS”) successor to the Maine State

Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS as successor to the Maine State Retirement System (“MSRS”). MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local districts, including the Town. The authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433-0046 or by calling (800) 451-9800. Such report is also available at <http://www.msrs.org/Publications/Publications.htm#AnnualReports>.

Funding Policy

Plan members (Town employees other than those served by the Teachers Retirement Plan, described in B, below) are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan (“CRP”), non-teaching school personnel or other qualified educators not participating in the MainePERS’s teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooled unfunded liability (“IUUAL”) on a scheduled basis, in addition to making the normal contribution to the plan. The Town’s IUUAL with MainePERS was fully paid in 2007. The current employer rate is 2.8% of annual covered payroll for School employees participating in the District Plan and 2.8% for Town employees, 6.5% for Police and Fire/Rescue. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town’s contributions to the MainePERS-CRP for the year ended June 30, 2011, 2010 and 2009 were \$256,871, \$158,635 and \$124,178, respectively. The Town has paid 100% of its CRP requirement since 2007, and thereafter.

Employer Contribution Rates

The MainePERS Board of Trustees has increased employer contribution rates for the PLD Consolidated Plan based upon actuarial recommendations. The following table shows the rates for fiscal year ended June 30, 2011, new rates for fiscal year ended June 30, 2012 and for fiscal year ended June 30, 2013:

<u>Plan</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Regular AC	3.5%	4.4%	5.3%
Special 1C	8.1%	10.2%	12.2%

The Town recognizes the fiscal impact of these increases and is taking these rates into consideration in its budgeting process as well as in its negotiations with collective bargaining unit(s).

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

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

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

Funding Policy

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,578,000 (19.41%) for the fiscal year 2011. 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 \$302,645, which was 6% of the participating employees and 12% of the Town's Manager's current year covered payroll. The covered payroll amounted to \$4,816,087 while the Town's total payroll was \$10,436,671. Employee's required contributions amounted to \$288,965, 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 determined that, effective July 1, 1997, it was no longer required to record assets and associated liability of the plan.

E. OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust (the “Health Trust”). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town’s OPEB liability under GASB 45. An OPEB liability actuarial valuation was completed by such consultant in October 2011 for the year ended June 30, 2011. GASB 45 rules allow employers with fewer than 200 employees to use the same actuarial study for three years.

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

Funding Policy and Annual OPEB Cost - GASB 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution, an actuarially determined amount, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years. The following table represents the OPEB costs for the year ended June 30, 2011 and the annual required contribution:

Normal cost:	\$85,965
Amortization of unfunded cost:	168,129
Interest:	<u>5,032</u>
Annual required contribution:	\$259,125

Funding Status and Funding Progress - The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2011 was:

Annual required contribution:	\$259,125
Interest on NET OPEB Obligation:	9,124
Amortization adjustment to ARC:	<u>(13,191)</u>
Annual OPEB cost:	255,058
Actual contribution:	<u>(31,026)</u>
Increase in Net OPEB obligation:	224,032
Net OPEB – beginning of year:	<u>475,180</u>
Net OPEB – end of year:	\$699,212

Percent contributed:	12%
Unfunded actuarial accrued liability:	\$3,023,581

Covered payroll:	\$7,485,589
Unfunded actuarial accrued liability as a percentage of covered payroll:	40%

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

ENVIRONMENTAL MATTERS

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

LITIGATION

In the opinion of Town officials there is no litigation pending or threatened 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.

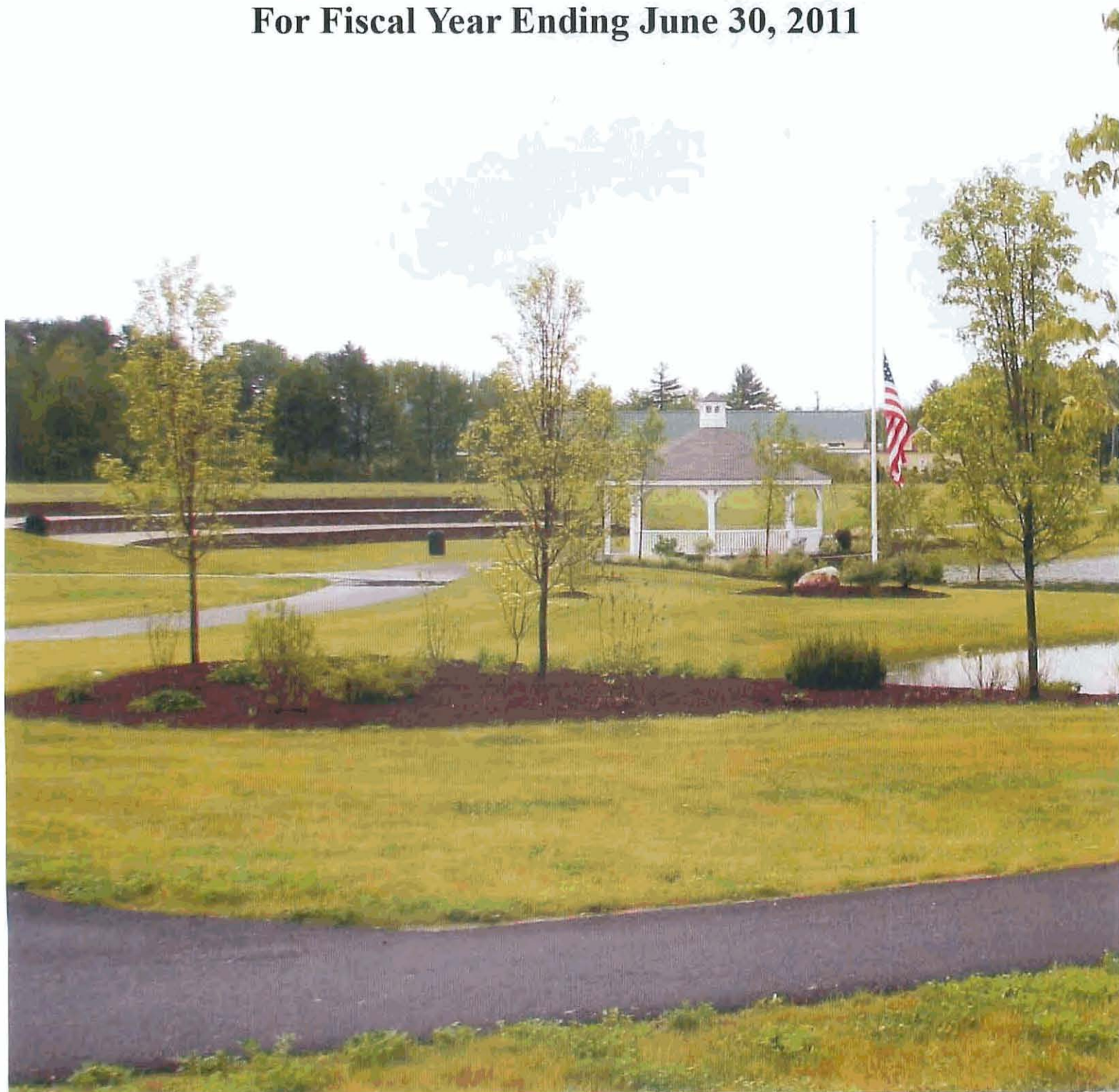
APPENDIX A

**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2011**

(With Report of Independent Auditors' Thereon)

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Town of Scarborough, Maine
Comprehensive Annual Financial Report
For Fiscal Year Ending June 30, 2011



Town of Scarborough, Maine

Comprehensive Annual Financial Report

For Fiscal Year Ending June 30, 2011



Prepared By:
Town of Scarborough Finance Department

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2011

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2011

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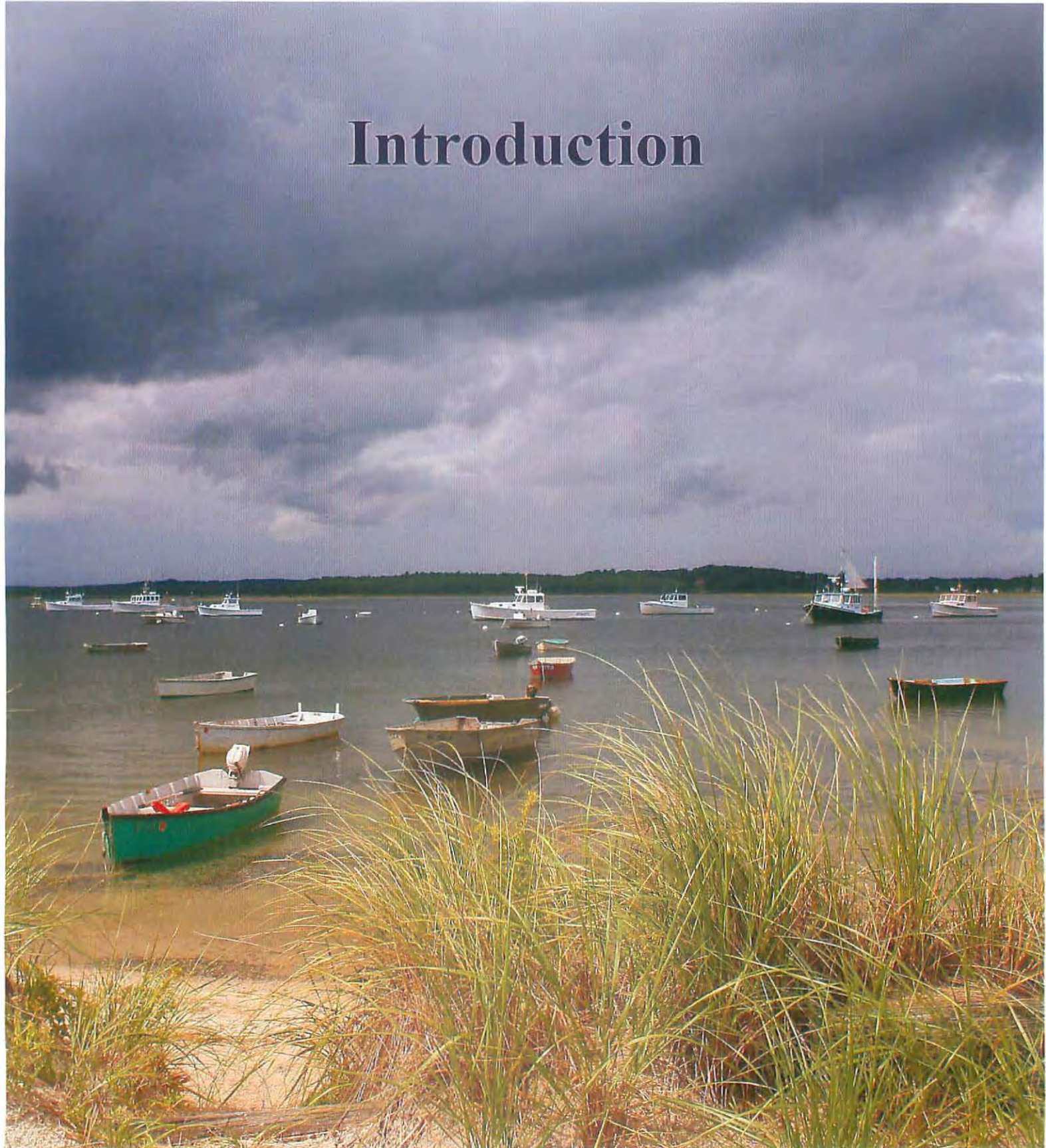
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Introduction





Town of Scarborough, Maine

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

December 29, 2011

Judith L. Roy, Council Chairwoman
And Distinguished Members of the Town Council
Scarborough, Maine

In accordance with the requirements of our Town Charter and state statutes, we hereby issue to the citizens of the Town of Scarborough and to all interested parties, the comprehensive annual financial report of the Town of Scarborough, Maine for the fiscal year ended June 30, 2011.

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

The Scarborough Public Library is a discretely presented component unit in a separate column in the government wide financial statements to emphasize that they are legally separate from the Town of Scarborough and to differentiate their financial position and results of operations and cash flows from those of the Town. The Library's Board of Trustees appoints its own board member, however, the Town provides the majority of the Library's funding.

The Scarborough Economic Development Corporation (SEDCO) assists both current and prospective businesses. SEDCO is a discretely presented component unit in a separate column in the government wide financial statements. The SEDCO board appoints its own members, however, all of the funding is provided by the Town.

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

Portland Water District
ecomaine (formerly Regional Waste)

Scarborough Sanitary District
Biddeford Saco Water District

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

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

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. Of the New England states, Maine, along with Connecticut, is expected to have the lowest growth in employment over the next few years. While employment growth is under-performing, Maine's unemployment rate is consistently lower than the national rate.

Maine's seasonally adjusted unemployment rate of 7.3 percent for October 2011 changed little from the 7.4 percent rate 12 months ago. Maine still compares favorably to the national rate of 9.0 percent. The New England average was 7.6 percent; rates in other states in the region were 5.3 percent in New Hampshire, 5.6 percent in Vermont, 7.3 percent in Massachusetts, 10.4 percent in Rhode Island and 8.7 percent in Connecticut.

Non-farm payroll jobs in Maine increased from 592,500 jobs in October 2010 to 596,100 jobs in October 2011. This increase reverses the previous two-year trend of job losses, including a loss of 23,100 jobs between October 2008 and October 2009.

Hannaford Brothers, with their corporate headquarters in Scarborough, continues to be the state's largest employer. Wal-Mart, Maine Medical Center, Bath Iron Works and L.L. Bean are also on the list of Maine's largest private employers.

Looking forward, the latest release from the New England Economic Outlook Fall 2011; cites the European debt crisis, continued weakness in housing markets, low consumer confidence and fiscally stressed local, state and federal governments as factors in an uncertain economic future. The forecast calls for the New England region to grow slowly for 2012, not showing real strength until 2013. The region is not expected to regain the 5 percent of jobs lost during the recession until the second quarter of 2015.

As the economy begins to recover, some of the strongest regional economic sectors will be health and educational services, high technology, professional and business services, and leisure and hospitality. Each of these sectors is expected to grow by 10 percent or more by 2015. This particular mix of industries bodes well for Scarborough. With an internationally known bioscience industry, a growing business services sector, renowned natural attractions, along with high quality land for business expansion, the town is ready for the future.

Local Economy. Scarborough's profile is not Maine's profile. Scarborough is now the fourth largest community in Cumberland County, with only Portland, South Portland and Brunswick having more residents. The town's unemployment rate is 4.6 percent (seasonally unadjusted rates) compared to 6.6 percent for the State and 8.5 percent for the U.S. in October 2011. [Note: only seasonally unadjusted rates were available for October at the town level. For comparison, the seasonally adjusted rate for the same time period for the State was 7.3 percent].

In 2011 communities across the country received the first official reporting of the 2010 U.S. Census of population and housing. The Census numbers are critical for planning purposes and are the basis for all demographic and economic projections for the next ten years.

According to the Census, the Town of Scarborough added 1,949 new residents between 2000 and 2010, reaching an official population of 18,919. The Town's population increased 11.5 percent during this ten-year period. Twelve percent of Cumberland County's 16,062 new residents made their home in Scarborough during this same ten-year period.

With nearly 2,000 new residents, Scarborough needed new residential units. Between 2000 and 2010, Scarborough added 1,384 new housing units for a total of 8,617 housing units, according to the U.S. Census. Housing unit growth outpaced population growth, with housing units increasing 19.1 percent compared to a population increase of 11.5 percent.

Scarborough is second only to the City of Portland in terms of the number of new units added between 2000 and 2010 within Cumberland County.

Scarborough has a higher average household size than Cumberland County as a whole, illustrating how attractive Scarborough is to families. Scarborough's average household size is 2.49 persons per household compared to Cumberland County's household size of 2.34.

The US Census Bureau's American Community Survey Data estimates that the median family income in Scarborough is \$88,070, making Scarborough one of the more wealthy communities in Cumberland County, along with its fellow coastal suburban communities of Falmouth, Cumberland, Yarmouth and Cape Elizabeth. Scarborough's median family income is nearly \$20,000 more than the median family income for Cumberland County and more than \$30,000 over the State's median family income.

Scarborough income levels also compare favorably to the U.S. as a whole. Our median family income is 41% higher than the U.S. median family income.

Just as Scarborough's population is growing, so is the Town's economic base. According to Maine Department of Labor's reporting of employment in industries covered by unemployment insurance, Scarborough gained 2,847 new jobs for a total of 14,750 jobs between the third quarter of 2001 and the third quarter of 2010. Cumberland County lost 883 jobs during this same period, decreasing from 170,147 to 169,264.

While Scarborough has fared better than many communities have during the recession, we have not entirely escaped its impact. In 2008, we posted a total of 15,224 jobs during the third quarter. For 2010, the Town has 474 fewer jobs. This slight dip in employment is expected to be made up with the next year as employers cautiously begin to hire new employees.

The business community in Scarborough is diverse and is located primarily in distinct areas of the town. U.S. Route One, one of the major routes through the community, is predominately a commercial business district serving the daily needs of Scarborough's residents. The Route 1 corridor is a mix of retail, business, and professional offices. Payne Road, a continuation of the Maine Mall Road, is home to many larger, big box type retailers and serves a regional clientele.

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

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

Residential growth necessitated Scarborough's need to develop a strong and stable commercial base to help meet the ever-growing demands of residents. To foster that development, the Town of Scarborough created a private non-profit corporation, Scarborough Economic Development Corporation (SEDCO) in 1985 to encourage new business, to retain growth with existing businesses and to assist the community in its long-term economic development planning. SEDCO celebrated its 26th anniversary this year, continuing to serve the residents through business retention, assistance and recruitment programs.

Comprehensive Plan. Over the course of fiscal year 2011, one of the ongoing initiatives of the Town has been the implementation of the 2006 Updated Comprehensive Plan. During this fiscal year, the Town focused on an expansion of a village-style residential zone (the Village Residential 2 District) in the Dunstan area of Town. The area around the Dunstan Crossing development as well as the east side of Broadturn Road is included in the expansion. The town has updated and marginally expanded the commercial zone near Black Point Road and the Highland Avenue intersection. These changes have enabled this area to serve as a neighborhood center with small businesses, civic uses and residences. Additionally, in this area of town, the creation of an Aquifer Protection Overlay District establishes some new standards to help protect the Town's sand and gravel aquifer areas where the groundwater is particularly vulnerable to contamination.

Major Initiatives:

For the year. During fiscal year 2011, there was a range of commercial, residential and institutional building projects that occurred. Some of the most notable development projects that were under construction include the completion and occupancy of the Maine Health re-development of the Orion Center and the re-use of the former Konica building as the new Elevation Center. Both of these projects have revitalized what were vacant and underutilized buildings and have increased the medical, laboratory and research space in Town. Another important addition to the Scarborough business community is Trask-Decrow Machinery (TDM). Late in fiscal year 2011, TDM purchased and began renovating the former Hyster Building at 52 Route 1, which has been facilitated and inspected by Planning and Code Enforcement staff.

In addition, most other development and construction work has been related to new tenants and occupants modifying existing commercial space, as businesses turnover or relocate to and from Scarborough. On the residential side, new home construction has been slow but relatively steady, with new construction occurring in the Dunstan Crossing, Eastern Village, Sea Ridge, and Beachwalk development projects. Also in these economic times, residential construction has increasingly been focused on additions, remodeling and accessory living units, as homeowners chose to improve their property rather than buy new.

The Commercial Fishing Pier Project has been a long process in the making. After five years of designing, permitting and seeking funding, construction began in October 2010 with the awarding of the bid to C. White Marine, Inc. of Danvers, Massachusetts. With a ribbon cutting ceremony in August, the pier project was completed and now is open for business. This new pier will be a great asset to the Town for both the fishing industry and recreational purposes for years to come.

The Town continues to seek opportunities to preserve open space. In 2003, the voters approved \$2.5 million, of which, over \$1.6 million is available for use. Additionally, in November 2009, the voters also approved \$1 million to fund or purchase parks and conservation land

One major accomplishment for the Fire Department was with the notification that the department had successfully lowered its *ISO Public Fire Protection* rating from a 3/9 to a 3/4. Rankings are on a scale of 1 to 10 with one being the best. The ISO is an independent company that serves insurance companies, communities, fire departments, insurance regulators, and others by providing information about risk. The ISO conducts a comprehensive review and inspection of every fire department in the country on a regular basis. This formal data collection and evaluation process is evaluated and analyzed to determine a community's public protection class (PPC) rating. Insurance companies widely use ISO data when setting fire insurance rates for their residential and commercial customers across the country because they are based on national standards and their ratings are considered a proven and reliable predictor of future fire losses. We anticipate that many residents, and particularly the businesses north of the turnpike, will see a significant reduction in the cost of their fire protection as insurance companies start to use the Town's new public protection classification when setting their rates.

During the past fiscal year, the fire department continued its proactive work identifying potential grant opportunities to augment the funding we receive through local property tax revenues. These efforts proved very successful again this year.

Early in July, the Town was notified that we were awarded a \$483,100 Staffing for Adequate Fire and Emergency Response (SAFER) grant. This grant provides 100% funding to hire four new full-time firefighters for a period of two years with a commitment that the community continues to employ them for one additional year at the Town's expense. This grant could not have come at a better time because, since 2006, the department had been working with the Manager and Town Council to implement a long-term staffing. The current economic conditions prohibited increasing staff during budget deliberations, but this grant allowed the council to accept the needed help with the federal government picking up all costs for two years while giving the economy and our budget time to recover.

In addition to the SAFER grant, we received a 50% match or \$42,750 through an Efficiency Maine Grant to upgrade lighting and install new energy efficient propane boilers in three of our oldest fire stations. We received three FEMA Homeland Security Grants including \$20,000 to develop a community wide resiliency project, \$12,000 to replace obsolete radio equipment and pagers, and \$31,500 in Emergency Management Performance grant funding which reimburses 50% of certain costs for local emergency management operations. We were also pleased to receive a grant to participate in the 3-ring binder project, which will allow us to connect our computer network from the public safety building to North Scarborough fire station through a dedicated fiber optic cable funded by the American Recovery Act, a federal economic stimulus project. This grant saved a projected \$87,500 in future CIP costs to connect this station, which was the only municipal or school building, not directly tied to the Town's computer backbone.

In looking at our Public Safety operations, the Police Department identified a couple of areas that we felt could be improved by better communications. In one example, the department participated with many other town departments to evaluate a new platform for increased collaboration and improved workflow between departments. As a result of this evaluation, the town is in the process of shifting to the SharePoint product which works seamlessly with many other Microsoft products and is quickly becoming an industry standard.

For the police department in particular, we felt that it was very important to find new ways to communicate in a manner that would be typical for our more technologically sophisticated residents. One way that we have been able to accomplish this is through the department's new Facebook page. We have found this a very useful tool for putting up to date information in a timely and efficient manner on Facebook. We have received many positive comments about our ability to keep residents informed of current traffic issues, storm updates, crime trends, and general information.

Prior to the summer season, there were some significant changes to the parking ordinance in and around the Higgins Beach area. Increased restrictions on Acorn Lane and Spurwink Road, coupled with one-hour parking slots on Bayview Avenue, would mean that the Scarborough reserve officers working in that area would have a need to be more mobile than in the past. At about the same time, our department had the opportunity to receive a 2003 GEM (Global Electric Motorcar) at no cost, through the military surplus program. This vehicle is 100% powered electrically, which means it is quiet and produces no emissions. Additionally, the vehicle is legally roadworthy for roads with speeds limits of less than 35 mph. This electric car also provides some protection from inclement weather.

Public Works assisted the Planning department with the bid specifications and construction phases of the Haigis and Route 1 Intersection Improvement Project. The Planning staff prepared the initial planning and outreach elements of the project, while the Public Work's staff managed the work site. The end project is to reduce traffic on certain areas of Payne Road and this is the start of that project.

Other large projects included:

- The drainage, structural repair and repaving of all the streets located in the Evergreen Farms neighborhood. This project improved over one mile of road.
- Grinding, grading and paving on Tapley Road from the Saco town line to the Buxton town line.
- A heavy shim and overlay of pavement was applied to Spurwink Road, from Pleasant Hill to Ocean Avenue. The purpose of this work is to maintain road integrity for approximately 5 years while a review of what the long-term goals for the road should be. Residents will want pedestrian and bicycle amenities that will be costly and need planning.

For the future. In addition to the construction, development/redevelopment and rezoning that occurred in 2011, a collection of residential and non-residential development projects were proposed and received development approvals. These projects included the approval of the Red Robin restaurant along Gallery Boulevard; a major addition to the Piper Shores retirement community; the approval of a commercial subdivision along Route 1 in Dunstan; and an extension of the Carter Brook Drive residential subdivision.

The Eastern Trail is part of the East Coast Greenway Trail System that will ultimately stretch from Key West, Florida to Calais, Maine. The Scarborough portion of the Eastern Trail is in its final stage of completion. Although the Scarborough portion of this trail may be a short section, it is considered one of the most difficult parts of the trail, as it must cross not only the Nonesuch River but also railroad tracks, a major town road and may travel through an endangered cottontail habitat. These challenges will potentially add a significant cost to the construction of this project. Scarborough requested financial assistance from the Maine Department of Transportation (MDOT) to help fund this portion of the Eastern Trail and has been awarded \$150,000 for the preliminary design work to be completed on the .8-mile section of the trail.

With the next two or three budget funding cycles looking difficult, Public Works plans to step back from any major projects. Due to past projects and good maintenance, we are able to keep our spending to a minimum for a couple of years.

While we intend to spend less on projects, inspection of infrastructure will continue. The Pavement Management Survey implemented in 2008 will continue. This survey is a tool used to plan future town-wide improvements on public roads.

The Town of Scarborough took advantage of two opportunities to look towards the future over this past fiscal year to secure abutting property as it became available for the possible future expansion of municipal facilities. The first was when the Howard Maxfield family approached the Town to see if they were interested in purchasing their property, which abuts the North Scarborough Fire Station. Howard was a dedicated member of the fire department for decades and knew that long-range plans identified an expansion of that facility as a joint project with the Town Gorham and/or Westbrook as a future possibility that may make fiscal sense for each community as commercial and residential growth continues along the Route 22 corridor.

The second project involved the purchase of two parcels at 265 and 267 Route 1, next to the Municipal Building. The land adjacent to those parcels has been identified as a possible location for a new public safety building at some point in the future. Both of these purchases were made at fair market values with funds already set aside specifically for the expansion of a new public safety facility.

The BenjaminWentworth Intermediate School, with an enrollment of 754, continues to have building mechanical (heating, lighting) issues. Additionally, with the many entrances to the building, the school has major security concerns. Finally, the school is not conducive to currently accepted best practices in intermediate education. In November 2006, the citizens defeated a referendum question to replace this building. The School Board and the Town Council continued to work for a better intermediate school. This November 2011, the citizens approved the construction of a new intermediate school. This was a major goal and accomplishment for the School Board. Construction is anticipated to start next fall with an expected use of the building starting in the fall 2015.

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

The Vendor-Based Inventory Program started in August of 2010 continues to operate. The future goal for this project is to supply most common products needed by all Town departments.

The benefit of this supply model is that products are readily available without the Town having the liability of tying up money on inventory.

FINANCIAL INFORMATION

Assessed Valuation and Collections. An indicator of Scarborough's strong local economy is in the growth of the Town's assessed value of real and personal property. The Town of Scarborough increased its 2011 value by \$31,780,300 from 2010. For the 2011 tax year, the valuation was \$3,556,551,900 compared to the 2010 valuation of \$3,524,771,600.

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

<u>As of June 30, 20xx</u>	<u>As of June 30, 2011</u>
\$287,295 in 2007	\$21,815
\$398,204 in 2008	\$29,797
\$506,314 in 2009	\$33,017
\$507,075 in 2010	\$170,903
\$603,735 in 2011	\$603,735

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

Investment Interest	received 43% of estimated revenues,
Building Permits	received 64% of estimated revenues,
Vehicle Excise Registration	received 95% of estimated revenues,

Additionally, the school department received \$1,803,002 in ARRA funds to help offset the lost revenues from the State.

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

Relevant Financial Policies. The Town of Scarborough recently updated its Fund Balance Policy as the first step to incorporate the new definitions as required by GASB statement 54. The level of fund balance remains at 8.3% of the total operating budget.

The Town Council authorized the use of \$1,300,000 from school and Town fund balances, for fiscal year 2011. Of this amount, the fund balance actually utilized was \$875,415. For 2012, the Town Council authorized \$600,000 to help offset the loss of revenues.

The Finance Department, working with both the Town Manager and the Town of Scarborough Finance Committee, is working on an investment policy and debt management policy for the Town.

OTHER INFORMATION

Independent Audit. The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of MacDonald Page & Co LLC was engaged to perform the annual audit for the Scarborough Town Council for fiscal year 2011. This audit is designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditor's report is presented as the first component of the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Scarborough for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This is the sixth-consecutive year that the Town of Scarborough has submitted and achieved this prestigious award. In order to receive the Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

During fiscal year 2011, two of our veteran fire department employees were honored with special recognition. Paramedic/Lieutenant Robert Conlogue, a 19-year veteran, received the Southern Maine Emergency Medical Service's Paramedic of the Year award. Also, Deputy Chief Tony Attardo, a 25-year veteran, was recognized at the state level by Maine Emergency Medical Services (EMS) with a distinguished Lifetime Achievement award for his outstanding work in EMS at the local, county and state level. We are extremely proud of both of these individuals for their many contributions to the Town of Scarborough and Maine's EMS system.

Acknowledgements. I would like to extend my appreciation to the accounting staff for their dedication and efforts in assisting with the preparation of this comprehensive annual financial report. I would especially like to acknowledge Gina Clukey, Deputy Finance Director for her loyalty and untold hours contributing to this report. Recognition must also be given to both the Scarborough Town Council and to Town Manager, Thomas J. Hall, for their full support in maintaining the highest standards of professionalism in the management of the Town's finances. I would like to acknowledge my gratitude for the information provided by all of the Town and school department staff. Thank you for all that you have done for the Town of Scarborough. Furthermore, I would also like to acknowledge the firm of Macdonald Page & Co LLC for their efforts and guidance during the engagement.

Respectfully Submitted,

Ruth D. Porter
Finance Director

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, 2010

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.



Linda C. Davidson

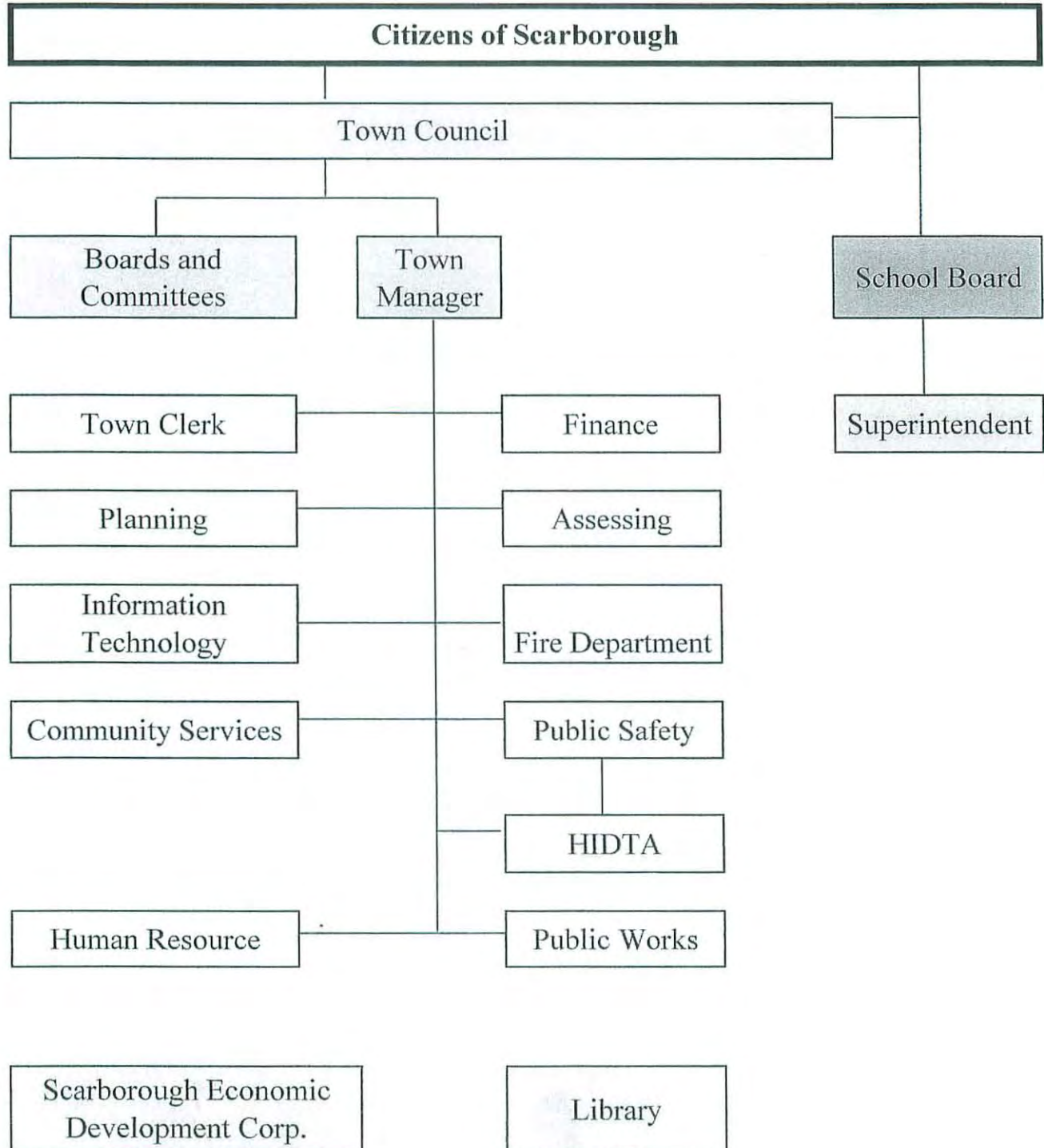
President

Jeffrey R. Evers

Executive Director

Town of Scarborough, Maine

Organizational Chart



TOWN OF SCARBOROUGH

Principal Executive Officers

As of June 30, 2011

Elected Town Council

Judith L. Roy, Chairperson

Carol S. Rancourt

Ronald D. Ahlquist

Jessica L. Holbrook

Karen D'Andrea

Michael J. Wood

Richard J. Sullivan, Jr.

Appointed Municipal Staff

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



Financial Section

Independent Auditors' Report

Town Council
Town of Scarborough, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scarborough, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011 on our consideration of the Town of Scarborough, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

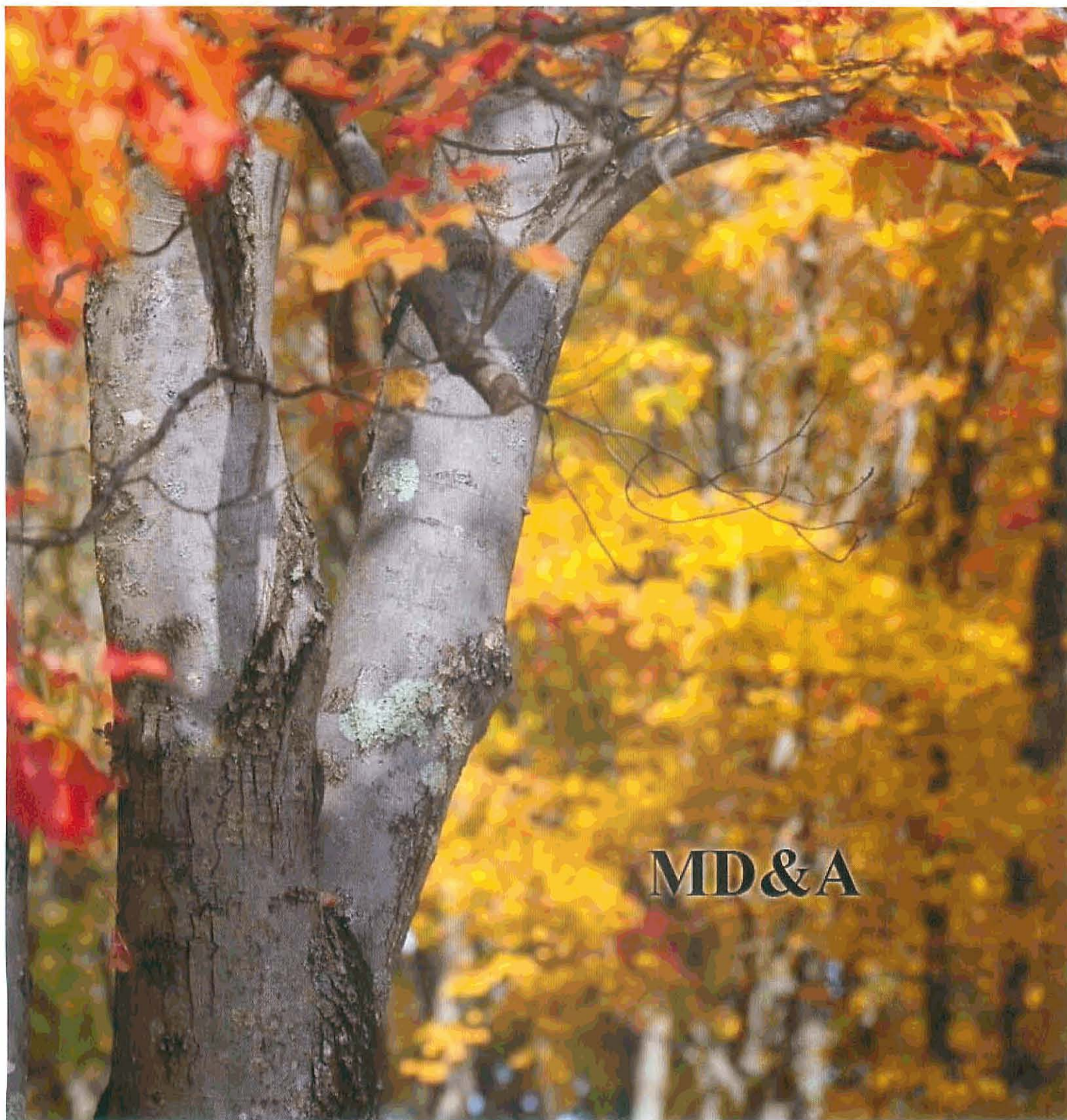
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21-32, and Schedule of Funding Progress on page 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The introductory section on pages 1-14, combining statements and individual fund schedules on pages 69-105, and statistical tables on pages 111-131, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2010 (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the combining statements for the General Fund Balance Sheet, Exhibit A-1, and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, Exhibit A-2, as of and for the year ended June 30, 2010 are fairly stated in all material respects, in relation to the basic financial statements from which it has been derived.

Macdonald Page & Co LLC

South Portland, Maine
December 29, 2011



MD&A

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2011

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, 2011. Please consider this information in conjunction with the transmittal letter at the front of this report and the Town's basic financial statements following this section. All dollar amounts are expressed in thousands of dollars unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- For the government activities, the assets of the Town of Scarborough exceeded liabilities at the close of the 2011 fiscal year by \$53,971 (net assets).
- The Town's total net assets increased \$1,267, from \$52,704 to \$53,971. The increase is the result of controlling expenses in departments such as public works, education and public safety. Revenues received were less than anticipated, however, the Town was able to control expenses by more than the decline in revenue which contributed to the increase in net assets.
- With the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance categories have changed. The new fund balance types are nonspendable, restricted, committed, assigned and unassigned. Please see the footnotes for a more detailed explanation of the fund balance types on page 47. Additionally, Table 3 in the Statistical Section provides a comparison of the fund balance types for June 30, 2011 and June 30, 2010.
- As of June 30, 2011, the Town's governmental funds reported combined fund balances of \$13,757, a decrease of \$2,652 compared with the prior year. Total nonspendable fund balance decreased slightly by \$4 from \$151 to \$147. Restricted fund balance decreased by \$1,667 from \$7,726 to \$6,059. Total committed fund balance decreased by \$532 from \$5,454 to \$4,922. Assigned fund balance increased by \$754 from \$1,469 to \$2,223. Finally, the unassigned fund balance for the governmental funds decreased by \$1,203 from \$1,609 to \$406.
- With respect to fund balances in the governmental funds, approximately \$7,551 is reported as committed (authorized by town council), assigned (authorized by town manager) and unassigned fund balance, \$4,177 are special revenue funds authorized for specific projects and (\$434) is for the municipal building Tax Increment Financing District (TIF). Future TIF revenues will fund this deficit. The remaining amount of \$3,808 is available for the discrete purposes for which these funds are collected.
- The Town of Scarborough's Fund Balance Policy establishes an unrestricted fund balance goal of 8.33% of the total operating expenditures. Unrestricted Fund Balance includes the total of the general fund committed, assigned and unassigned fund balances. As of June 30, 2011, unrestricted fund balance for the general fund was \$3,808 or 5.60% of the total general fund expenditures of \$68,174. The Town continues to work towards achieving the 8.33% goal in future fiscal years.
- Total debt decreased by \$1,275 from the prior year. Total debt retired was \$6,875. Total debt issued was \$5,600 in general obligation bonds. This included \$1,155 of bonds refunded and re-issued.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

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

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

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

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

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

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

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

The Town of Scarborough maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Performance Bonds, General Town Improvements and the Haigis Parkway all of which are considered major funds. Data from the remaining 16 funds (Special Revenue, Capital Projects, and Permanent) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in Exhibit C-1 through Exhibit E-2.

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-65.

Other Information. The combining statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 69-105 of this report.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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 \$53,971 as of June 30, 2011.

By far the largest portion of the Town of Scarborough's net assets (98.26%) 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. Below is a summary of the Town of Scarborough's Net Assets for the current year and the prior two years.

Town of Scarborough's Net Assets

Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current and other assets	\$ 19,020	\$ 21,180	22,343
Long term assets	2,546	2,736	2,894
Capital Assets not depreciated	11,043	10,248	8,219
Capital assets	<u>99,686</u>	<u>98,152</u>	<u>98,428</u>
Total Assets	132,295	132,316	131,884
Liabilities:			
Long term liabilities outstanding	64,415	66,097	65,919
Other liabilities	<u>13,909</u>	<u>13,515</u>	<u>13,514</u>
Total Liabilities	78,324	79,612	79,433
Net assets:			
Invested in capital assets, net of related debt	53,032	47,588	45,719
Restricted	1,642	2,199	1,289
Unrestricted	<u>(703)</u>	<u>2,917</u>	<u>5,442</u>
Total Net Assets	\$ 53,971	\$ 52,704	\$ 52,450

Three percent (3%) of the Town of Scarborough's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted net assets, currently shows a deficit of \$703 that will be funded in future years. This deficit is due, in part, to segregating the restricted education and town grants and projects net assets from the town unrestricted net assets, and also due the continued increase in the postemployment benefits liability.

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 \$557 in restricted net assets due to the planned use of a portion of Scarborough's unrestricted fund balance. In addition, revenues not being realized from assessments, as planned for the Haigis Parkway have also contributed to this decrease.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

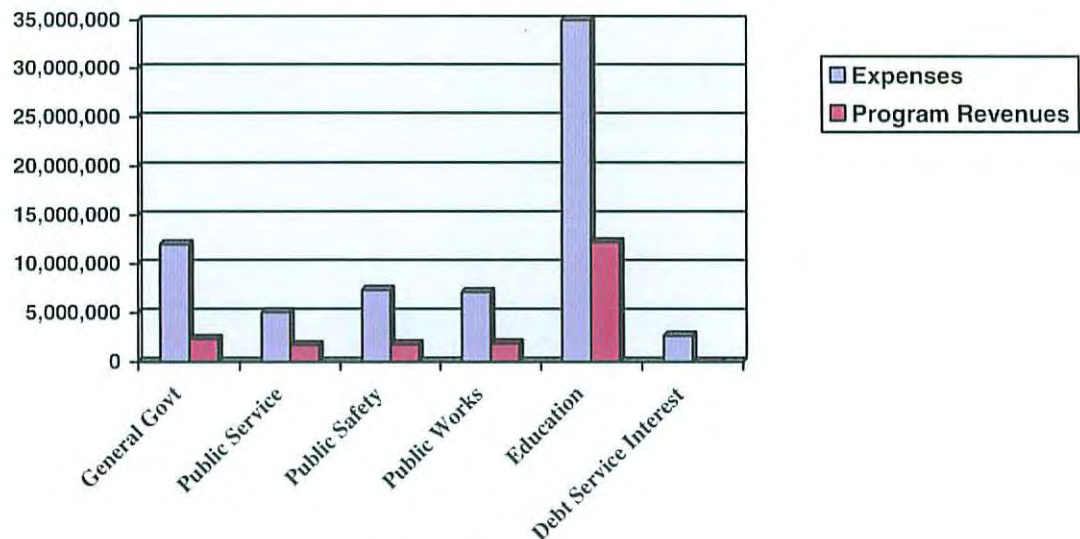
GOVERNMENTAL ACTIVITIES. All of the increase pertaining to the Town of Scarborough's net assets of \$1,267 is due to the governmental activities of the Town. Key components of this increase are shown below:

Town of Scarborough's Changes in Net Assets

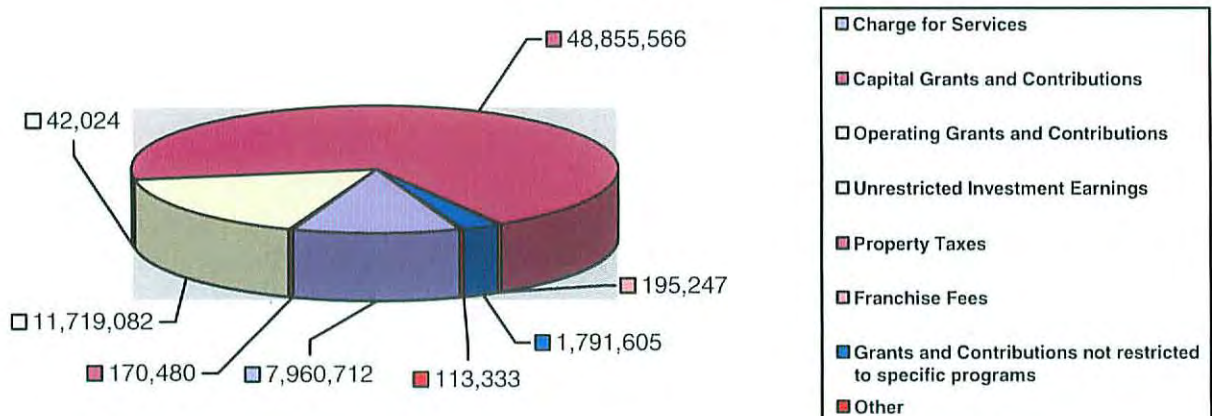
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 7,961	\$ 8,218
Operating grants and contributions	11,719	12,270
Capital grants and contributions	170	122
General Revenues:		
Property and excise taxes, levied for general purposes	48,856	46,845
Franchise Tax	195	185
Grants and contributions not restricted to specific programs	1,792	1,767
Unrestricted investment earnings	42	141
Other	113	180
Total revenues	70,848	69,728
Expenses:		
General government	12,023	10,656
Public Services	5,042	3,832
Public Safety	7,331	8,266
Public Works	7,246	9,480
Education	35,275	34,546
Interest on Debt Service	2,664	2,694
Total expenses	69,581	69,474
Increase in net assets	1,267	254
Net assets beginning, restated	52,704	52,450
Net assets ending	\$ 53,971	\$ 52,704

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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

At June 30, 2011, the Town of Scarborough's governmental funds reported combined ending fund balances of \$13,757, a decrease of \$2,652 in comparison with the prior year's fund balances. This decrease, as mentioned earlier, is the planned use of fund balance to help offset the reduced revenues during this economic slowdown as well as the anticipated revenues from the Haigis Parkway assessments not coming as expected.

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>2011</u>	<u>2010</u>
General Fund	\$ 6,989	\$ 7,238
Haigis Parkway	404	918
General Town Improvements	1,573	2,142
Other Governmental Funds	4,791	6,111
Total	\$ 13,757	\$ 16,409

As noted earlier, governmental funds reported combined fund balances of \$13,757, a decrease of \$2,652 compared with the prior year fund balances of \$16,409. Of the \$7,551 reported as unrestricted fund balance (total of committed, assigned and unassigned), \$4,177 are for special revenue fund projects authorized for specific purposes. The capital projects fund has a deficit of (\$434) to be funded in future periods from TIF revenues. \$3,808 is available for general fund committed and assigned purposes for which these funds are collected.

The remaining \$6,206 of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it has already been allocated for the following:

\$ 544	Deficit Fund Balances in the Special Revenue and Capital Projects Funds
1,573	Town Improvements
447	Town Grants
210	Perpetual Care of Municipal Cemeteries
865	Education Funding
2,546	Haigis Parkway non-current notes receivables
<u>21</u>	Food Service inventory
<u>\$6,206</u>	Total Governmental Fund Nonspendable and Restricted Fund Balance

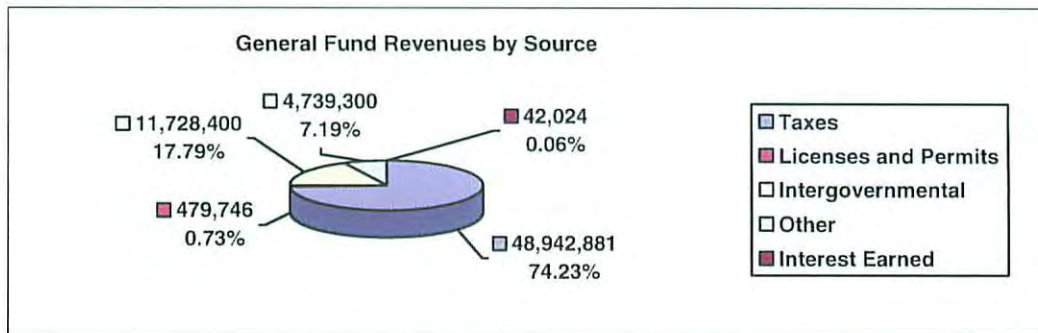
General Fund Highlights

The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2011, total fund balance was \$6,989, reflecting a decrease of \$883. Unassigned fund balance in the General Fund was \$955 compared to total fund balance of \$6,989. As a measure of the General Fund's liquidity, we believe it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Committed, assigned and unassigned fund balances represents 5.59% of total general fund expenditures, while total fund balance represents 10.25% of the same amount.

TOWN OF SCARBOROUGH, MAINE

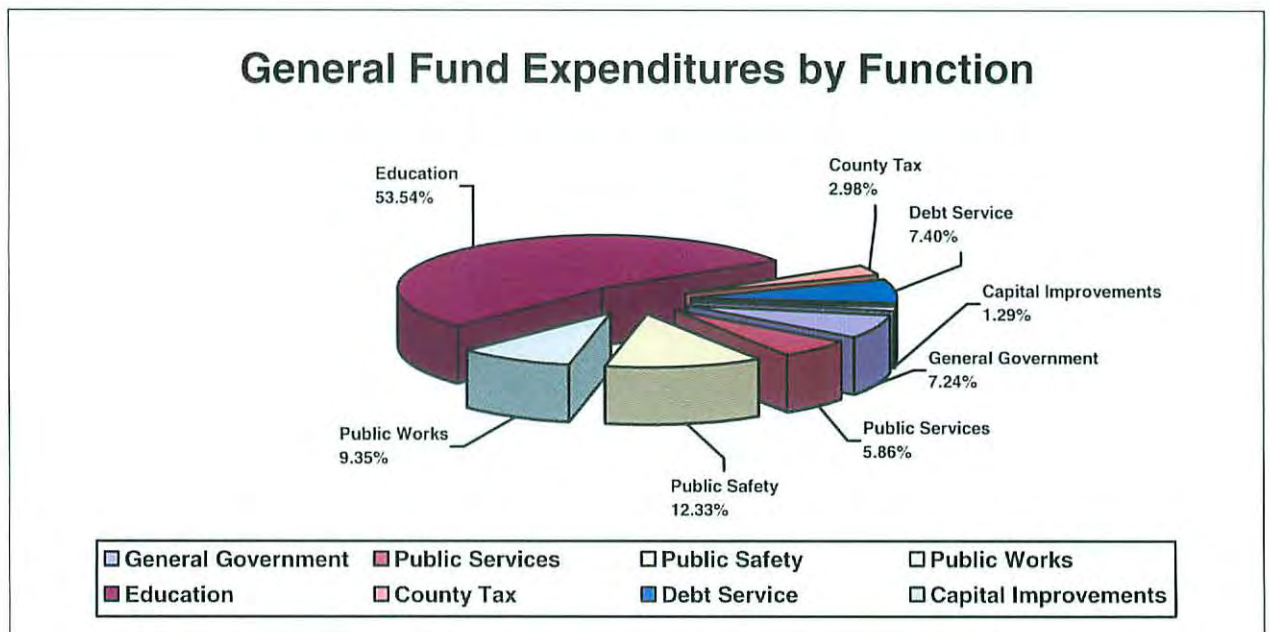
Management Discussion and Analysis, Continued

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



Property Tax revenues increased \$1,960 from 2010 to 2011 compared to the 2009 to 2010 increase of \$591. A comparison of the actual revenues to estimated revenues can be found on page 40 of the financial statements.

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



Total general fund expenditures mildly increased \$84 or .13%. The factors for this increase are:

- General Government decreased .52% mostly relating to a change in policy regarding charging customers for the use of their credit cards.
- Public Service increased 1.52% due to the change relating to GASB 45 and allocating beach special revenue to the General fund.
- Public Safety increased 3.19% due to the increase in public safety personnel.
- Public Works decreased 2.95% due to a reduction in staff.
- Educations increased 1.48% to offset increased costs for education
- County Tax increased 1.96% to help offset the costs of Cumberland County
- Town Debt (excludes school debt) decreased 3.50% and
- Capital Improvements decreased 31.15% mostly due to the reduction in appropriations and resulting expenditures from 2010 to 2011.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

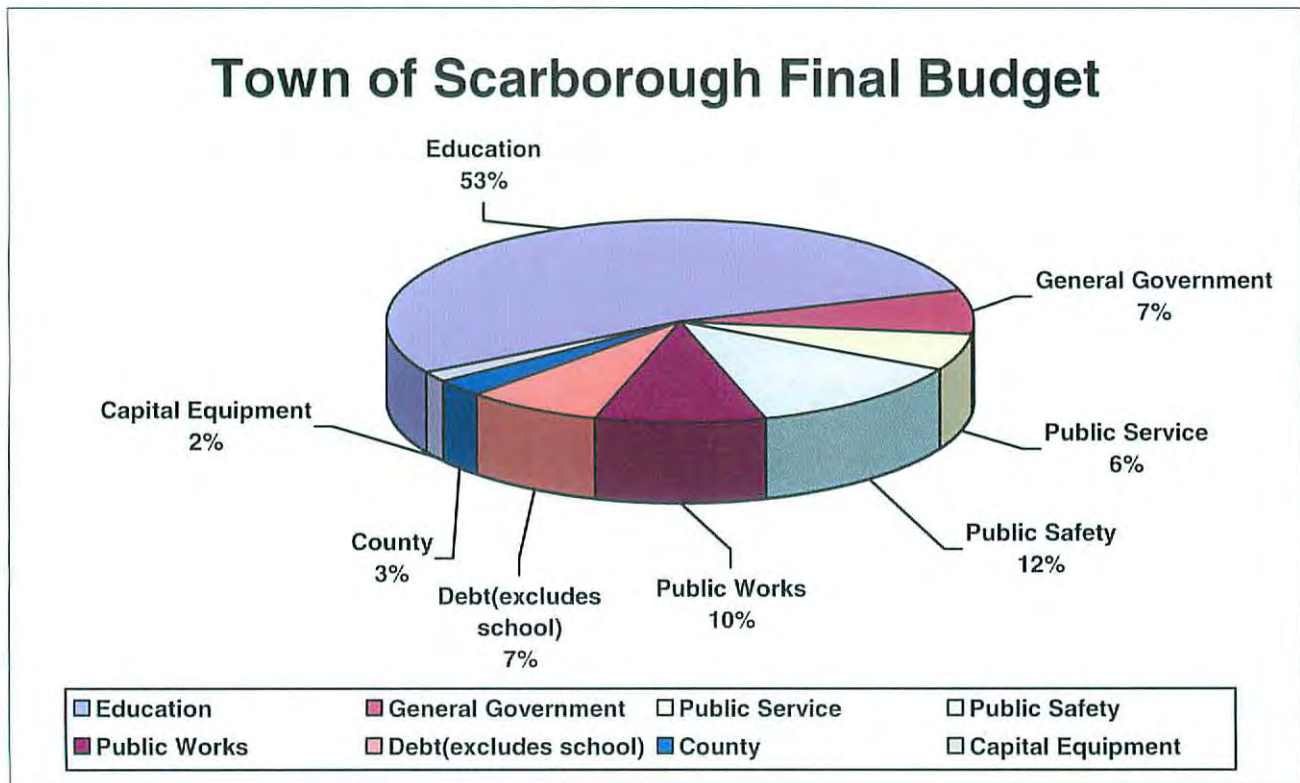
Capital Projects Fund Highlights

During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased \$482 from \$1,990 in 2010 to \$1,508 in 2011. Expenditures increased from \$384, from \$4,493 in 2010 to \$4,877 in 2011. This decrease in fund balance and increase in expenditures is the result of various capital projects that were started or essentially completed in this fiscal year. Two notable projects were the Route 1 and Haigis Parkway Intersection improvements and the construction of a new pier facility in the Pine Point area of Scarborough.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the Town's General Fund represents the original budget and any previously appropriated funds set aside for honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2011, a total of \$1,623 has been set aside for prior year encumbrances and commitments. The original operating budget and the final amended budget for fiscal year 2011 amounted to \$65,909 compared to \$66,234 for fiscal year 2010.

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



The budget for 2011 decreased slightly from 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2011, amounts to \$110,729 (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 2.15%. This increase is due to the previously mentioned road and drainage improvement in several areas of the Town.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

The following is a breakdown of the Town of Scarborough's capital assets (net of depreciation):

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

Governmental Activities

	<u>2011</u>	<u>2010</u>
Land	\$ 6,311	\$ 5,771
Buildings	54,037	55,396
Vehicles	5,337	5,372
Equipment & Furniture	1,653	1,821
Infrastructure	38,659	35,563
Construction in Progress	4,732	4,477
Total	<u>\$ 110,729</u>	<u>\$ 108,400</u>

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

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

Long-term Debt. As of June 30, 2011, the Town had long-term bonds outstanding of \$66,767 compared to \$68,042 in the prior year. This debt is backed by the full faith and credit of the Town of Scarborough. Additional information relating to the Town's long-term debt can be found in the Notes to Financial Statements on pages 54-56 of this report.

Outstanding Debt
General Obligation Bonds

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Municipal	\$ 26,118	\$ 25,174	\$ 23,075
Education	32,037	33,997	35,630
Sewer	8,612	8,871	9,080
Total Debt	<u>\$ 66,767</u>	<u>\$ 68,042</u>	<u>\$ 67,785</u>

Moody's Investors Service has affirmed a bond rating of "Aa2" although they have assigned a "negative outlook". Per Moody's Investors Service rating report dated June 7, 2011, "The Aa2 rating reflects the Town's healthy tax base with favorable wealth levels and manageable debt position. Assignment of the negative outlook recognizes the Town's reduced level of flexibility following consecutive General Fund balance reductions and our expectation that the Town will remain challenged to restore General Fund balance to levels consistent with the Aa2 rating category in the near term."

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Standard and Poor's Rating Services (S&P) has assigned an "AA" (Stable) rating to the Town of Scarborough, Maine's debt although, they too, recognized Scarborough's drawdown of its reserves. Per S&P, based on a review of several key financial practices, S&P considered Scarborough's financial management practices to be "good" under S&P's Financial Management Assessment methodology and assigned a "good" rating.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

In adopting the budget for the ensuing fiscal year, the Town of Scarborough's officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective is to continue to provide level services to the citizens in the Town of Scarborough as well as to incorporate a modest cost of living adjustment (COLA) for the school and Town staff. Department Administrators, recognizing the change in the current economy, did not initially include any new personnel in the 2012 budget.

After the budget was adopted, the Police Department was awarded a federal grant that allowed the funding of two full time patrol positions.

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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Below is a comparison of the 2010, 2011 and 2012 budgets (excluding carryforwards).

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Administration	\$ 2,051,195	\$ 1,951,252	\$ 1,794,295
Finance Department	1,013,337	1,104,437	1,203,386
Information Systems	694,061	707,381	748,460
Planning Department	784,199	849,081	852,511
Community Services	2,146,873	2,117,391	2,108,666
Library	795,835	807,629	797,761
Economic Development	233,979	235,732	239,162
General Assistance/Affordable Hsg	22,160	30,976	29,974
Fire/Rescue/EMA Department	3,619,050	3,333,214	3,308,416
Public Safety Department	4,882,337	4,721,769	4,531,886
Public Works Department	6,397,756	6,349,595	6,539,503
Debt Service	4,909,870	4,814,046	4,750,145
Capital Equipment	909,450	789,928	1,055,426
Total Municipal Operating	28,460,102	27,812,431	27,959,591
Education	35,652,462	35,084,868	35,199,614
County Tax	1,975,585	1,922,952	1,885,984
Total Operating Budget	37,628,047	37,007,820	37,085,598
School Special Revenues	741,478	707,021	-
School Food Services	1,455,273	1,513,065	1,470,184
Capital Improvement-Municipal	1,909,750	3,600,800	4,766,845
Capital Improvement-School	185,250	490,500	1,489,110
TIFs and Overlay	963,007	963,931	1,053,222
Total Budget	\$ 71,342,907	\$ 72,095,568	\$ 73,824,550

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

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Scarborough's finances for everyone interested in Scarborough's finances. Questions concerning any of the information provided in this report or any 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.

Basic Financial Statements



TOWN OF SCARBOROUGH, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Component Units Public Library	Economic Development
ASSETS			
Cash and cash equivalents	\$ 7,563,289	132,226	30,780
Investments	9,233,487	529,486	-
Receivables:			
Accounts	567,698	1,000	-
Intergovernmental	727,555	-	11,567
Taxes receivable	168,995	-	-
Tax liens	730,719	-	-
Tax acquired property	7,231	-	-
Inventory	21,419	964	-
Prepaid items	-	11,839	-
Notes receivable	2,545,939	-	-
Capital assets, not being depreciated	11,043,189	-	-
Capital assets, net	99,686,229	1,126,526	5,957
Total assets	132,295,750	1,802,041	48,304
LIABILITIES			
Accounts payable and other current liabilities	3,365,454	12,404	2,278
Accrued payroll and other related liabilities	3,676,889	23,359	7,694
Taxes collected in advance	65,091	-	-
Accrued interest	377,881	-	-
Noncurrent liabilities:			
Due within one year	6,423,990	-	-
Due in more than one year	64,415,337	-	29,071
Total liabilities	78,324,642	35,763	39,043
NET ASSETS			
Invested in capital assets, net of related debt	53,031,962	1,126,526	4,404
Restricted for:			
Nonexpendable trust principal	126,329	732,878	-
Expendable trust - income portion	83,853	-	-
Town grants and projects	935,940	-	-
Education	495,941	-	-
Unrestricted	(702,917)	(93,126)	4,857
Total net assets	\$ 53,971,108	1,766,278	9,261

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2011

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	Component unit	Component unit
					Governmental activities	Public Library	Economic Development
Primary government:							
Governmental activities:							
General government	\$ 12,022,846	1,851,983	286,215	170,480	(9,714,168)	-	-
Public services	5,041,659	1,680,722	969	-	(3,359,968)	-	-
Public safety	7,331,259	1,632,627	136,368	-	(5,562,264)	-	-
Public works	7,245,892	1,542,707	322,976	-	(5,380,209)	-	-
Education	35,275,130	1,252,673	10,972,554	-	(23,049,903)	-	-
Interest on debt service	2,664,136	-	-	-	(2,664,136)	-	-
Total governmental activities	69,580,922	7,960,712	11,719,082	170,480	(49,730,648)	-	-
Total primary government	\$ 69,580,922	7,960,712	11,719,082	170,480	(49,730,648)	-	-
Component unit:							
Scarborough Public Library	\$ 940,130	-	1,405,809	-	-	465,679	
Scarborough Economic Develop.	223,456	-	227,545	-	-		4,089
General revenues:							
Property taxes, levied for general purposes				\$ 44,698,853	-	-	
Excise taxes				3,981,452	-	-	
Payments in lieu of taxes				71,450	-	-	
Interest and costs on taxes				103,811	-	-	
Franchise Tax				195,247			
Grants and contributions not restricted to specific programs:							
Homestead exemption and business equipment exemption				448,888	-	-	
Other State aid				267,194	-	-	
State Revenue Sharing				1,075,523	-	-	
Unrestricted investment earnings				42,024	-	-	
Other				113,333	-	-	
Total general revenues				50,997,775	-	-	
Change in net assets					1,267,127	465,679	4,089
Net assets - beginning,					52,703,981	1,300,599	5,172
Net assets - ending					\$ 53,971,108	1,766,278	9,261

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Performance Bonds	General Town Improvements	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,554,730	278,689	1,188,751	-	541,119	7,563,289
Investments	2,412,731	678,518	884,751	-	5,257,487	9,233,487
Receivables:						
Accounts	563,698	-	3,000	-	1,000	567,698
Intergovernmental	182,202	-	100,000	-	445,353	727,555
Taxes receivable	168,995	-	-	-	-	168,995
Tax liens	730,719	-	-	-	-	730,719
Interfund loans receivable	2,904,940	-	-	-	13,986	2,918,926
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	-	-	-	-	21,419	21,419
Notes receivable	-	-	-	2,545,939	-	2,545,939
Total assets	\$ 12,525,246	957,207	2,176,502	2,545,939	6,280,364	24,485,258
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	1,092,572	-	603,080	-	712,596	2,408,248
Accrued payroll and other related liabilities	3,676,889	-	-	-	-	3,676,889
Accrued compensated absences	30,366	-	-	-	-	30,366
Interfund loans payable	-	-	963	2,141,507	776,456	2,918,926
Taxes collected in advance	65,091	-	-	-	-	65,091
Deferred tax revenue	671,053	-	-	-	-	671,053
Performance bond deposits	-	957,207	-	-	-	957,207
Total liabilities	5,535,971	957,207	604,043	2,141,507	1,489,052	10,727,780
Fund balances:						
Nonspendable Permanent Fund Principal					126,329	126,329
Nonspendable Inventory					21,419	21,419
Restricted for Town	2,685,386	-	1,572,459	404,432	531,508	5,193,785
Restricted for Education	495,941				368,843	864,784
Committed - General Fund	629,908	-	-	-	-	629,908
Committed - Education	-	-	-	-	-	-
Committed - Special Revenues	-	-	-	-	4,292,188	4,292,188
Assigned - General Fund	2,223,390	-	-	-	-	2,223,390
Unassigned Town	954,650	-	-	-	(548,975)	405,675
Total fund balances	6,989,275	-	1,572,459	404,432	4,791,312	13,757,478
Total liabilities and fund balance	\$ 12,525,246	957,207	2,176,502	2,545,939	6,280,364	
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.						110,729,418
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						671,053
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						(66,767,000)
Capital leases						(1,105,143)
Accrued interest						(377,881)
Landfill liability						(429,383)
Other postemployment benefits liability						(699,212)
Accrued compensated absences						(1,808,222)
Net assets of governmental activities						\$ 53,971,108

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, 2011

	General	Performance Bonds	General Town Improvements	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 48,942,881	-	14,000	-	-	48,956,881
Licenses and permits	479,746	-	-	-	-	479,746
Intergovernmental	11,728,400	-	175,760	-	1,797,107	13,701,267
Interest earned	42,024	-	11,960	61,754	9,547	125,285
Donations	-	-	-	-	7,235	7,235
Sale of lots	-	-	-	-	1,600	1,600
Assessments and impact fees	-	-	-	-	1,236,249	1,236,249
Other	4,739,300	-	248,203	-	1,315,801	6,303,304
Total revenues	65,932,351	-	449,923	61,754	4,367,539	70,811,567
Expenditures:						
Current:						
General government	4,677,260	-	1,531,524	-	-	6,208,784
Public services	3,787,489	-	1,231,098	-	-	5,018,587
Public safety	7,967,270	-	147,603	-	-	8,114,873
Public works	6,040,273	-	1,205,703	-	-	7,245,976
Education	38,174,127	-	-	-	-	38,174,127
County tax	1,922,952	-	-	-	-	1,922,952
Debt service	4,771,048	-	-	-	-	4,771,048
Capital improvements	833,353	-	-	-	1,592,473	2,425,826
Other	-	-	-	-	4,014,567	4,014,567
Total expenditures	68,173,772	-	4,115,928	-	5,607,040	77,896,740
Excess (deficiency) of revenues over expenditures	(2,241,421)	-	(3,666,005)	61,754	(1,239,501)	(7,085,173)
Other financing sources (uses):						
Transfers in	1,120,962	6,339	29,700	53,349	266,119	1,476,469
Transfers out	(170,203)	(6,339)	(159,939)	(628,927)	(511,061)	(1,476,469)
Refunding bond issued	1,155,000	-	-	-	-	1,155,000
Payment to refunding bond escrow agent	(1,155,000)	-	-	-	-	(1,155,000)
Premium paid on refunded debt	(11,550)	-	-	-	-	(11,550)
General obligation bonds	418,990	-	3,226,440	-	799,570	4,445,000
Total other financing sources (uses)	1,358,199	-	3,096,201	(575,578)	554,628	4,433,450
Net change in fund balances	(883,222)	-	(569,804)	(513,824)	(684,873)	(2,651,723)
Fund balances, beginning of year, restated	7,872,497	-	2,142,263	918,256	5,476,185	16,409,201
Fund balances, end of year	\$ 6,989,275	-	1,572,459	404,432	4,791,312	13,757,478

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, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	(2,651,723)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 6,037,214	
Depreciation expense	(3,105,251)	
Net book value of dispositions	(602,221)	2,329,742

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

36,482

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest		5,346
Landfill		4,050
Compensated absences		(43,126)
Other postemployment benefits liability		(224,032)

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.

535,388

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 (\$5,720,000) exceeded proceeds (\$4,445,000)

1,275,000

Change in net assets of governmental activities (see Statement 2)	\$	1,267,127
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See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the year ended June 30, 2011

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 49,180,051	49,180,051	48,942,881	(237,170)
Licenses and permits	555,285	555,285	479,746	(75,539)
Intergovernmental	8,062,887	8,209,181	8,150,400	(58,781)
Interest earned	95,000	95,000	42,024	(52,976)
Unclassified	4,909,859	4,909,859	4,739,300	(170,559)
Total revenues	62,803,082	62,949,376	62,354,351	(595,025)
Expenditures:				
Current:				
General government	4,676,713	4,684,668	4,677,260	7,408
Public services	3,785,668	3,785,668	3,787,489	(1,821)
Public safety	8,064,191	8,202,530	7,967,270	235,260
Public works	6,353,212	6,353,212	6,040,273	312,939
Education	35,084,868	35,084,868	34,588,320	496,548
County tax	1,922,952	1,922,952	1,922,952	-
Debt service	4,814,046	4,814,046	4,782,598	31,448
Capital improvements	1,060,947	1,060,947	833,353	227,594
Total expenditures	65,762,597	65,908,891	64,599,515	1,309,376
Deficiency of revenues under expenditures	(2,959,515)	(2,959,515)	(2,245,164)	714,351
Other financing sources (uses):				
Transfers in	1,037,098	1,037,098	1,120,962	83,864
Transfers out	(140,496)	(140,496)	(170,203)	(29,707)
Utilization of surplus	1,707,584	1,707,584	-	(1,707,584)
Overlay	(100,849)	(100,849)	-	100,849
General obligation bonds	456,178	456,178	418,990	(37,188)
Total other financing sources (uses)	2,959,515	2,959,515	1,369,749	(1,589,766)
Net change in fund balances - budgetary basis	-	-	(875,415)	(875,415)
Reconciliation to GAAP basis:				
Change in current portion of accrued compensated absences			(7,807)	
Net change in fund balances - GAAP basis			(883,222)	
Fund balance, beginning of year, restated			7,872,497	
Fund balance, end of year	\$		6,989,275	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

		Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS			
Cash and cash equivalents	\$	-	223,472
Investments		248,432	-
Interfund loans receivable		-	-
Total assets		248,432	223,472
LIABILITIES			
Interfund loans payable		-	-
Accounts payable		-	-
Due to student groups		-	223,472
Total liabilities		-	223,472
NET ASSETS			
Held in trust	\$	248,432	-

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, 2011

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ -
Interest and dividends	247
Total additions	247
Deductions:	
School scholarships	3,400
Total deductions	3,400
Change in net assets	(3,153)
Net assets, beginning of year	251,585
Net assets, end of year	\$ 248,432

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Scarborough Economic Development Corporation (SEDCO) encourages and assists with the development of business in the Town of Scarborough. SEDCO, appoints the majority of their board and the Town Council affirms their appointment. Additionally, the Town provides SEDCO with a majority of its revenues. All of the financial activity of SEDCO has been reported using the discrete presentation method. The Town provided \$219,719 to SEDCO for the year ended June 30, 2011.

Scarborough Public Library (the Library) promotes and maintains library facilities in and for the Town of Scarborough. While the Town does not appoint the component unit's board, the Town provides the Library with a majority of its funding. The Library provides services directly to the citizens of the Town. The Library has been included as part of these financial statements, using the discrete presentation method. The Town provided \$806,144 to the Library for the year ended June 30, 2011.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Both SEDCO and the Library 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. The effect of interfund reimbursements has been removed from these statements.

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

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

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

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town reports the following major governmental funds:

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

The General Town Improvements Fund accounts for certain town capital improvements. Although this fund does not meet the criteria of a major fund, the Town has elected to report it as a major fund in the governmental fund financial statements.

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. Although this fund does not meet the criteria of a major fund, the Town has elected to report it as a major fund in the governmental fund financial statements.

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

Additionally, the Town reports the following fund type:

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

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

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

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

The Town does not utilize internal service funds. As a general rule, the effect of other interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Equity

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

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

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

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

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

Property, plant, and equipment and infrastructure of the primary government are depreciated using the straight-line method over the asset's estimated useful lives as follows: buildings 25-60 years, vehicles 5-15 years, equipment and furniture 10-15 years and infrastructure 30 -75 years. Capital assets not being depreciated consist of land which has an indefinite useful life and construction in progress which will be depreciated once the project has been completed and placed in service.

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Equity – The Town of Scarborough implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ending June 30, 2011. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Town uses the following fund balance classifications:

1. For Nonspendable fund balance: (1) Assets that will never convert to cash; (2) assets that will not convert to cash soon enough to affect the current period and (3) resources that must be maintained intact pursuant to legal or contractual requirements. Included in this category are the principal balances that pertain to the permanent funds for the Dunstan and Scarborough Memorial Cemeteries and for the cemetery plot for Mary Tucker.
2. For Restricted fund balance: (1) The portion of fund balance that reflects resources that are subject to externally enforceable legal requirements typically imposed by parties altogether outside the town. Included in this category are the fund balances for the school department restricted by State Statute and Tax Increment Finance District fund balances.
3. For Committed fund balance: The portion of fund balance that represents resources whose use is constrained by limitations imposed by the Town Council as the highest governing body of the Town of Scarborough and can only be removed by the Town Council. For example, Impact Fees were approved by the Town Council and can only be removed by the Town Council.
4. For Assigned fund balance: The portion of fund balance that reflects the Town's intended use of resources established either at the highest governing body or an official designated for this purpose. The Town Manager has authorized carry forward balances to be used to offset 2012 expenditures. This also includes encumbrances.
5. For Unassigned fund balance: The portion of fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance.

Minimum Fund Balance Policy – The Town's fund balance policy sets a goal for unrestricted fund balance, defined as the total of committed, assigned and unassigned in the general fund shall be equal to 8.3% of the operating budget. Any excess above 10% will be set aside for capital improvements or property tax stabilization.

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

	Revenues and other sources	Expenditures and other uses
2010-2011 budget as adopted	\$65,596,358	\$65,596,358
Budgetary adjustments:		
Subsequent authorization	146,294	146,294
Prior year encumbrances and carryforwards	407,584	407,584
Total adjusted budget	\$ 66,150,236	\$ 66,150,236

B. Excess of Expenditures over Appropriations

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

C. Deficit Fund Balance

At June 30, 2011, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$50,833. 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 \$43,078. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The Municipal Building Fund (a capital project fund) had a deficit of \$434,050. This deficit is expected to be adequately funded in future years with TIF revenues.

Included in the Town General Improvements is one project with a deficit balance. The Cranberry Pines Road Improvement had a deficit of \$15,919. This deficit is expected to be funded in part from assessments on the landowners on this street and secondly with bond revenues.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal policy with respect to custodial credit risk. As of June 30, 2011, the Town reported deposits of \$7,786,761 with a bank balance of \$8,026,850. Of the Town's bank balances of \$8,026,850, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or is secured by additional collateral pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$7,563,289
Reported in fiduciary funds	223,472
Total deposits	\$7,786,761

At June 30, 2011, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$132,226 and \$30,780 respectively, all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2011, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Money markets and repurchase agreements	\$9,481,919	\$9,481,919	-	-
Total investments	\$9,481,919	\$9,481,919	--	-

Investments have been reported as follows:

Reported in governmental funds	\$9,233,487
Reported in fiduciary funds	248,432
Total investments	\$9,481,919

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 failure of the counterparty the Town will not be able to recover the value of its investments. The Town does not have an investment policy for custodial credit risk. None of the Town's investments are subject to custodial credit risk.

The Library's investments of \$529,486 consist of money market funds and mutual funds, 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 27, 2010, on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. These taxes were due in two installments, 50% on October 15, 2010 and 50% on March 15, 2011. Interest at the rate of 7% 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, 2011 and the Town's value was 98% of the 2010 State valuation of \$3,556,551,900.

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 \$100,849 for the year ended June 30, 2011.

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 receivable 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, 2011 levy:

Assessed value	\$ 3,556,551,900
<u>Tax rate (per \$1,000)</u>	<u>12.63</u>
Commitment	44,919,254
<u>Supplemental taxes assessed</u>	<u>9,493</u>
	44,928,747
<u>Less - collections and abatements</u>	<u>44,325,013</u>
<u>Receivable at June 30</u>	<u>603,734</u>
Consisting of:	
Taxes	46,186
Liens	557,548
<u>Receivable at June 30</u>	<u>\$ 603,734</u>
Collection rate	98.656%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,771,379	\$ 539,378	\$ -	\$ 6,310,757
Construction in progress	4,476,577	3,590,825	3,334,970	4,732,432
Total capital assets, not being depreciated	10,247,956	4,130,203	3,334,970	11,043,189
Capital assets, being depreciated:				
Buildings	68,727,458	155,484	326,481	68,556,461
Vehicles	11,695,682	1,030,839	615,741	12,110,780
Equipment and furniture	5,182,706	177,362	26,472	5,333,596
Infrastructure	43,288,229	3,878,295	105,290	47,061,234
Total capital assets being depreciated	128,894,075	5,241,980	1,073,984	133,062,071
Less accumulated depreciation for:				
Buildings	13,331,100	1,188,378	-	14,519,478
Vehicles	6,323,703	896,485	446,263	6,773,925
Equipment and furniture	3,361,688	321,703	2,698	3,680,693
Infrastructure	7,725,863	698,685	22,802	8,401,746
Total accumulated depreciation	30,742,354	3,105,251	471,763	33,375,842
Total capital assets being depreciated, net	98,151,721	2,136,729	602,221	99,686,229
Governmental activities capital assets, net	\$108,399,677	\$6,266,932	\$ 3,937,191	\$110,729,418

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

Governmental activities:	
General government	\$ 283,611
Public services	23,072
Public safety	447,484
Public works, including depreciation of general infrastructure assets	1,088,614
Education	1,262,470
Total depreciation expense – governmental activities	\$ 3,105,251

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

	<u>Library</u>	<u>SEDCO</u>
Buildings	\$1,578,312	-
Equipment, artwork and software	639,342	\$25,721
Books	862,063	-
Total	3,079,717	25,721
Less accumulated depreciation	(1,953,191)	(19,764)
Property and equipment, net	\$1,126,526	\$5,957
Depreciation expense	\$ 121,197	\$1,144

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, 2011, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$2,904,940	-
General Town Improvements	-	963
Haigis Parkway	-	2,141,507
Performance Bonds	-	-
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Recreational development	-	50,833
Scarborough Memorial Cemetery	800	-
Boat Launch	-	42,673
Economic Development Fund	-	158,207
Payne Road impact fees	4,366	-
Other impact fees	8,020	-
Police asset forfeiture	-	40,000
Rescue equipment	-	43,607
Departmental grants and programs		7,059
Total Nonmajor Special Revenue Funds	13,186	342,379
Nonmajor Capital Project Funds:		
Municipal building fund	-	434,050
Total Nonmajor Capital Project Funds	-	434,050
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	800	-
Dunstan Perpetual Care	-	27
Total Permanent Funds	800	27
Total Other Governmental Funds	13,986	776,456
Private-purpose Trust Funds	-	-
Total all funds	\$2,918,926	\$2,918,926

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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$1,120,962	\$ 170,203
Performance Bonds	6,339	6,339
General Town Improvements	29,700	159,939
Haigis Parkway Assessments	53,349	628,927
Nonmajor Governmental Funds	266,119	511,061
Total	\$1,476,469	\$1,476,469

These operating transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011, 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	\$68,042,000	\$5,600,000	\$6,875,000	\$66,767,000	\$5,972,000
Capital leases	1,640,531	-	535,388	1,105,143	417,574
Compensated absences	1,787,655	73,492	22,559	1,838,588	30,366
Other postemployment Benefits liability	475,180	224,032		699,212	
Landfill post-closure care costs	433,434	-	4,050	429,384	4,050
Governmental activity					
Long-term liabilities	\$72,378,800	\$5,897,524	\$7,436,997	\$70,839,327	\$6,423,990

As of June 30, 2011, the Town had authorized, but unissued debt totaling \$6,634,525. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

Long-term liabilities for SEDCO as of June 30, 2011 consist of compensated absences in the amount of \$29,071.

During the year ended June 30, 2011, the Town issued \$1,155,000 in general obligation bonds to advance refund general obligation bonds that were issued in 2001. The net proceeds of \$1,179,113 including \$11,550 premium and \$12,563 of accrued interest were deposited in an irrevocable trust with an escrow agent and are invested in U.S. governmental securities to provide all future debt service payments on the 2001 general obligation bonds. As a result, the \$1,155,000 of general obligation bonds have been defeased and the liability for these bonds has been removed from the governmental activities liabilities. The result of the advance refunding is to reduce total future debt service by \$143,474 and an economic gain of \$132,862 based on the net present value.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

BONDS PAYABLE

Bonds payable at June 30, 2011 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			
1993 Capital improvements	1,135,000	100.00%	-	-	Varies	2012	\$ 50,000
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	920,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	1,325,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	660,000
2001 Capital improvements	4,932,000	-	-	-	Varies	Refunded	-
2003 Capital improvements	24,579,000	3.68%	50.72%	45.60%	Varies	2032	18,335,000
2004 Capital improvements	14,628,000	9.00%	88.10%	2.90%	Varies	2034	8,695,000
2005 Capital improvements	10,665,000	4.61%	95.39%	-	Varies	2034	8,070,000
2006 Capital improvements	7,014,000	90.20%	9.80%	-	Varies	2036	3,540,000
2007 Capital improvements	4,000,000	80.56%	19.44%	-	Varies	2022	1,800,000
2008 Capital improvements	8,513,000	77.80%	22.20%	-	Varies	2028	6,320,000
2009 Capital improvements	4,560,000	88.92%	11.08%	-	Varies	2029	3,855,000
2009 Capital improvements	1,780,000	80.25%	19.75%	-	2.00%	2020	1,595,000
2010 Capital improvements	6,002,000	82.21%	17.79%	-	2.00%	2031	6,002,000
2011 Capital improvements	5,600,000	77.69%	22.31%	-	Varies	2031	5,600,000
Total							\$ 66,767,000

The annual requirements to amortize all debt outstanding as of June 30, 2011 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 5,972,000	\$ 2,432,682	\$ 8,404,682
2013	5,775,000	2,249,922	8,024,922
2014	4,990,000	2,066,596	7,056,596
2015	4,750,000	1,897,329	6,647,329
2016	4,425,000	1,736,499	6,161,499
2017-2021	16,725,000	6,759,881	23,484,881
2022-2026	11,300,000	3,921,422	15,221,422
2027-2031	8,310,000	1,966,604	10,276,604
2032-2035	4,520,000	340,075	4,860,075
Totals	\$ 66,767,000	\$ 23,371,010	\$ 90,138,010

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, 2011 outstanding bonds	Percent of 2011 State assessed value of \$ 3,564,150,000	<u>Amount</u>	<u>Margin</u>
For school purposes	\$ 32,037,157	10.00%	\$356,415,000	\$324,377,843
For storm or sanitary sewer	8,612,000	7.50%	267,311,250	258,699,250
For municipal airport, water and special district purposes	-	3.00%	106,924,500	106,924,500
For all other purposes	26,117,843	7.50%	267,311,250	241,193,407
Total	\$ 66,767,000			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$534,622,500. The total debt margin based on this limit is \$467,855,500.

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building improvements 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 \$1,254,624.

The following is a schedule of future minimum lease payments under capital leases and the present value of the minimum lease payments at June 30, 2011:

2012	\$ 458,573
2013	377,591
2014	116,485
2015	89,763
2016	79,423
2017-thereafter	79,422
Total minimum lease payments	1,201,257
Less: amount representing interest	96,114
Present value of future minimum lease payments	\$ 1,105,143

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, 2011, the Town's State valuation of \$3,564,150,000 was 8.75% of the County's State valuation of \$40,729,950,000. The Town's share is 8.75% or \$126,447 of Cumberland County's \$1,445,000 long-term debt outstanding as of June 30, 2011.

The Town is also served by the Portland Water District. At June 30, 2011, the Town's share of self-supporting bonded water debt is 13.508% or \$3,844,922 of total debt of \$28,463,828.

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, 2011, outstanding "Incinerator Debt" of ecomaine totaled \$2,660,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.67% or \$230,671.

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2011, the Town's share is 6.30% or \$119,700 of ecomaine's outstanding MRF debt of \$1,900,000. ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$15,138,502 at June 30, 2010, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.60%, or \$1,302,210.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2011			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 67,872,143	-	-	\$67,872,143
Cumberland County	-	\$ 126,447	-	126,447
Portland Water District - water debt	-	3,844,922	-	3,844,922
ecomaine Waste Systems:				
Resource recovery system	-	-	\$230,671	230,671
Material recovery facility	-	-	119,700	119,700
Landfill closure/postclosure costs	-	-	1,302,210	1,302,210
Totals	\$ 67,872,143	\$3,971,369	\$1,652,581	\$73,496,093

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, 2011, substantially all such calculations have been performed and the Town is in compliance with all arbitrage requirements.

Grants

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS

Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill under a waiver granted by the State. The landfill is permitted to operate in its existing capacity until 2027. The estimated total current cost of landfill closure, \$429,384, 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, 2011. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

The total closure and postclosure care costs of \$429,384 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.

FUND BALANCE CHANGES

For the period ending June 30, 2011, the General Fund includes three programs that previously were reported as Special Revenue Funds. This change is the result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Activity of these three programs are currently presented in Exhibits A-1, A-2 and A-2 Cont. Additionally, the fund balances reclassified from Special Revenue Funds to the General Fund are all presented as Committed Fund balance in the General Fund as follows:

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Unemployment Compensation	\$ 176,012	\$ 154,649
Hurd Park and Ferry Beach	449,327	463,116
Hunnewell House	9,092	12,143
Total reclassification	<u>\$ 634,431</u>	<u>\$ 629,908</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

FUND BALANCE CHANGES

The following is a schedule of fund balance classifications for the governmental funds as June 30, 2011:

	General Fund	General Town Improvements	Haigis Parkway Assess	Nonmajor Governmental
Fund Balances:				
Nonspendable-Permanent Funds	-	-	-	\$126,329
Nonspendable-Inventory	-	-	-	21,419
	-	-	-	147,748
Restricted				
Permanent Fund Interest	-	-	-	83,853
Deficits in Other Funds	\$543,880	-	-	-
Haigis Parkway	2,141,506	-	\$404,432	-
Town Improvements	-	\$1,693,514	-	-
Credit Enhancement Agreements	-	-	-	42,746
Economic Development Fund	-	-	-	58,354
Sawyer Road Improvements	-	-	-	84,677
Grants and Donations	-	-	-	101,719
Police Asset Forfeiture	-	-	-	160,159
Education	495,941	-	-	368,843
	3,181,327	1,693,514	404,432	900,351
Committed				
Unemp. Comp/Beach Reserve/Hunnewell	629,908	-	-	-
Impact Fees/Reserves	-	-	-	4,292,188
	629,908	-	-	4,292,188
Assigned				
Carryforward Balances/Encumbrances	2,223,390	-	-	-
	2,223,390	-	-	-
Unassigned	954,650		-	(548,975)
Total Fund Balances	<u>\$6,989,275</u>	<u>\$1,693,514</u>	<u>\$404,432</u>	<u>\$4,791,312</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES

At June 30, 2011, portions of the General Fund fund balance were assigned to future periods as follows:

	<u>2011</u>
General Fund:	
State revenue sharing	\$ (171,048)
Town Clerk – Election Storage Trailer	4,866
Town Clerk – Voting Booth Purchase	230
Human Resource – Employee Recognition	1,800
Human Resource - Advertisements	1,640
Finance – Purchasing Stipend	2,000
Finance – Accounting Training	1,500
Finance – Accounting Supplies	500
Finance – New Equipment	600
Information Systems – Contracted Services	3,000
Information Systems – Hardware Maintenance	6,252
Information Systems – Software Maintenance	8,813
Comprehensive Plan	30,137
Planning – Watershed map/management plan	30,530
Police Department - 2006 QED software	9,300
Police Department – Tomar Pre-emptive device	33,927
Police Department – Traffic light pre-emptive	1,221
Police Department – Motorola equipment	3,021
Fire Department – Municipal holding tank	10,697
Public Works – Paving	102,204
Public Works – Street Striping	5,385
Public Works – Tree Maintenance	3,160
Traffic Signals – Alarm Maintenance	7,747
Traffic Signals – Equipment Maintenance	17,575
Cable franchise fees	50,290
Summer recreation	25,760
Marine Resource Office – Inventory Management	5,565
Town-wide computer purchases	6,766
Encumbered purchase orders	243,983
Fund balance appropriated for the 2012 budget	600,000
Reserve for accrued sick pay	1,175,969
Total General Fund assigned fund balance	\$ 2,223,390

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan, the Town had its separate, individual existing unfunded actuarial liability calculated which the Town fully funded in 2007. The current employer rate is 3.5% of annual covered payroll for School employees participating in the District Plan, 3.5% for Town employees, 8.1% for Police and Fire and Rescue. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the MPERS Consolidated Plan for the year ended June 30, 2011, 2010 and 2009 were \$256,871, \$158,635, and \$124,178 respectively and this is 100% of the amount required, that the Town paid.

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,578,000 (19.41%) for the fiscal year 2011. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEFINED CONTRIBUTION PENSION PLAN

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

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All full time municipal employees of the Town have the option of participating in the plan or the Maine Public Employees Retirement System. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his/her account at that time. Each employee must contribute a minimum of 6% of his/her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings. The Town Manager has a separate plan that requires the Town to contribute 12% of the Manager's gross earnings and the Manager is not required to contribute.

During the year, the Town's required and actual contributions amounted to \$302,645, which was 6% of the participating employees and 12% of the Town Manager's current year covered payroll. The covered payroll amounted to \$4,816,087, while the Town's total payroll was \$10,436,671.

Employee's required contributions amounted to \$288,965, which was 6% of the Town's current year covered payroll.

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

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

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

During the year, the participating employees contributions amounted to \$372,059 and the Town contributions amounted to \$247,824. The Town contributes a match up to 4%.

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust, which is an agent multiple-employer plan. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2011 for fiscal year ending June 30, 2011.

Plan Descriptions – In addition to providing pension benefits, the Town provides health care benefits for qualified retired employees. Eligibility to receive health care benefits at retirement is determined by the Health Trust standards. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. A copy of the financial report and the required supplementary information for the Health Trust may be obtained from the Maine Employees Municipal Health Trust, 60 Community Drive, Augusta, Maine 04333.

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

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

Normal Cost	\$85,964
Amortization of Unfunded	168,129
Interest	5,032
Annual Required Contribution	\$259,125

Funding Status and Funding Progress – The Town's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2011 were as follows:

Annual required contribution	\$259,125
Interest on NET OPEB Obligation	9,124
Amortization adjustment to ARC	(13,191)
Annual OPEB Cost	255,058
Actual contribution	(31,026)
Increase in Net OPEB Obligation	224,032
Net OPEB obligation – beginning of year	475,180
Net OPEB Obligation – end of year	\$699,212

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
2011	\$ 255,058	12%	\$ 699,212
2010	270,365	13%	475,180
2009	274,639	13%	274,639

The funded status of the plan as of June 30, 2011 was as follows:

Actuarial accrued liability	\$3,023,581
<u>Plan Assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$3,023,581
Covered payroll	7,485,589
Unfunded actuarial accrued liability as a percentage of covered payroll	40%

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

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

Actuarial valuation date	1-1-2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years, open amortization period
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.00% - 9.60%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

The Town has established three 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, 2011	6,900,000
Enterprise Business Park TIF:	
Original assessed value	544,800
Amount captured as of June 30, 2011	8,364,000
Haigis Parkway:	
Original assessed value	8,563,500
Amount captured as of June 30, 2011	4,224,000
New England Expedition CEA:	
	35,132,100
Bessey School Senior Housing CEA:	2,630,800

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, 2011. 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, 2011:

	Governmental <u>Activities</u>
Capital assets	\$ 144,105,260
Accumulated depreciation	(33,375,842)
Bonds payable	(58,407,000)
Capital leases payable	(1,105,143)
Unspent bond proceeds	1,814,687

Total invested in capital assets net of related debt \$53,031,962

The Town's Bonds payable is \$66,767,000 as stated in the footnote on page 54. For the purpose of determining net assets invested in capital assets net of related debt, bonds payable totaling \$8,360,000, have been excluded from this calculation because the Town transferred ownership of the capital assets to other entities.

COMMITMENTS

Construction in progress of \$4,732,432 as of June 30, 2011 consists primarily of road improvements and the commercial pier. It is expected that these projects will be completed during the fiscal year ending June 30, 2012. The additional estimated costs to complete these projects are \$1,714,232.

SUBSEQUENT EVENT – NEW SCHOOL CONSTRUCTION

On November 8, 2011, the voters of the Town of Scarborough approved a referendum to allow the town to borrow approximately \$39 million to reconstruct Wentworth Intermediate School. Construction of the new school is scheduled to begin in 2012. A construction contract has not been signed as of the date of this report.

TOWN OF SCARBOROUGH, MAINE
Schedule of Funding Progress
Required Supplementary Information
June 30, 2011
(Unaudited)

Other Post-Employment Benefits

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
2011	01-01-2011	\$ -	\$3,023,581	\$3,023,581	0%	\$7,485,589	40%
2010	01-01-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,776,068	41%
2009	01-01-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,208,803	45%

GENERAL FUND

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

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TOWN OF SCARBOROUGH, MAINE
General Fund
Comparative Balance Sheets
June 30, 2011 and 2010

		2011	2010
ASSETS			
Cash and cash equivalents	\$	5,554,730	4,062,681
Investments		2,412,731	4,410,997
Receivables:			
Taxes receivable		168,995	166,781
Tax liens		730,719	651,207
Accounts receivable		563,698	546,871
Intergovernmental		182,202	45,238
Interfund loans receivable		2,904,940	2,794,632
Tax acquired property		7,231	7,231
Total assets	\$	12,525,246	12,685,638
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities		1,092,572	1,158,183
Accrued payroll and other related liabilities		3,676,889	3,581,414
Accrued compensated absence (current)		30,366	22,559
Taxes collected in advance		65,091	50,845
Deferred tax revenues		671,053	634,571
Total liabilities		5,535,971	5,447,572
Fund balance:			
Restricted - Town		2,685,386	2,482,358
Restricted - Education		495,941	1,055,872
Committed - Town		629,908	-
Assigned - Town		2,223,390	1,469,309
Unassigned - Town		954,650	2,230,527
Total fund balance		6,989,275	7,238,066
Total liabilities and fund balance	\$	12,525,246	12,685,638

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, 2011
(with comparative totals for June 30, 2010)

		2011					
		2010 carryforward	Budget	Total Available	Actual	Variance positive (negative)	2010 Actual
Revenues:							
Taxes:							
Property taxes	\$	-	44,725,751	44,725,751	44,698,853	(26,898)	42,738,876
Change in deferred property tax revenue		-	-	-	(36,482)	(36,482)	(77,850)
Excise taxes		-	4,177,000	4,177,000	3,981,452	(195,548)	3,937,150
Cable franchise tax		-	183,000	183,000	195,247	12,247	184,756
Interest and costs on taxes		-	94,300	94,300	103,811	9,511	96,988
Total taxes		-	49,180,051	49,180,051	48,942,881	(237,170)	46,879,920
Licenses and permits:							
Plumbing fees		-	24,000	24,000	18,230	(5,770)	19,890
Fees and Permits		-	149,180	149,180	178,189	29,009	167,027
Building permits		-	275,000	275,000	177,187	(97,813)	261,224
Electrical permits		-	30,000	30,000	34,009	4,009	40,467
Zoning Board of Appeals		-	13,000	13,000	9,755	(3,245)	14,084
License plate fees		-	60,605	60,605	59,551	(1,054)	60,216
Subdivision fees		-	3,500	3,500	2,825	(675)	10,530
Total licenses and permits		-	555,285	555,285	479,746	(75,539)	573,438
Intergovernmental:							
Education state subsidies		-	5,680,518	5,680,518	5,680,516	(2)	5,913,102
FEMA reimbursement		-	-	-	-	-	-
Federal HIDTA revenues		-	133,000	133,000	136,368	3,368	123,128
State Revenue Sharing		-	1,098,860	1,098,860	1,075,523	(23,337)	1,120,132
Homestead exemption		-	287,798	287,798	287,798	-	352,995
Business equipment tax exemption		-	160,941	160,941	161,090	149	140,591
URIP (D.O.T. block grant)		-	268,000	268,000	322,976	54,976	307,828
ecomaine payment in lieu of taxes		-	71,450	71,450	71,450	-	71,450
General assistance reimbursement		-	6,000	6,000	969	(5,031)	3,022
Adult education State subsidies		-	22,520	22,520	14,166	(8,354)	16,468
Medicaid		-	25,000	25,000	24,655	(345)	175,057
Other Federal and State revenues - School		-	235,000	235,000	107,695	(127,305)	244,651
Other Federal and State revenues - Town		-	220,094	220,094	267,194	47,100	153,686
Total intergovernmental		-	8,209,181	8,209,181	8,150,400	(58,781)	8,622,110
Interest earned		-	95,000	95,000	42,024	(52,976)	141,496
Unclassified:							
School Department miscellaneous		-	308,000	308,000	250,088	(57,912)	158,705
Adult education		-	27,480	27,480	14,788	(12,692)	10,917
Community services		-	1,630,578	1,630,578	1,678,239	47,661	1,635,360
Police court time		-	1,000	1,000	2,466	1,466	1,898
Snow plowing service		-	6,400	6,400	4,307	(2,093)	10,767
Insurance reimbursements		-	32,000	32,000	72,540	40,540	97,641
Public Violations		-	49,000	49,000	61,002	12,002	54,067
Special duty police/fire		-	102,500	102,500	74,768	(27,732)	103,380
Inspection/review fees		-	51,600	51,600	58,235	6,635	117,696
Rescue donations		-	625,000	625,000	625,000	-	625,000
Rental income		-	48,750	48,750	46,750	(2,000)	38,315
Sale of Town-owned property		-	140,801	140,801	170,480	29,679	122,376
Salary reimbursement		-	807,378	807,378	823,473	16,095	794,328
Vehicle fuel reimbursement		-	485,693	485,693	374,110	(111,583)	391,149
Vehicle maintenance reimbursement		-	318,539	318,539	369,721	51,182	303,291
Lease revenue		-	154,000	154,000	-	(154,000)	47,677
Miscellaneous		-	121,140	121,140	113,333	(7,807)	132,193
Total unclassified		-	4,909,859	4,909,859	4,739,300	(170,559)	4,644,760
Total revenues		-	62,949,376	62,949,376	62,354,351	(595,025)	60,861,724

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

		2011					
		2010		Total		Variance	2010
		carryforward	Budget	available	Actual	positive	Actual
						(negative)	
Expenditures:							
Current:							
General government:							
Town Council	\$	-	11,573	11,573	10,761	812	11,573
Administration		-	245,400	245,400	227,920	17,480	222,052
Town Clerk		882	165,601	166,483	164,281	2,202	177,176
Human resources		-	188,598	188,598	184,845	3,753	185,482
Personnel benefits		-	292,668	292,668	316,583	(23,915)	250,722
Finance		7,700	390,464	398,164	388,488	9,676	372,928
Purchasing		307	139,599	139,906	119,289	20,617	140,251
Taxation/Treasury		390	333,062	333,452	343,169	(9,717)	412,571
Assessing		-	241,312	241,312	232,441	8,871	236,740
Management information systems		28,348	707,381	735,729	677,010	58,719	711,044
Planning		26,935	809,081	836,016	774,376	61,640	753,864
Municipal building		-	282,840	282,840	266,124	16,716	293,007
General government		-	60,490	60,490	60,251	239	66,972
Legal		-	85,000	85,000	147,535	(62,535)	136,727
Risk management		-	539,337	539,337	579,365	(40,028)	562,212
Public information		-	5,200	5,200	-	5,200	5,226
Engineering		-	47,500	47,500	109,822	(62,322)	99,617
Outside agencies		-	75,000	75,000	75,000	-	63,720
Total general government		64,562	4,620,106	4,684,668	4,677,260	7,408	4,701,884
Public services:							
Library		-	807,629	807,629	806,144	1,485	786,611
Public health and welfare		-	30,976	30,976	11,800	19,176	13,894
Tax Rebates (Credit Enhancement Agree)		-	582,582	582,582	582,583	(1)	550,575
Economic Development Corporation		-	235,732	235,732	219,719	16,013	235,306
Community services		11,358	2,117,391	2,128,749	2,167,243	(38,494)	2,144,541
Total public services		11,358	3,774,310	3,785,668	3,787,489	(1,821)	3,730,927
Public safety:							
Fire Department		32,424	1,847,596	1,880,020	1,773,334	106,686	1,650,208
Police Department		11,676	4,594,117	4,605,793	4,495,337	110,456	4,488,436
Emergency Management		800	34,621	35,421	31,172	4,249	33,357
Marine resources		5,565	79,832	85,397	70,964	14,433	76,687
Emergency Medical Services		6,563	1,589,336	1,595,899	1,596,463	(564)	1,472,277
Total public safety		57,028	8,145,502	8,202,530	7,967,270	235,260	7,720,965
Public works:							
Public Works Department		3,045	2,438,450	2,441,495	2,180,405	261,090	2,381,264
Vehicle maintenance		572	1,386,599	1,387,171	1,409,647	(22,476)	1,392,013
Water charges		-	181,600	181,600	186,715	(5,115)	182,405
Street lighting		-	161,000	161,000	148,777	12,223	158,577
Traffic signals		-	125,468	125,468	74,140	51,328	114,424
Cemetery care		-	19,025	19,025	23,481	(4,456)	26,346
Memorials		-	8,851	8,851	8,806	45	8,930
Shade trees		-	18,000	18,000	10,362	7,638	10,624
Engineering services		-	99,962	99,962	97,429	2,533	103,055
Solid waste program		-	1,910,640	1,910,640	1,900,511	10,129	1,846,531
Total public works		3,617	6,349,595	6,353,212	6,040,273	312,939	6,224,169
Education:							
Regular instruction		-	20,286,699	20,286,699	20,201,901	84,798	20,002,428
Improvement of instruction		-	555,341	555,341	538,280	17,061	482,199
Special services		-	2,591,192	2,591,192	2,553,786	37,406	2,473,838
General & special administration		-	275,345	275,345	279,013	(3,668)	294,977
Board of education		-	39,767	39,767	29,062	10,705	33,229
Office of the superintendent		-	409,154	409,154	415,453	(6,299)	379,594
Business administration		-	1,639,880	1,639,880	1,674,986	(35,106)	1,610,820
Transportation		-	1,463,829	1,463,829	1,403,748	60,081	1,418,468
Operation and maintenance of plant		-	3,681,388	3,681,388	3,349,818	331,570	3,215,499
Debt service		-	4,142,273	4,142,273	4,142,273	-	4,173,476
Total education		-	35,084,868	35,084,868	34,588,320	496,548	34,084,528

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

	2011					2010 Actual
	2010 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Current, continued:						
County tax	\$ -	1,922,952	1,922,952	1,922,952	-	1,885,984
Debt service (excluding education):						
Principal	-	3,011,038	3,011,038	2,961,038	50,000	3,044,449
Interest and other costs	-	1,803,008	1,803,008	1,821,560	(18,552)	1,911,642
Total debt service	-	4,814,046	4,814,046	4,782,598	31,448	4,956,091
Capital improvements	271,019	789,928	1,060,947	833,353	227,594	1,210,474
Total expenditures	407,584	65,501,307	65,908,891	64,599,515	1,309,376	64,515,022
Excess (deficiency) of revenues over (under) expenditures	(407,584)	(2,551,931)	(2,959,515)	(2,245,164)	714,351	(3,653,298)
Other financing sources (uses):						
Transfers in	-	1,037,098	1,037,098	1,120,962	83,864	1,551,027
Transfers out	-	(140,496)	(140,496)	(170,203)	(29,707)	(111,543)
General obligation bonds	-	456,178	456,178	418,990	(37,188)	648,205
Overlay	-	(100,849)	(100,849)	-	100,849	-
Total other financing sources (uses)	-	1,251,931	1,251,931	1,369,749	117,818	2,087,689
Net change in fund balances - budgetary basis	(407,584)	(1,300,000)	(1,707,584)	(875,415)	832,169	(1,565,609)
Utilization of prior year surplus and carrying balances	407,584	1,300,000	1,707,584	-	(1,707,584)	-
Total Utilization of Fund Balance and Carry forwards	-	-	(0)	(875,415)	(875,415)	(1,565,609)
Reconciliation to GAAP basis:						
Current portion of accrued compensated absences				(7,807)		(134)
Fund balances, beginning of year restated				7,872,497		8,803,809
Fund balances, end of year				6,989,275		7,238,066

OTHER GOVERNMENTAL FUNDS

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TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 221,464	319,655	-	541,119
Investments	4,950,403	97,675	209,409	5,257,487
Intergovernmental receivable	445,353	-	-	445,353
Due from State of Maine	-	-	-	-
Accounts receivable	1,000	-	-	1,000
Interfund loans	13,186	-	800	13,986
Inventory	21,419	-	-	21,419
Notes receivable	-	-	-	-
Total assets	\$ 5,652,825	417,330	210,209	6,280,364
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	664,084	48,512	-	712,596
Interfund loans	342,379	434,050	27	776,456
Total liabilities	1,006,463	482,562	27	1,489,052
Fund balances (deficit):				
Nonspendable trust principal	-	-	126,329	126,329
Nonspendable inventory	21,419	-	-	21,419
Restricted for Town	447,655	-	83,853	531,508
Restricted for Education	25	368,818	-	368,843
Committed for Town	4,292,188	-	-	4,292,188
Committed for Education	-	-	-	-
Unassigned for Town	(114,925)	(434,050)	-	(548,975)
Total fund balances (deficit)	4,646,362	(65,232)	210,182	4,791,312
Total liabilities and fund balances	\$ 5,652,825	417,330	210,209	6,280,364

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,757,607	39,500	-	1,797,107
Contributions	7,235	-	-	7,235
Assessments and impact fees	1,236,249	-	-	1,236,249
Sale of lots	800	-	800	1,600
Other revenue	1,315,801	-	-	1,315,801
Interest revenue	6,563	2,824	160	9,547
Total revenues	4,324,255	42,324	960	4,367,539
Expenditures:				
Current:				
Capital expenditures	831,648	760,825	-	1,592,473
Other	4,014,540	-	27	4,014,567
Total expenditures	4,846,188	760,825	27	5,607,040
Excess of revenues over (under) expenditures	(521,933)	(718,501)	933	(1,239,501)
Other financing sources (uses):				
Transfers in	147,558	118,561	-	266,119
Transfers out	(398,478)	(112,583)	-	(511,061)
General Obligation Bonds	-	799,570	-	799,570
Total other financing sources (uses)	(250,920)	805,548	-	554,628
Net change in fund balances	(772,853)	87,047	933	(684,873)
Fund balances, beginning of year	5,419,215	(152,279)	209,249	5,476,185
Fund balances, end of year	\$ 4,646,362	(65,232)	210,182	4,791,312

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:

Recreational Development

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

Credit Enhancement Agreements

This is credit enhancements agreement set up between the Town certain taxpayers. A Credit Enhancement Agreement or contract between the municipality and company is a mechanism to assist the development project by using all, or a percentage of, the tax revenues generated by the new investment to pay certain authorized project costs with payments made directly to the company.

Boat Launch Facility

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

Cemetery Improvement

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

Route 1 Sawyer Road Improvements

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

Economic Development Fund (Formerly the Industrial Park)

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

Prouts Landing Conservation

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

Bessey Commons

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

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 for road and intersection improvements planned for the road system along Payne Road, Route 114, Spring Street and Mussey Road. This ordinance was adopted October 17, 1990.

Other Impact Fees:

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

School Development Impact Fee to help fund the improvements to the school facilities in Scarborough.

Dunstan Corner Impact Fee is a growth management fee created by ordinance, to mitigate traffic impacts in this location from new development. The collected fee will be applied to the design and construction of identified future highway improvements in the defined area as adopted August 15, 2006.

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

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

Police Asset Forfeiture

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

Rescue Equipment

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

Fire Department

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Departmental Grants and Programs

To account for various federal and state grants and non-budget programs administered by the Town and its Department Administrators.

Friends of the Scarborough Marsh

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

Pleasant Hill Area Drainage

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

School Categorical Programs

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

School Lunch Program

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

Computer Replacement Fund

This fund is used for the replacement of municipal computers.

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011

		Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Economic Development Fund	Prouts Landing Conserva- tion	Bessey Commons	Payne Road Improvements
ASSETS										
Cash and cash equivalents	\$	-	-	-	-	-	-	-	-	-
Investments		-	42,738	-	7,248	84,677	216,561	24,561	8	69,855
Intergovernmental receivable		-	-	-	-	-	-	-	-	-
Due from State of Maine		-	-	-	-	-	-	-	-	-
Accounts receivable		-	-	-	-	-	-	-	-	-
Interfund loans receivable		-	-	-	800	-	-	-	-	-
Inventory		-	-	-	-	-	-	-	-	-
Notes receivable		-	-	-	-	-	-	-	-	-
Total assets	\$	-	42,738	-	8,048	84,677	216,561	24,561	8	69,855
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable		-	-	-	-	-	-	-	-	-
Interfund loans payable		50,833	-	42,673	-	-	158,207	-	-	-
Total liabilities		50,833	-	42,673	-	-	158,207	-	-	-
Fund balances:										
Nonspendable		-	-	-	-	-	-	-	-	-
Restricted		-	42,738	-	-	84,677	58,354	-	8	-
Committed		-	-	-	8,048	-	-	24,561	-	69,855
Unassigned		(50,833)	-	(42,673)	-	-	-	-	-	-
Total fund balances (deficit)		(50,833)	42,738	(42,673)	8,048	84,677	58,354	24,561	8	69,855
Total liabilities and fund balances	\$	-	42,738	-	8,048	84,677	216,561	24,561	8	69,855

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds, Continued
Combining Balance Sheet
June 30, 2011

Payne Road Impact Fees	Other Impact Fees	Police Asset Forfeiture	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
202,635	-	-	-	-	2,675	-	-	-	16,154	-	221,464
2,049,940	594,243	196,066	290,219	19,374	1,354,913	-	-	-	-	-	4,950,403
-	-	4,093	-	-	22,431	-	-	401,302	17,527	-	445,353
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,000	-	-	-	-	-	-	1,000
4,366	8,020	-	-	-	-	-	-	-	-	-	13,186
-	-	-	-	-	-	-	-	-	21,419	-	21,419
-	-	-	-	-	-	-	-	-	-	-	-
2,256,941	602,263	200,159	290,219	20,374	1,380,019	-	-	401,302	55,100	-	5,652,825
202,635	-	-	36	-	5,036	-	-	401,277	55,100	-	664,084
-	-	40,000	43,607	-	7,059	-	-	-	-	-	342,379
202,635	-	40,000	43,643	-	12,095	-	-	401,277	55,100	-	1,006,463
-	-	160,159	-	20,374	81,345	-	-	25	21,419	-	21,419
2,054,306	602,263	-	246,576	-	1,286,579	-	-	-	-	-	4,292,188
-	-	-	-	-	-	-	-	-	(21,419)	-	(114,925)
2,054,306	602,263	160,159	246,576	20,374	1,367,924	-	-	25	-	-	4,646,362
2,256,941	602,263	200,159	290,219	20,374	1,380,019	-	-	401,302	55,100	-	5,652,825

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Economic Development Fund	Prouts Landing Conserva- tion	Bessey Commons	Payne Road Improvements
Revenues:									
Intergovernmental	\$ -	-	-	-	-	-	-	-	-
Interest earned	-	20	-	30	103	442	30	-	85
Contributions	-	-	2,483	-	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	800	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Assessments and impact fees	8,250	443,718	-	-	-	-	-	33,227	-
Total revenues	8,250	443,738	2,483	830	103	442	30	33,227	85
Expenditures:									
Construction and acquisitions	-	-	515	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	-	-	-
Other	-	443,718	-	-	-	-	-	33,227	-
Total expenditures	-	443,718	515	-	-	-	-	33,227	-
Excess (deficiency) of revenues over (under) expenditures	8,250	20	1,968	830	103	442	30	-	85
Other financing sources (uses):									
Transfers in	8,250	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-
Transfers out	(8,250)	-	-	(20,298)	(822)	(150,000)	-	-	-
Total other financing sources (uses)	-	-	-	(20,298)	(822)	(150,000)	-	-	-
Net change in fund balances	8,250	20	1,968	(19,468)	(719)	(149,558)	30	-	85
Fund balances (deficit), beginning of year	(59,083)	42,718	(44,641)	27,516	85,396	207,912	24,531	8	69,770
Fund balances (deficit), end of year	\$ (50,833)	42,738	(42,673)	8,048	84,677	58,354	24,561	8	69,855

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued
For the year ended June 30, 2011

Payne Road Impact Fees	Other Impact Fees	Police Asset Forfeiture	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
-	-	54,622	-	-	135,463	-	-	1,300,395	267,127	-	1,757,607
2,391	755	216	490	22	1,979	-	-	-	-	-	6,563
-	-	-	1,022	3,730	-	-	-	-	-	-	7,235
-	-	-	-	-	-	-	-	-	-	-	800
4,463	174,768	-	-	-	148,773	-	-	-	987,797	-	1,315,801
-	-	-	751,054	-	-	-	-	-	-	-	1,236,249
6,854	175,523	54,838	752,566	3,752	286,215	-	-	1,300,395	1,254,924	-	4,324,255
-	-	58,850	-	-	755,621	-	16,662	-	-	-	831,648
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	761,643	-	-	-	-	1,390,252	1,385,700	-	4,014,540
-	-	58,850	761,643	-	755,621	-	16,662	1,390,252	1,385,700	-	4,846,188
6,854	175,523	(4,012)	(9,077)	3,752	(469,406)	-	(16,662)	(89,857)	(130,776)	-	(521,933)
-	-	-	-	-	8,525	-	7	-	130,776	-	147,558
-	-	-	-	-	-	-	-	-	-	-	-
-	(119,170)	-	(91,413)	-	(8,525)	-	-	-	-	-	(398,478)
-	(119,170)	-	(91,413)	-	-	-	7	-	130,776	-	(250,920)
6,854	56,353	(4,012)	(100,490)	3,752	(469,406)	-	(16,655)	(89,857)	-	-	(772,853)
2,047,452	545,910	164,171	347,066	16,622	1,837,330	-	16,655	89,882	-	-	5,419,215
2,054,306	602,263	160,159	246,576	20,374	1,367,924	-	-	25	-	-	4,646,362

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, 2011

	Fund balances beginning of year	Revenues Grants	Other	Program expenditures	Fund balances end of year
Federal education grant programs:					
NCLB/Title IA	\$ 4,906	142,615	-	147,492	29
ARRA Title IA	1,648	52,237	-	53,885	-
NCLB/Title IIA	-	77,821	-	77,821	-
NCLB/Title IID	993	-	-	993	-
ARRA NCLB/Title IID	221	-	-	221	-
Title III	-	6,927	-	6,927	-
NCLB/Title IVA	1,258	-	-	1,258	-
NCLB/Title VA	1	-	-	-	1
Refugee Resettlement	12,137	-	-	12,137	-
Local Entitlement	7,281	648,421	-	655,706	(4)
ARRA Local Entitlement	51,229	361,776	-	413,006	(1)
Preschool handicapped	1,625	4,945	-	6,570	-
ARRA Preschool handicapped	290	5,653	-	5,943	-
Total federal education grant programs	81,589	1,300,395	-	1,381,959	25
Other State grant programs:					
Professional Development Grant	8,293	-	-	8,293	-
Total other state grant programs	8,293	-	-	8,293	-
Total school categorical programs	\$ 89,882	1,300,395	-	1,390,252	25

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NONMAJOR CAPITAL PROJECT FUNDS

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

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

General School Improvements

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

Municipal Building Fund

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

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Fund
Balance Sheet
June 30, 2011

		General School Improvements	Municipal Building Fund	Totals
ASSETS				
Cash and cash equivalents	\$	319,655		319,655
Investments		97,675	-	97,675
Total assets	\$	417,330	-	417,330
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable		48,512	-	48,512
Interfund loans payable		-	434,050	434,050
Total liabilities		48,512	434,050	482,562
Fund balance (deficit):				
Restricted		368,818		368,818
Unassigned		-	(434,050)	(434,050)
Total fund deficit		368,818	(434,050)	(65,232)
Total liabilities and fund balance	\$	417,330	-	417,330

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2011

	General School Improvements	Municipal Building Fund	Totals
Revenues:			
Intergovernmental	\$ 39,500	-	39,500
Interest earned	2,824	-	2,824
Total revenues	42,324	-	42,324
Expenditures:			
Capital Improvements	760,825	-	760,825
Total expenditures	760,825	-	760,825
Excess (deficiency) of revenues over (under) expenditures	(718,501)	-	(718,501)
Other financing sources (uses):			
Transfers in	31,414	87,147	118,561
Transfers out	(84,020)	(28,563)	(112,583)
Proceeds of general obligation bonds	799,570	-	799,570
Total other financing sources (uses)	746,964	58,584	805,548
Net change in fund balances	28,463	58,584	87,047
Fund deficit, beginning of year	340,355	(492,634)	(152,279)
Fund deficit, end of year	\$ 368,818	(434,050)	(65,232)

NONMAJOR PERMANENT FUNDS

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

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

Scarborough Memorial Cemetery

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

Dunstan Perpetual Care

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

Mary A. Tucker Fund

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

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2011

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 181,684	24,852	2,873	209,409
Interfund loans receivable	800	-	-	800
Total assets	\$ 182,484	24,852	2,873	210,209
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	27	-	27
Total liabilities	-	27	-	27
Fund balances:				
Nonspendable Principal	112,462	13,367	500	126,329
Restricted Expendable Income	70,022	11,458	2,373	83,853
Total fund balances	182,484	24,825	2,873	210,182
Total liabilities and fund balances	\$ 182,484	24,852	2,873	210,209

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 132	27	1	160
Sale of lots/perpetual care deposits	800	-	-	800
Total revenues	932	27	1	960
Expenditures:				
Earnings retained by General Fund	-	27	-	27
Other	-	-	-	-
Total expenditures	-	27	-	27
Net change in fund balances	932	-	1	933
Fund balances, beginning of year	181,552	24,825	2,872	209,249
Fund balances, end of year	\$ 182,484	24,825	2,873	210,182

PRIVATE-PURPOSE TRUST FUNDS

Shirley Grover Fund

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

Mary Campbell Peterson Fund

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

Edith Warga Art Scholarship

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

Packy McFarland Scholarship Fund

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

Roy Nelson Scholarship Fund

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

Daniel Tranchemontagne Scholarship Fund

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

Virginia Jackson Scholarship Fund

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

PRIVATE-PURPOSE TRUST FUNDS, CONTINUED

Evelyn J. Chaddon Memorial Scholarship Fund

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

S. Dwight Howard Memorial Scholarship Fund

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

Bertha Libby-Lary Scholarship Fund

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

Academic Decathlon Scholarship Fund

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

Kathy Pearson Scholarship Fund

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

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Fiduciary Net Assets
June 30, 2011

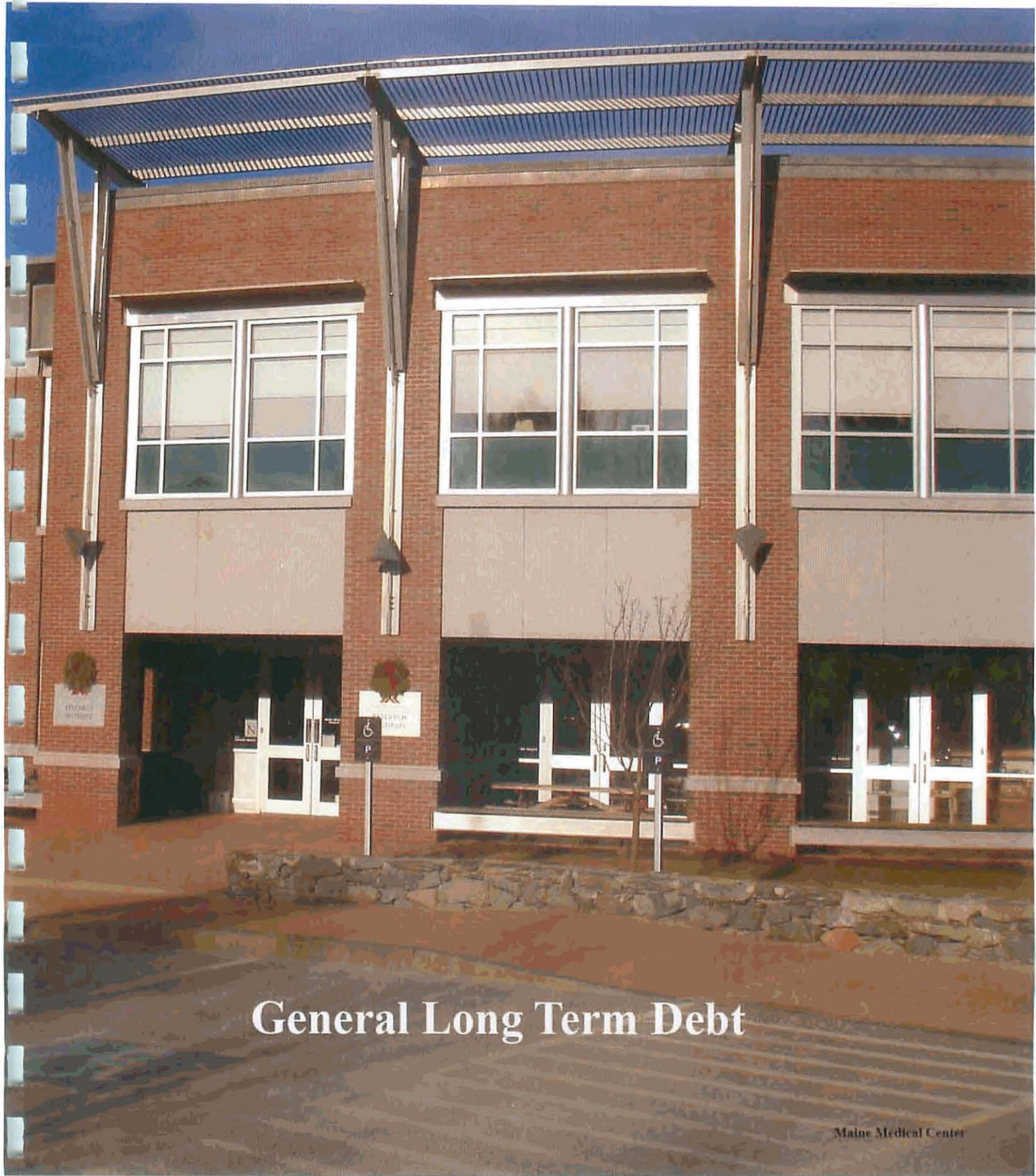
	Shirley Grover Fund	Mary Campbell Peterson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 1,387	96,801	106,892	1,775	12	1,077	21,168	308	2,836	11,545	1,213	3,418	248,432
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,387	96,801	106,892	1,775	12	1,077	21,168	308	2,836	11,545	1,213	3,418	248,432
LIABILITIES AND NET ASSETS													
Liabilities:													
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets:													
Nonspendable Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Restricted Interest	147	9,121	6,892	1,775	12	1,077	21,168	(192)	810	8,045	1,213	(392)	49,676
Total net assets	1,387	96,801	106,892	1,775	12	1,077	21,168	308	2,836	11,545	1,213	3,418	248,432
Total liabilities and net assets	\$ 1,387	96,801	106,892	1,775	12	1,077	21,168	308	2,836	11,545	1,213	3,418	248,432

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2011

	Shirley Grover Fund	Mary Campbell Pederson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions													
Donations	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	2	100	105	3	-	1	27	-	2	3	1	3	247
Total additions	2	100	105	3	-	1	27	-	2	3	1	3	247
Deductions:													
School scholarships	200	-	-	800	-	-	1,500	-	150	250	-	500	3,400
Total deductions	200	-	-	800	-	-	1,500	-	150	250	-	500	3,400
Changes in net assets	(198)	100	105	(797)	-	1	(1,473)	-	(148)	(247)	1	(497)	(3,153)
Net assets, beginning of year	1,585	96,701	106,787	2,572	12	1,076	22,641	308	2,984	11,792	1,212	3,915	251,585
Net assets, end of year	\$ 1,387	96,801	106,892	1,775	12	1,077	21,168	308	2,836	11,545	1,213	3,418	248,432

TOWN OF SCARBOROUGH, MAINE
 Agency Funds
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 2011

		Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
STUDENT ACTIVITIES:					
ASSETS					
Cash	\$	250,089	443,200	469,817	223,472
LIABILITIES					
Payable to student groups	\$	250,089	443,200	469,817	223,472



General Long Term Debt

TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2011

	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
General Obligation Bonds							
1990 Capital Improvements	7.10%	2011	325,000 to 2011	325,000		325,000	-
1993 Capital Improvements	5.70%	2013	25,000 to 2013	75,000		25,000	50,000
1994 Capital Improvements	6.00%	2015	230,000 to 2015	1,150,000		230,000	920,000
1995 Capital Improvements	5.00%	2016	265,000 to 2016	1,590,000		265,000	1,325,000
1997 Capital Improvements	5.35%	2017	110,000 to 2017	770,000		110,000	660,000
2001 Capital Improvements	4.10%	2021	180,000 to 2011				
	4.20%		120,000 in 2012				
	Varies		115,000 to 2021	1,335,000		180,000	
	Refunded					1,155,000	-
2003 Capital Improvements	3.50%	2033	750,000 in 2011				
	4.25%		840,000 in 2012				
	4.25%		925,000 in 2013				
	4.25%		595,000 in 2014				
	4.25%		685,000 in 2015				
	4.25%		780,000 in 2016				
	4.25%		885,000 in 2017				
	4.25%		1,005,000 in 2018				
	4.25%		1,135,000 in 2019				
	4.25%		1,280,000 in 2020				
	4.25%		1,435,000 in 2021				
	4.30%		1,610,000 in 2022				
	4.40%		1,800,000 in 2023				
	4.40%		430,000 in 2024				
	4.50%		450,000 in 2025				
	4.50%		475,000 in 2026				
	4.50%		495,000 in 2027				
	4.50%		520,000 in 2028				
	4.50%		545,000 in 2029				
	4.50%		570,000 in 2030				
	4.50%		595,000 in 2031				
	4.50%		625,000 in 2032				
	4.50%		655,000 in 2033	19,085,000		750,000	18,335,000
2004 Capital Improvements	varies	2034	680,000 to 2012				
	3.125%		690,000 in 2013				
	3.25%		555,000 in 2014				
	3.50%		215,000 in 2015				
	3.50%		225,000 in 2016				
	3.75%		235,000 in 2017				
	3.75%		245,000 in 2018				
	4.00%		255,000 in 2019				
	4.00%		265,000 in 2020				
	4.00%		280,000 in 2021				
	4.00%		290,000 in 2022				
	4.125%		305,000 in 2023				
	4.25%		320,000 in 2024				
	4.25%		335,000 in 2025				
	4.30%		350,000 in 2026				
	4.30%		365,000 in 2027				
	4.375%		385,000 in 2028				
	4.40%		400,000 in 2029				
	4.40%		420,000 in 2030				
	4.40%		440,000 in 2031				
	4.40%		460,000 in 2032				
	4.40%		480,000 in 2033				
	4.40%		500,000 in 2034	9,375,000	-	680,000	8,695,000

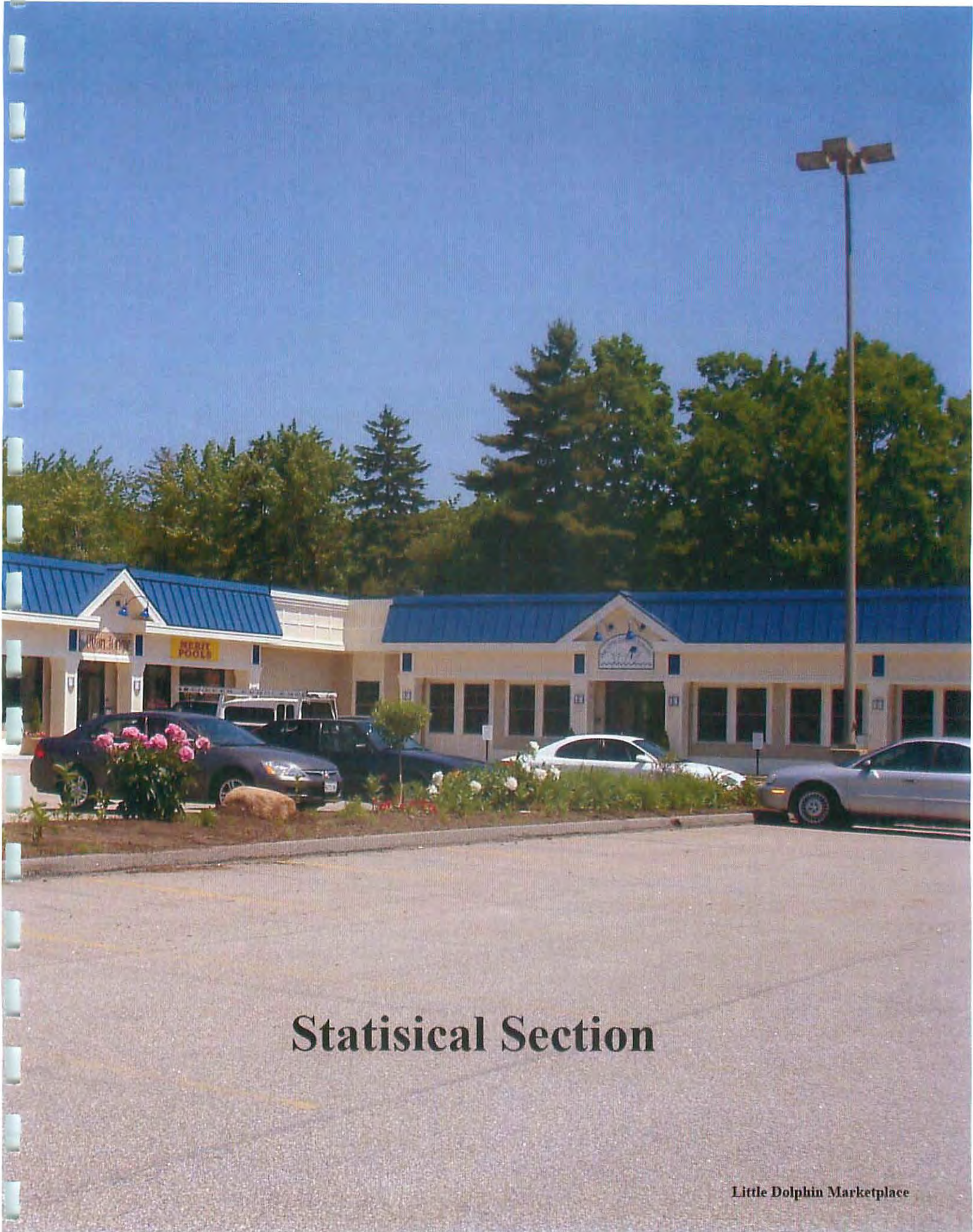
TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt, Continued

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
<u>General Obligation Bonds</u>								
2005 Capital Improvements	3.50%	2034	\$	385,000 in 2011				
	3.75%			390,000 in 2012				
	3.75%			395,000 in 2013				
	4.00%			305,000 in 2014				
	4.00%			315,000 in 2015				
	4.00%			250,000 in 2016				
	4.00%			230,000 in 2017				
	4.00%			240,000 in 2018				
	4.00%			250,000 in 2019				
	4.10%			260,000 in 2020				
	4.20%			270,000 in 2021				
	4.25%			280,000 in 2022				
	4.25%			290,000 in 2023				
	4.30%			300,000 in 2024				
	4.50%			315,000 in 2025				
	4.50%			325,000 in 2026				
	4.50%			340,000 in 2027				
	4.50%			355,000 in 2028				
	4.60%			370,000 in 2029				
	4.60%			385,000 in 2030				
	5.00%			405,000 in 2031				
	5.00%			420,000 in 2032				
	5.00%			440,000 in 2033				
	5.00%			460,000 in 2034				
	5.00%			480,000 in 2035		8,455,000	-	385,000
2006 Capital Improvements	4.00%	2021		835,000 in 2011				
	4.00%		480,000 in 2012					
	4.00%		510,000 in 2013					
	4.00%		515,000 in 2014					
	4.00%		530,000 in 2015					
	4.00%		505,000 in 2016					
	4.00%		185,000 in 2017					
	4.00%		190,000 in 2018					
	4.00%		195,000 in 2019					
	4.05%		210,000 in 2020					
4.10%			220,000 in 2021	4,375,000		835,000	3,540,000	
2007 Capital Improvements	4.00%	2023		550,000 to 2012				
			225,000 to 2017					
2008 Capital Improvements				25,000 to 2022	2,350,000	-	550,000	1,800,000
	3.00%	2028		800,000 to 2011				
			790,000 to 2013					
			595,000 in 2014					
			580,000 in 2015					
	570,000 to 2017							
			575,000 in 2018					
			185,000 to 2028	7,120,000	-	800,000	6,320,000	
2009 Capital Improvements				305,000 in 2010				
	2.00%	2029		400,000 to 2015				
			315,000 to 2016					
			310,000 to 2019					
	100,000 in 2029		4,255,000	-	400,000	3,855,000		
2009 Bond Refunding	2.00%	2020		185,000 to 2019				
			115,000 in 2020	1,780,000	-	185,000	1,595,000	
2010 Capital Improvements	2.00%	2031		482,000 in 2012				
			485,000 in 2013					
			470,000 to 2016					
			345,000 to 2020					
			280,000 to 2026					
			100,000 to 2031	6,002,000	-	-	6,002,000	

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

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
						Issued	Retired	
<u>General Obligation Bonds</u>								
2011 Capital Improvements	2.00%	2031	\$	545,000 in 2012 540,000 to 2015 525,000 in 2016 360,000 to 2018 355,000 to 2021 115,000 to 2026 110,000 to 2031	-	5,600,000	-	5,600,000
Total bonds					68,042,000	5,600,000	6,875,000	66,767,000
Total long-term debt			\$		68,042,000	5,600,000	6,875,000	66,767,000

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Statistical Section

STATISTICAL SECTION

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

Contents

Table

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

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

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Table 1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 6,893	\$ 6,689	\$ 29,885	\$ 36,323	\$ 44,077	\$ 35,652	\$ 41,821	\$ 47,588	\$ 53,032
Restricted	21,040	19,332	7,629	4,210	3,053	5,111	1,289	2,199	1,642
Unrestricted	10,187	9,709	9,874	13,952	8,971	5,179	5,442	2,917	(703)
Total governmental activities net assets	\$ 38,120	\$ 35,730	\$ 47,388	\$ 54,485	\$ 56,101	\$ 45,942	\$ 48,552	\$ 52,704	\$ 53,971

(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 Nine Fiscal Years (1)									
(accrual basis of accounting)									
(amounts expressed in thousands)									
	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:									
Program revenues:									
Charges for services									
General government	\$ 203	\$ 1,554	\$ 1,727	\$ 2,314	\$ 1,632	\$ 1,621	\$ 1,178	1,986	1,852
Public services	1,143	1,297	1,386	1,425	1,506	1,590	1,585	1,720	1,681
Public safety	481	677	1,490	1,374	1,667	1,649	1,761	1,630	1,632
Public works	531	491	605	655	1,755	2,024	1,515	1,665	1,543
Education	202	1,344	1,280	1,256	1,198	1,211	1,195	1,217	1,253
Interest on debt services	168	-	-	-	-	-	-	-	-
Operating grants and activities	6,992	8,744	9,297	10,706	11,403	12,374	15,487	12,270	11,719
Capital grants and contributions	312	-	-	4,681	(559)	113	112	122	170
General revenues:									
Property and excise taxes, levies for general purposes	34,472	37,182	40,075	41,406	42,772	44,691	46,621	47,029	49,051
Grants and contributions not restricted to specific programs	6,667	2,096	1,952	2,062	1,931	3,835	339	1,947	1,905
Unrestricted investment earnings	209	105	159	261	404	344	137	142	42
Total revenues	51,380	53,490	57,971	66,140	63,709	69,452	69,930	69,728	70,848
Expenses:									
General government	9,902	8,622	9,996	8,783	12,641	12,740	11,409	10,656	12,023
Public services	2,701	2,597	2,658	2,871	3,092	3,133	3,742	3,832	5,042
Public safety	5,552	6,127	6,153	6,552	7,080	7,425	7,813	8,266	7,331
Public works	5,175	5,266	5,882	6,276	6,425	7,494	7,156	9,480	7,246
Education	23,444	25,442	28,695	33,491	31,531	32,951	34,363	34,546	35,275
Interest on debt service	895	2,610	1,168	1,069	1,142	2,737	2,827	2,694	2,664
Total expenses	47,669	50,664	54,552	59,042	61,911	66,480	67,310	69,474	69,581
Net (expense)/revenue:	3,711	2,826	3,419	7,098	1,798	2,972	2,620	254	1,267
Change in Net Assets	3,711	\$ 2,826	\$ 3,419	\$ 7,098	\$ 1,798	\$ 2,972	\$ 2,620	\$ 254	1,267

(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)

	2002	2003	2004	2005	2006	2007	2008*	2009	2010 ¹	2011 ²
General Fund										
Reserved	\$ 800	\$ 752	\$ 710	\$ 697	\$ 771	\$ 674	\$ 618	\$ 630	-	\$ -
Restricted for Town									2,482	2,686
Restricted for Education									1,056	496
Committed - General Fund									634	630
Committed - Education										-
Assigned - General Fund									1,469	2,223
Unassigned - General Fund									2,231	955
Unreserved	5,753	6,211	5,919	7,063	7,455	8,019	8,357	8,174	-	-
Total general fund	\$ 6,553	\$ 6,963	\$ 6,629	\$ 7,760	\$ 8,226	\$ 8,693	\$ 8,975	\$ 8,804	\$ 7,872	\$ 6,990
All Other Governmental Funds										
Nonspendable Permanent Fund Principal									125	126
Nonspendable Inventory									26	21
Restricted Special Revenues									1,621	852
Restricted Capital Projects									2,483	1,941
Restricted Permanent Fund Interest									84	84
Committed - Special Revenues									4,820	4,292
Unassigned - Special Revenues									(129)	(115)
Unassigned - Capital Projects									(493)	(434)
Reserved	140	132	123	117	125	127	3,047	3,062	-	-
Unreserved, reported in:										
Special revenue funds	4,288	5,010	5,011	4,403	8,180	7,523	4,589	5,039	-	-
Capital projects funds	239	20,278	18,611	6,963	4,085	2,926	4,912	1,084	-	-
Permanent funds	67	68	69	70	73	78				
Total all other governmental funds	\$ 4,734	\$ 25,488	\$ 23,814	\$ 11,553	\$ 12,463	\$ 10,654	\$ 12,548	\$ 9,185	\$ 8,537	\$ 6,767
Total Governmental Funds Fund Balances:								\$	16,409	\$ 13,757

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

¹ Recalculated Fiscal Year 2010 fund balances to show comparison of GASB Statement No. 54 to 2011.

² Fiscal Year 2011 is the initial year of implementation of GASB Statement No. 54.

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

	Fiscal Years Ending									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 32,380	\$ 34,582	\$ 37,191	\$ 40,066	\$ 41,377	\$ 42,712	\$ 44,581	\$ 46,401	\$ 46,880	\$ 48,957
Licenses and permits	413	429	480	567	611	753	818	482	573	480
Intergovernmental	11,212	11,600	10,823	11,219	12,604	13,204	14,042	17,357	14,106	13,701
Interest earned	272	209	348	442	644	805	684	324	242	125
Other	3,640	4,877	4,648	5,677	10,921	6,247	9,288	7,545	7,849	7,549
Total revenues	47,917	51,697	53,490	57,971	66,157	63,721	69,413	72,109	69,650	70,812
Expenditures										
General government	3,041	3,425	3,568	3,727	4,340	4,401	4,483	4,615	4,742	6,144
Public services	2,325	2,653	2,572	2,643	2,849	3,070	3,103	4,033	3,766	4,831
Public safety	4,706	5,275	5,934	5,962	6,180	6,642	6,986	7,735	7,355	7,318
Public works	4,108	4,767	4,877	5,370	5,702	5,846	6,765	6,532	8,027	5,353
Education (Excludes School Debt)	21,639	23,446	25,009	26,647	28,064	29,194	31,695	33,105	33,127	33,364
Education Debt (Prin & Int)	3,452	3,434	3,853	4,272	4,728	4,458	4,419	4,475	4,174	4,142
County tax	1,062	1,307	1,442	1,520	1,584	1,615	1,735	1,837	1,886	1,923
Debt service (Principal-Town Only)	2,206	2,423	3,918	3,176	2,957	3,219	3,232	3,204	3,044	2,961
Debt service (Interest-Town Only)	834	769	1,128	1,128	1,108	1,177	1,488	1,867	1,911	1,810
Capital Outlay (1)	4,643	4,908	15,820	23,374	11,467	7,999	9,305	10,196	5,167	6,037
Other	2,612	2,704	2,003	2,323	2,816	2,641	3,188	3,415	4,085	4,014
Total expenditures	50,628	55,111	70,124	80,142	71,795	70,262	76,399	81,014	77,284	77,897
Excess (deficiency) of revenues over (under) expenditures	(2,711)	(3,414)	(16,634)	(22,171)	(5,638)	(6,541)	(6,986)	(8,905)	(7,634)	(7,085)
Other financing sources (uses)										
Transfers in	2,402	1,538	2,115	2,923	2,780	2,794	3,695	3,453	1,982	1,477
Transfers out	(2,402)	(1,538)	(2,115)	(2,923)	(2,780)	(2,794)	(3,695)	(3,453)	(1,982)	(1,477)
Capital Lease proceeds	-	-	-	-	-	1,200	1,010	820	52	-
Refunding bond issued	-	-	-	-	-	-	-	-	-	1,155
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	-	(1,155)
Premium paid on refunded debt	-	-	-	-	-	-	-	-	-	(12)
General obligation bonds and capital leases	4,000	24,579	14,628	10,665	7,014	4,000	8,513	4,560	6,002	4,445
Total other financing sources (uses)	4,000	24,579	14,628	10,665	7,014	5,200	9,523	5,380	6,054	4,433
Net change in fund balances	\$ 1,289	\$ 21,165	\$ (2,006)	\$ (11,506)	\$ 1,376	(1,341)	2,537	(3,525)	(1,580)	(2,652)
Debt Service as a percentage of non-capital expenditures	14.12%	13.20%	16.39%	7.58%	6.74%	7.06%	7.03%	7.16%	6.87%	6.64%

Notes:

(1) Capital Outlay expenditures are presented within other expenditure categories in the General Fund and Other Town Improvements.

Table 5

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

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Other	Capital expenditures	Total
2002	3,041	2,325	4,706	4,108	22,688	1,062	3,040	102	1,234	42,306
2003	3,425	2,653	5,275	4,767	24,172	1,307	3,192	148	1,209	46,148
2004	3,568	2,572	5,934	4,877	26,281	1,442	5,046	-	653	50,373
2005	3,727	2,643	5,962	5,370	28,288	1,520	4,304	-	1,120	52,934
2006	4,340	2,849	6,180	5,702	30,348	1,584	4,065	280	835	56,183
2007	4,401	3,070	6,642	5,846	31,101	1,615	4,396	-	1,419	58,490
2008	4,483	3,103	6,986	6,765	32,865	1,735	4,721	-	2,666	63,324
2009	4,533	3,704	7,399	6,259	34,246	1,837	5,070	-	1,358	64,406
2010	4,702	3,731	7,721	6,224	34,085	1,886	4,956	-	1,210	64,515
2011	4,677	3,788	7,967	6,040	34,588	1,923	4,783	-	833	64,599

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

<u>Fiscal Year</u>	<u>Property tax</u>	<u>Interest and Costs on taxes</u>	<u>Vehicle Excise tax</u>	<u>Boat Excise tax</u>	<u>Franchise tax fees</u>	<u>Total</u>
2002	28,611	105	3,637	27	134	32,514
2003	30,547	179	3,828	27	127	34,708
2004	32,862	72	4,143	27	125	37,229
2005	35,549	58	4,228	26	143	40,004
2006	36,700	61	4,409	29	146	41,345
2007	38,034	80	4,416	26	156	42,712
2008	40,000	90	4,291	27	173	44,581
2009	42,000	99	4,100	27	176	46,402
2010	42,661	97	3,909	28	185	46,880
2011	44,663	104	3,955	26	195	48,943

Table 7

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

Fiscal Year	Real property	Personal property	Totals		Direct Tax Rate	Ratio of total assessed value to total estimated actual value
	Assessed property	Assessed property	Assessed property	Estimated actual value		
2002	1,764,041	94,304	1,858,345	1,858,345	15.30	100%
2003	1,831,117	99,459	1,930,576	1,930,576	15.70	100%
2004	1,903,869	99,118	2,002,987	2,002,987	16.46	100%
2005	1,951,952	105,637	2,057,589	2,057,589	17.34	100%
2006	3,143,853	112,989	3,256,842	3,256,842	11.30	100%
2007	3,207,720	109,778	3,317,498	3,317,498	11.48	100%
2008	3,272,789	124,442	3,397,231	3,397,231	11.80	100%
2009	3,365,227	121,779	3,487,005	3,487,006	12.15	100%
2010	3,399,998	124,774	3,524,772	3,524,772	12.15	100%
2011	3,433,857	122,694	3,556,551	3,556,551	12.63	100%

Source: Town of Scarborough Assessor's Office.

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

Fiscal Year	Town	School	Community Services	County Tax	Tax Increment Financing District	Overlay	State Revenue Sharing (1)	Total Property Tax Rates by Year
2002	5.507	9.393	0.231	0.571	0.378	0.210	(0.991)	15.30
2003	5.487	9.871	0.201	0.677	0.373	0.051	(0.960)	15.70
2004	5.501	10.522	0.133	0.720	0.377	0.060	(0.853)	16.46
2005	5.535	11.332	0.110	0.739	0.387	0.036	(0.798)	17.34
2006	3.618	7.366	0.065	0.486	0.181	0.113	(0.529)	11.30
2007	3.835	7.392	0.077	0.487	0.192	0.031	(0.533)	11.48
2008	3.802	7.643	0.112	0.511	0.206	0.029	(0.504)	11.80
2009	3.980	7.754	0.117	0.529	0.246	0.021	(0.494)	12.15
2010	4.142	7.595	0.098	0.535	0.186	0.078	(0.483)	12.15
2011	4.268	7.894	0.086	0.541	0.203	0.028	(0.390)	12.63

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)

2001				2011			
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Hannaford Brothers	\$ 17,142,500	1	1.30%	Maine Life Care Retirement Community	\$ 60,871,400	1	1.71%
Wal-Mart	16,826,900	2	1.28%	Wal-Mart	39,987,600	2	1.12%
James McBrady	15,393,100	3	1.17%	New England Expedition	35,132,100	3	0.99%
Gavin Ruotolo	9,263,500	4	0.71%	MMC Realty Maine Health	27,493,400	4	0.77%
Konica Quality Photo	7,732,100	5	0.59%	Hannaford Brothers	25,564,400	5	0.72%
Rich Tool and Die	7,426,100	6	0.57%	Scarborough Gallery	22,019,000	6	0.62%
Shaw's Supermarket	7,199,800	7	0.55%	Gavin Ruotolo	18,598,300	7	0.52%
Central Maine Power	7,133,100	8	0.54%	Central Maine Power	14,597,500	8	0.41%
ERP Operating L.P.	5,976,400	9	0.45%	RRE Foxcroft/Coach Lantern	13,253,400	9	0.37%
Maine Historic Hotels	5,960,500	10	0.45%	Shaw's Supermarket	12,472,600	10	0.35%
Total Principal Taxpayers	<u>100,054,000</u>		<u>7.62%</u>		<u>269,989,700</u>		<u>7.59%</u>
Total Assessed Value: <u>\$ 1,313,684,200</u>				<u>\$ 3,556,551,900</u>			

Source: Town of Scarborough, Maine Assessor

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
2002	28,450,220	28,120,508	98.8%	326,956	28,447,464	100.0%
2003	30,348,015	30,103,820	99.2%	239,221	30,343,041	100.0%
2004	32,969,169	32,747,993	99.3%	217,922	32,965,915	100.0%
2005	35,735,569	35,422,791	99.1%	311,220	35,734,011	100.0%
2006	36,824,648	36,527,411	99.2%	293,349	36,820,760	100.0%
2007	38,139,961	37,852,666	99.2%	265,480	38,118,146	99.9%
2008	40,183,201	39,784,997	99.0%	368,407	40,153,404	99.9%
2009	42,397,139	41,890,825	98.8%	473,297	42,364,122	99.9%
2010	42,877,989	42,370,914	98.8%	336,172	42,707,086	99.6%
2011	44,928,748	44,325,013	98.7%	-	44,325,013	98.7%

Source: Town of Scarborough Tax Collector's Office

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate	Tax Levy
2002	1,764,013	94,303	1,858,316	15.30	28,433
2003	1,831,117	99,459	1,930,576	15.70	30,310
2004	1,903,869	99,118	2,002,987	16.46	32,969
2005	1,951,952	105,637	2,057,589	17.34	35,679
2006	3,143,853	112,989	3,256,842	11.30	36,802
2007	3,207,720	109,778	3,317,498	11.48	38,085
2008	3,272,789	124,442	3,397,231	11.80	40,087
2009	3,365,227	121,779	3,487,005	12.15	42,367
2010	3,399,998	124,774	3,524,772	12.15	42,826
2011	3,433,857	122,694	3,556,551	12.63	44,919

Source: Town of Scarborough Assessor's Office

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*	Ratio of debt service to personal income	Debt Per Capita
2002	35,095,667	1,858,344,800	1.89%	16,970	11.59%	2,068
2003	54,759,228	1,930,576,300	2.84%	16,970	12.26%	3,227
2004	62,952,163	2,002,987,200	3.14%	16,970	14.09%	3,710
2005	67,737,433	2,057,589,000	3.29%	18,812	13.68%	3,601
2006	68,844,000	3,256,841,900	2.11%	18,812	13.90%	3,660
2007	66,845,000	3,317,497,800	2.01%	18,812	13.50%	3,553
2008	69,328,000	3,397,230,200	2.04%	18,812	13.95%	3,685
2009	67,785,000	3,487,005,500	1.94%	18,812	13.52%	3,603
2010	68,042,000	3,524,771,600	1.93%	19,239	13.44%	3,537
2011	66,767,000	3,556,551,900	1.88%	18,919	9.30%	3,529

Table 12A

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

Fiscal Year	Capital Leases	Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Population*	Ratio of debt service to personal income	Debt Per Capita
2002	331,372	1,858,344,800	0.02%	16,970	0.11%	20
2003	277,222	1,930,576,300	0.01%	16,970	0.06%	16
2004	208,444	2,002,987,200	0.01%	16,970	0.05%	12
2005	141,974	2,057,589,000	0.01%	18,812	0.03%	8
2006	72,541	3,256,841,900	0.00%	18,812	0.01%	4
2007	1,370,408	3,317,497,800	0.04%	18,812	0.28%	73
2008	2,025,032	3,397,230,200	0.06%	18,812	0.41%	108
2009	2,223,239	3,487,005,500	0.06%	18,812	0.44%	118
2010	1,640,531	3,524,771,600	0.05%	19,239	0.32%	85
2011	1,105,143	3,556,551,900	0.03%	18,919	0.15%	58

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

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

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

Table 13

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

Fiscal year	Principal	Interest	Total debt service	Total general fund expenditures	Ratio of debt service to general fund expenditures
2002	4,692	1,895	6,587	42,305	15.57%
2003	4,915	1,634	6,549	46,463	14.10%
2004	6,435	2,358	8,793	50,373	17.46%
2005	5,880	2,634	8,514	52,934	16.08%
2006	5,907	2,846	8,753	56,185	15.58%
2007	5,999	2,821	8,820	58,489	15.08%
2008	6,030	2,739	8,769	63,323	13.85%
2009	6,103	2,826	8,929	64,406	13.86%
2010	5,745	2,694	8,439	64,515	13.08%
2011	5,720	2,584	8,304	64,600	12.85%

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

Table 14

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 235,755	\$ 279,720	\$ 323,745	\$ 380,820	\$ 430,980	\$ 488,370	\$ 529,673	\$ 534,488	\$ 543,068	\$ 534,623
Total net debt applicable to limit	35,096	54,759	62,952	67,737	68,844	66,845	69,328	67,785	68,042	66,767
Legal debt margin	200,659	224,961	260,793	313,083	362,136	421,525	460,345	466,703	475,026	467,856
Total net debt applicable to the limit as a percentage of debt limit	14.89%	19.58%	19.44%	17.79%	15.97%	13.69%	13.09%	12.68%	12.53%	12.49%

Note: Under state finance law, the Town of Scarborough's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 14A

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

Fiscal Year	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Town of Scarborough	35,096	54,759	62,952	67,738	68,844	66,845	71,353	70,008	69,683	67,872
Cumberland County	1,526	1,329	1,189	1,055	883	685	535	481	327	126
Portland Water District	3,625	3,435	3,148	2,846	2,665	2,557	3,486	4,099	4,210	3,845
ecomaine Waste Systems:										
Resource recovery system	4,787	4,904	4,495	4,062	3,573	3,016	2,393	1,601	792	231
Material recovery facility	417	418	385	352	317	278	231	182	125	120
Landfill closure/postclosure	1,312	1,369	1,463	1,581	1,682	1,697	1,956	1,242	1,266	1,302
Totals	<u>46,763</u>	<u>66,214</u>	<u>73,632</u>	<u>77,634</u>	<u>77,964</u>	<u>75,078</u>	<u>79,954</u>	<u>77,613</u>	<u>76,403</u>	<u>73,496</u>

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

Table 15

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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (c)	Unemployment Rate (d)
2002	16,970	302,897,530	17,849	35.20	3,137	2.00%
2003	16,970	446,667,370	26,321	38.80	3,210	2.20%
2004	16,970	446,667,370	26,321	38.80	3,234	2.90%
2005	18,812	495,150,652	26,321	38.80	3,308	3.00%
2006	18,812	495,150,652	26,321	38.80	3,324	3.00%
2007	18,812	495,150,652	26,321	38.80	3,361	2.90%
2008	18,880	496,940,480	26,321	38.80	3,347	3.30%
2009	19,054	501,520,334	26,321	38.80	3,343	5.60%
2010	19,239	506,389,719	26,321	38.80	3,363	5.40%
2011	18,919	718,146,321	37,959	43.80	3,269	5.40%

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

For years 2010 through 2011, 2010 Census, U.S. Census Bureau

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

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

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

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

2001			2011			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	<u>Percentage of total Town Employment</u>
Hannaford Brothers	808	1	Town of Scarborough	1,371	1	9.85%
Town of Scarborough	750	2	Hannaford Brothers	1,000	2	7.18%
Wal-Mart	354	3	US Postal Service	600	3	4.31%
UNUM	202	4	NorDX	300	4	2.15%
Gabriel Electronics, Inc	170	5	Maine Medical Center	300	5	2.15%
Shaw's Supermarket	152	6	Wal-Mart	250	6	1.80%
Konica Quality Photo	150	7	Cabela's	250	7	1.80%
R C Moore Trucking	150	8	Shaw's	200	8	1.44%
Sam's Wholesale Club	125	9	Piper Shores	200	9	1.44%
Rich Tool & Die Co.	125	10	Sam's Wholesale Club	200	10	1.44%

* Source: Scarborough Economic Development Corporation (SEDCO)

2011 Total Town Employment Estimate: 14,533 (Source: ME Dept of Labor, Center for Workforce Research and Information)

TOWN OF SCARBOROUGH, MAINE
Unemployment Data
Last Ten Fiscal Years

Fiscal Year ending June 30,	Portland Metropolitan Statistical Area (PMSA)*	State of Maine
2002	3.3%	4.2%
2003	3.7%	4.9%
2004	3.4%	4.3%
2005	3.6%	4.6%
2006	3.5%	4.4%
2007	3.4%	4.2%
2008	4.0%	5.0%
2009	6.8%	8.1%
2010	6.5%	7.7%
2011	6.2%	7.8%

* 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.maine.gov/labor/cwri/laus.html

Table 18

TOWN OF SCARBOROUGH, MAINE
Operating Indicators by Function
Last Ten Fiscal Years

Function:	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Govt:										
Town Clerk										
Certified Copies	1,565	1,750	1,462	1,185	1,462	1,187	2,098	4,887	4,988	5,820
Licenses	4,045	3,937	2,524	360	296	365	432	436	440	545
Passports Applications				379	548	882	792	586	665	534
Tax Office										
Beach Passes	1,999	2,282	2,714	1,886	2,003	2,192	3,436	3,487	2,358	2,443
Licenses & Permits				1,847	1,643	1,298	1,166	1,168	991	817
Tax Bill Issued									9,389	9,809
Excise Registrations									25,570	25,384
Planning:										
Permits	1,688	1,576	1,649	1,501	1,561	1,438	1,346	1,091	558	554
Certificates of Occupancy	302	309	321	340	353	242	207	204	222	176
Public Safety:										
Police:										
Physical arrests	587	634	401	332	822	719	817	1,152	619	989
Traffic violations	2,637	2,455	1,976	1,077	1,337	975	792	741	1,404	819
Fire:										
Number of calls answered	2,035	2,200	2,251	2,450	2,356	2,300	1,303	1,615	1,598	1,718
Number of Inspections	388	455	445	472	642	884	1,825	3,351	3,537	3,394
Rescue:										
Number of calls answered	1,962	2,159	2,407	2,506	2,247	2,673	2,069	2,088	1,946	2,125
Public Works:										
Street resurfacing (miles)	3.71	4.19	1.94	5.26	6.03	7.32	3.90	6.31	8.62	6.37
Pot holes repaired (qty used in tons)	19	30	43	82	71	61	42	35	24	24
No. times plows dispatched	42	20	19	24	53	15	33	27	24	26

Source: Town of Scarborough various departments

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

Function:	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Govt:			
Planning Vehicles	4	4	5
Technology Vehicles	3	3	3
Public Service:			
Community Services			
Vehicles	5	5	5
Parks	4	4	4
Public Safety:			
Police:			
Vehicles	8	8	8
Facilities	1	1	1
Fire:			
Vehicles	10	10	10
Facilities	6	6	6
Rescue:			
Vehicles	3	3	3
Public Works:			
Streets (miles)	111.40	117.28	121.92
Traffic Signals	35	35	35
Generators	10	10	10

Source: Town of Scarborough various departments

Comment: Data not available for all years

Table 20

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

		Fiscal Year									
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Govt:											
	Full time		34	35	35	35	37	37	39	35	37
	Pt Time		47	52	36	58	19	59	53	72	55
Public Services:											
	Full time		13	13	13	14	14	15	15	17	23
	Pt Time		106	89	77	99	103	130	159	134	146
Public Safety:											
Police											
	Full time		46	46	47	48	51	52	52	50	52
	Pt Time		37	35	28	33	27	27	34	35	38
Fire											
	Full time		4	4	4	4	4	4	4	4	5
	Pt Time		177	155	159	144	152	167	164	148	150
Rescue											
	Full time		9	9	9	9	12	12	12	16	20
	Pt Time		14	21	16	18	15	14	15	10	11
Public Works:											
	Full time	31	31	32	32	32	33	36	35	31	31
	Pt Time	0	2	1	3	2	2	3	3	4	1
Education:											
	Full Time		671	754	724	766	733	750	761	503	460
	Pt Time									268	262
Total:		31	1191	1246	1183	1262	1202	1306	1346	1327	1291

Source: Town of Scarborough

Comment: Not All data for Fiscal Year 2002 is available. School part time employee data available from 2010.

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

Source: Town of Scarborough

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

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

BERNSTEIN SHUR

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

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

[CLOSING DATE]

[PURCHASER]

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$46,330,000* aggregate principal amount of 2012 General Obligation Bonds (the “Bonds”) of the Town of Scarborough, Maine (the “Issuer”), a public municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine and the Charter of the Town of Scarborough, Maine (the “Charter”).

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

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

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

The Bonds are dated May [], 2012. Principal of the Bonds will be payable on each of the dates on which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2012, at the respective rates per annum, as follows:

<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>
Nov 1, 2012	\$805,000		Nov 1, 2022	\$3,675,000	
Nov 1, 2013	\$325,000		Nov 1, 2023	\$2,360,000	
Nov 1, 2014	\$315,000		Nov 1, 2024	\$2,075,000	
Nov 1, 2015	\$1,120,000		Nov 1, 2025	\$1,815,000	
Nov 1, 2016	\$1,655,000		Nov 1, 2026	\$1,460,000	
Nov 1, 2017	\$2,320,000		Nov 1, 2027	\$1,435,000	
Nov 1, 2018	\$2,900,000		Nov 1, 2028	\$1,465,000	
Nov 1, 2019	\$3,310,000		Nov 1, 2029	\$1,495,000	
Nov 1, 2020	\$3,565,000		Nov 1, 2030	\$1,520,000	
Nov 1, 2021	\$3,800,000		Nov 1, 2031	\$865,000	

*Preliminary, subject to change as to final issue amount or annual principal amounts.

Principal of the Bond due November 1, 2041 in the principal amount of \$8,050,000* is payable through mandatory redemption as follows:

Nov 1, 2032	\$805,000*	Nov 1, 2037	\$805,000*
Nov 1, 2033	\$805,000*	Nov 1, 2038	\$805,000*
Nov 1, 2034	\$805,000*	Nov 1, 2039	\$805,000*
Nov 1, 2035	\$805,000*	Nov 1, 2040	\$805,000*
Nov 1, 2036	\$805,000*	Nov 1, 2041	\$805,000*

*Preliminary, subject to change.

Bonds maturing on and before November 1, 2022 are not subject to redemption prior to their dates of maturity. The Bonds maturing after November 1, 2022 are subject to redemption prior to maturity at the option of the Town on and after November 1, 2022. The Bond due November 1, 2041 is subject to mandatory redemption as set forth above.

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

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

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

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

2. The Issuer is duly authorized to issue the Bonds which have been duly and validly authorized and issued in accordance with law and constitute valid general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied, subject to certain procedural limitations under 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 former 207 (now repealed) of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.

3. Under existing statutes and court decisions interest on the Bonds is excluded from gross income for federal income tax purposes, is exempt from taxation within the State of Maine under existing law, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

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

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

Very truly yours,

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APPENDIX C

THE REFUNDED BONDS

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THE REFUNDED BONDS

THE REFUNDING BONDS

The Town's 2012 Bonds that will be used to refund prior bonds of the Town as discussed below (the "Refunding Bonds") are expected to be issued: through a portion of the Bonds, to pay the Refunded 2003 General Obligation Bonds, dated May 15, 2003 (the "Refunded 2003 Bonds"), 2004 General Obligation Bonds, dated March 15, 2004 (the "Refunded 2004 Bonds") and 2005 General Obligation Bonds, dated March 15, 2005 (the "Refunded 2005 Bonds") (when referred to collectively, the "Refunded Bonds"); interest and the respective call premium, if any, with respect to the Refunded Bonds; and costs of issuance.

The Refunded Bonds' Optional Redemption Provisions

2003 Bonds maturing on and after November 1, 2014 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2013, at any time, at the redemption price of 101% (declining to 100% on November 1, 2014 and thereafter).

2004 Bonds maturing on and after November 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2014, at any time, at the redemption price of 101% (declining to 100% on November 1, 2015 and thereafter).

2005 Bonds maturing on and after November 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2015, at any time, at the redemption price of 100%.

The Refunded Bonds' Proposed Optional Redemptions

The Town intends to use a portion of the proceeds of the Refunding Bonds, plus Bond Premium, if any:

- To advance refund the Refunded 2003 Bonds, the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2013 call date for the Refunded 2003 Bonds to pay interest accruing on the Refunded 2003 Bonds prior to the indicated maturity/redemption date(s), and to pay the \$159,750.00 call premium on the Refunded 2003 Bonds ⁽¹⁾.
- To advance refund the Refunded 2004 Bonds, the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2014 call date for the Refunded 2004 Bonds to pay interest accruing on the Refunded 2004 Bonds prior to the indicated maturity/redemption date(s), and to pay the \$28,800 call premium on the Refunded 2004 Bonds ⁽¹⁾.
- To advance refund the Refunded 2005 Bonds, the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2015 call date for the Refunded 2005 Bonds to pay interest accruing on the Refunded 2005 Bonds prior to the indicated maturity/redemption date(s) ⁽¹⁾.

NOTE: ⁽¹⁾ See APPENDIX D "Proposed Form of Escrow Agreement" herein.

REFUNDED BONDS

<u>2003 Bonds</u>					
<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Call</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u>
\$925,000	November 1, 2012	4.25%	-	100	806075NG8
595,000	November 1, 2013	4.25	-	100	806075NH6
685,000	November 1, 2014	4.25	November 1, 2013	101	806075NJ2
780,000	November 1, 2015	4.25	November 1, 2013	101	806075NK9
885,000	November 1, 2016	4.25	November 1, 2013	101	806075NL7
1,005,000	November 1, 2017	4.25	November 1, 2013	101	806075NM5
1,135,000	November 1, 2018	4.25	November 1, 2013	101	806075NN3
1,280,000	November 1, 2019	4.25	November 1, 2013	101	806075NP8
1,435,000	November 1, 2020	4.25	November 1, 2013	101	806075NQ6
1,610,000	November 1, 2021	4.30	November 1, 2013	101	806075NR4
1,800,000	November 1, 2022	4.40	November 1, 2013	101	806075NS2
430,000	November 1, 2023	4.40	November 1, 2013	101	806075NT0
450,000	November 1, 2024	4.50	November 1, 2013	101	806075NU7
475,000	November 1, 2025	4.50	November 1, 2013	101	806075NV5
495,000	November 1, 2026	4.50	November 1, 2013	101	806075NW3
520,000	November 1, 2027	4.50	November 1, 2013	101	806075NX1
545,000	November 1, 2028	4.50	November 1, 2013	101	806075NY9
570,000	November 1, 2029	4.50	November 1, 2013	101	806075NZ6
595,000	November 1, 2030	4.50	November 1, 2013	101	806075PA9
625,000	November 1, 2031	4.50	November 1, 2013	101	806075PB7
<u>655,000</u>	November 1, 2032	4.50	November 1, 2013	101	806075PC5
\$17,495,000					

<u>2004 Bonds</u>					
<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Call</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u>
\$690,000	November 1, 2012	3.125%	-	100	806075PM3
555,000	November 1, 2013	3.25	-	100	806075PN1
235,000	November 1, 2016	3.75	November 1, 2014	101	806075PR2
245,000	November 1, 2017	3.75	November 1, 2014	101	806075PS0
255,000	November 1, 2018	4.00	November 1, 2014	101	806075PT8
265,000	November 1, 2019	4.00	November 1, 2014	101	806075PU5
280,000	November 1, 2020	4.00	November 1, 2014	101	806075PV3
290,000	November 1, 2021	4.00	November 1, 2014	101	806075PW1
305,000	November 1, 2022	4.125	November 1, 2014	101	806075PX9
320,000	November 1, 2023	4.25	November 1, 2014	101	806075PY7
335,000	November 1, 2024	4.25	November 1, 2014	101	806075PZ4
<u>350,000</u>	November 1, 2025	4.30	November 1, 2014	101	806075QA8
\$4,125,000					

<u>2005 Bonds</u>					
<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Call</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u>
\$240,000	November 1, 2017	4.00	November 1, 2015	100	806075QX8
250,000	November 1, 2018	4.00	November 1, 2015	100	806075QY6
260,000	November 1, 2019	4.10	November 1, 2015	100	806075QZ3
270,000	November 1, 2020	4.20	November 1, 2015	100	806075RA7
280,000	November 1, 2021	4.25	November 1, 2015	100	806075RB5
290,000	November 1, 2022	4.25	November 1, 2015	100	806075RC3
300,000	November 1, 2023	4.30	November 1, 2015	100	806075RD1
315,000	November 1, 2024	4.50	November 1, 2015	100	806075RE9
405,000	November 1, 2030	5.00	November 1, 2015	100	806075RL3
420,000	November 1, 2031	5.00	November 1, 2015	100	806075RM1
<u>440,000</u>	November 1, 2032	5.00	November 1, 2015	100	806075RN9
\$3,470,000					

REFUNDING RESULTS

Fiscal Year	2003		2004		2005		Consolidated	
	Prior	New ^(†)	Prior	New ^(†)	Prior	New ^(†)	Prior	New ^(†) Savings
2012/2013	\$925,000		\$690,000	\$650,000			\$1,615,000	\$1,100,506
2013/2014	595,000		555,000	290,000			1,150,000	933,969
2014/2015	685,000	\$260,000					685,000	468,825
2015/2016	780,000	65,000					780,000	732,569
2016/2017	885,000	545,000	235,000	145,000			1,120,000	422,556
2017/2018	1,005,000	1,150,000	245,000	150,000	\$240,000	\$230,000	1,490,000	(57,006)
2018/2019	1,135,000	1,355,000	255,000	360,000	250,000	240,000	1,640,000	(327,275)
2019/2020	1,280,000	1,660,000	265,000	430,000	260,000	250,000	1,805,000	(533,424)
2020/2021	1,435,000	1,835,000	280,000	505,000	270,000	265,000	1,985,000	(586,092)
2021/2022	1,610,000	2,020,000	290,000	520,000	280,000	275,000	2,180,000	(581,871)
2022/2023	1,800,000	2,195,000	305,000	235,000	290,000	280,000	2,395,000	(277,414)
2023/2024	430,000	825,000	320,000	245,000	300,000	290,000	1,050,000	(279,328)
2024/2025	450,000	485,000	335,000	255,000	315,000	325,000	1,100,000	67,131
2025/2026	475,000	505,000	350,000	270,000			825,000	71,488
2026/2027	495,000	525,000					495,000	(11,663)
2027/2028	520,000	550,000					520,000	(17,700)
2028/2029	545,000	570,000					545,000	(13,863)
2029/2030	570,000	595,000					570,000	(15,250)
2030/2031	595,000	620,000			405,000	410,000	1,000,000	(13,888)
2031/2032	625,000	645,000			420,000	425,000	1,045,000	(14,963)
2032/2033	655,000	675,000			440,000	440,000	1,095,000	(16,563)
Bonds:	\$17,495,000	\$17,080,000.	\$4,125,000	\$4,055,000	\$3,470,000	\$3,470,000	\$25,090,000	\$24,605,000
greater/(less) than Prior:		(\$415,000)		(\$70,000)		0		(\$485,000)
Wgt Ave Life (Ref'd'd):	9.497 yrs		6.807 yrs	7.170 yrs	12.945 yrs	13.073 yrs	9.531 yrs	
Wgt Ave Life (Ref'd'g):		10.809 yrs						10.529 yrs
change ave life:	1.312 yrs		0.363 yrs				0.998 yrs	
Absolute Savings:	\$631,029		\$104,009				\$1,050,746	
\$ PV Savings:	\$1,184,782		\$121,516				\$1,408,535	
% PV Savings:	6.772117%		2.945839%				5.613928%	
Ave Coupon Ref'd'd:	3.851238%		4.080969%		4.662386%	2.945305%	4.412260%	
Ref'd'g TIC:		2.671662%		2.251522%		2.988893%		2.676006%

SOURCE: Calculations provided by the Underwriter. No liability is assumed by the Underwriter in the calculation and presentation of these numbers.

NOTE: ^(†)Refunding Bonds' principal amounts are reduced by the use of Bond Premium.

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APPENDIX D

PROPOSED FORM OF ESCROW AGREEMENT

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ESCROW AGREEMENT

Relating to

REFUNDING OF

TOWN OF SCARBOROUGH, MAINE

\$24,579,000 (ISSUED) 2003 GENERAL OBLIGATION BONDS, DATED MAY 15, 2003
\$14,628,000 (ISSUED) 2004 GENERAL OBLIGATION BONDS, DATED MARCH 15, 2004
\$10,665,000 (ISSUED) 2005 GENERAL OBLIGATION BONDS, DATED MARCH 15, 2005
(the "Refunded Bonds")

THIS ESCROW AGREEMENT, dated May 8, 2012 (the "Escrow Agreement"), by and between the Town of Scarborough, Maine (the "Town"), and The Bank of New York Mellon Trust Company, N.A., a national banking association, with a corporate trust office located in Everett, Massachusetts 02149, as Escrow Agent (the "Escrow Agent");

WITNESSETH:

WHEREAS, the Treasurer of the Town is duly authorized on behalf of the Town to execute and deliver an agreement in the form of this Escrow Agreement on behalf of the Town.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Town and the Escrow Agent agree as follows:

SECTION 1. Establishment of Escrow Fund.

- (a) There is hereby established and created with the Escrow Agent an irrevocable trust account designated the Town of Scarborough, Maine Escrow Fund (the "Escrow Fund") to be held in the custody of the Escrow Agent separate and apart from all other funds of the Town and the Escrow Agent and to be administered solely as provided in this Escrow Agreement.
- (b) The Town contemplates refinancing portions of the Town of Scarborough, Maine's remaining principal amount outstanding of its 2003 General Obligation Bonds, dated May 15, 2003 (the "Refunded 2003 Bonds"), of its 2004 General Obligation Bonds, dated March 15, 2004 (the "Refunded 2004 Bonds") and of its 2005 General Obligation Bonds, dated March 15, 2005 (the "Refunded 2005 Bonds") (when referred to collectively, the "Refunded Bonds") interest through and including the respective redemption dates for the Refunded Bonds, and respective call premium, if any, for the Refunded Bonds, and costs of issuance through the issue of portions of its 2012 General Obligation Bonds (the "Refunding Bonds").
- (c) 2003 Bonds maturing on and after November 1, 2014 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2013, at any time, at the redemption price of 101% (declining to 100% on November 1, 2014 and thereafter).

2004 Bonds maturing on and after November 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2014, at any time, at the redemption price of 101% (declining to 100% on November 1, 2015 and thereafter).

2005 Bonds maturing on and after November 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2015, at any time, at the redemption price of 100%.
- (d) The proposed settlement date and issue date (the "Issue Date") of the Refunding Bonds will be on or about May 8, 2012.

- (e) To advance refund the Refunded 2003 Bonds, a portion of the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2013 call date for the Refunded 2003 Bonds, to pay interest accruing on the Refunded 2003 Bonds prior to the indicated maturity/redemption date(s), and to pay the \$159,750.00 call premium on the Refunded 2003 Bonds.

To advance refund the Refunded 2004 Bonds, a portion of the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2014 call date for the Refunded 2004 Bonds, to pay interest accruing on the Refunded 2004 Bonds prior to the indicated maturity/redemption date(s), and to pay the \$28,800.00 call premium on the Refunded 2004 Bonds.

To advance refund the Refunded 2005 Bonds, a portion of the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2015 call date for the Refunded 2005 Bonds, to pay interest accruing on the Refunded 2005 Bonds prior to the indicated maturity/redemption date(s).

- (f) Set forth below is a schedule of amounts needed from time to time to effect the refunding of the Refunded Bonds.

<u>Series</u>	<u>Refunded Principal</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Call Premium</u>	<u>Interest to Redemption Date</u>	<u>Total</u>
2003	\$17,495,000.00	\$1,520,000.00	\$15,975,000.00	\$159,750.00	\$1,100,706.25	\$18,755,456.25
2004	4,125,000.00	1,245,000.00	2,880,000.00	28,800.00	330,509.40	4,484,309.40
2005	3,470,000.00	0	3,470,000.00	0.00	546,525.00	4,016,525.00
Totals	\$25,090,000.00	\$2,765,000.00	\$22,325,000.00	\$188,550.00	\$1,977,740.65	\$27,256,290.65

- (g) Proceeds from the Refunding Bonds in the amount of \$24,605,000.00 representing the Refunding Bonds principal and \$2,708,903.50 representing bid premium, less \$188,934.07 representing bond proceeds to finance costs of issuance, underwriter's discount and contingency, for a consolidated \$27,124,969.43, will be sent by the underwriter of the Refunding Bonds to the Escrow Agent by Fed Wire (see (h) below) on the May 8, 2012 settlement date of the Refunding Bonds.

- (h) The Escrow Agent's Fed Wire instructions are:

TO: BANK OF NEW YORK MELLON, NA
 ABA: 021 000 018
 FBO: GLA 111-565
 ACCT: xxxxxx
 REFERENCE: TOWN OF SCARBOROUGH ME ESCROW FUND

- (i) The deposit by the Town of the moneys in the Escrow Fund shall constitute an irrevocable deposit thereof for the uses and purposes specified in this Escrow Agreement, and such moneys, together with all interest thereon, shall be held in trust and applied solely for the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds. The amounts of the Refunded Bonds to be paid as to principal, redemption premium, if any, and interest thereon at maturity or if redeemed or retired prior to maturity and the Refunded Bonds scheduled to be retired on their maturity dates, and their respective redemption dates and maturity dates, as the case may be, are as set forth in EXHIBIT B hereto.

SECTION 2. Investment.

- (a) The Escrow Agent hereby acknowledges (a) receipt of \$27,124,969.43 and (b) the instructions and directions by the Town to invest such sum on May 8, 2012 in direct obligations of the United States of America or in obligations directly and unconditionally guaranteed by the United States of America to be held by the Escrow Agent in the Escrow Fund ("Investment Obligations"), and as

specified in EXHIBIT A, \$27,124,965.00 shall be invested in Investment Obligations and \$4.43 shall remain un-invested in the form of cash.

- (b) The Escrow Agent shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement or for the sufficiency of funds provided herein to make the payments required hereunder.
- (c) The Escrow Agent acknowledges receipt of the letter from Causey Demgen & Moore Inc. dated the date hereof, stating that the Investment Obligations then on deposit in the Escrow Fund and the projected investment earnings (excluding reinvestment earnings) thereon and the \$4.43 cash on deposit in the Escrow Fund shall be sufficient to pay the entire principal, redemption premium, and interest on the Refunded Bonds being redeemed or retired prior to maturity and the Refunded Bonds scheduled to be retired on their maturity dates are as set forth in EXHIBIT B hereto by respective Event Date, Series, Purpose and Amount.
- (d) The Town shall be responsible for providing on a timely basis to the Refunded Bonds Paying Agent (as defined below) irrevocable instructions and directions regarding notice of redemption and a form of notice of redemption with respect to the Refunded Bonds to be redeemed prior to scheduled maturity. The Refunded Bonds Paying Agents shall provide such notice to the holders of said Refunded Bonds in accordance with the applicable legal, contractual and customary requirements with respect thereto.
- (e) Notice having been given, the Escrow Agent shall pay the principal of, redemption premium, if any, and interest on the Refunded Bonds on their respective redemption dates, maturity dates and interest payment dates, as the case may be, as set forth in EXHIBIT B hereto.

SECTION 3. Payment.

- (a) Prior to the respective redemption dates maturity dates and interest payment dates, as the case may be, the Town will have received an invoice for the redemption or maturity of or interest payment on the Refunded Bonds from US Bank National Association (in the case of the Refunded 2002 Sr A Bonds, as successor to the State Street Bank and Trust Company's corporate trust business), the paying agent for the Refunded Bonds, or its successor paying agent, if any (the "Refunded Bonds Paying Agent").
- (b) Upon receipt of such an invoice from the Refunded Bonds Paying Agent and prior to the respective maturity date or interest payment date, if such occurs prior to the redemption date (an "Interest Payment Date") the Town shall forward the invoice for the redemption or maturity of or interest payment on the Refunded Bonds to the Escrow Agent.
- (c) In the case of the 2003 Bonds:
 - (i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date</u>	<u>Amount</u>
November 1, 2012 interest:	\$380,006.25
May 1, 2013 interest:	360,350.00
November 1, 2013 interest:	360,350.00
Total Payment:	<u>\$1,100,706.25</u>

- (ii) on the Refunded 2003 Bonds' maturity date or redemption date the Escrow Agent shall transfer moneys from the Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
November 1, 2012 maturing Principal:	\$925,000.00
November 1, 2013 maturing Principal:	595,000.00
Refunded 2003 Bonds' Redeemed Principal:	15,975,000.00
Refunded 2003 Bonds' Call Premium:	159,750.00
Total Payment:	<u>\$17,654,750.00</u>
TO: US BANK NATIONAL ASSOCIATION	
ABA: 091-000-022	
ACCT: xxxxxxxxx	
OBI: Corporate Trust Services	
REFERENCE: TOWN OF SCARBOROUGH ME	

(d) In the case of the Refunded 2004 Bonds:

- (i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
November 1, 2012 interest:	\$78,334.38
May 1, 2013 interest:	67,553.13
November 1, 2013 interest:	67,553.13
May 1, 2014 interest:	58,534.38
November 1, 2014 interest:	58,534.38
Total Payments:	<u>\$330,509.40</u>

- (ii) on the Refunded 2004 Bonds' maturity date(s) or redemption date the Escrow Agent shall transfer moneys from the Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
November 1, 2012 maturing Principal:	\$690,000.00
November 1, 2013 maturing Principal:	555,000.00
Refunded 2004 Bonds' Redeemed Principal:	2,880,000.00
Refunded 2004 Bonds' Call Premium:	28,800.00
Total Payment:	<u>\$4,153,800.00</u>
TO: US BANK NATIONAL ASSOCIATION	
ABA: 091-000-022	
ACCT: xxxxxxxxx	
OBI: Corporate Trust Services	
REFERENCE: TOWN OF SCARBOROUGH ME	

(e) In the case of the Refunded 2005 Bonds:

- (i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
November 1, 2012 interest:	\$78,075.00
May 1, 2013 interest:	78,075.00
November 1, 2013 interest:	78,075.00
May 1, 2014 interest:	78,075.00
November 1, 2014 interest:	78,075.00
May 1, 2015 interest:	78,075.00
November 1, 2015 interest:	78,075.00
Total Payments:	<u>\$546,525.00</u>

- (ii) on the Refunded 2005 Bonds' maturity date(s) or redemption date the Escrow Agent shall transfer moneys from the Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Redeemed Bonds</u>	<u>Amount</u>
Refunded 2005 Bonds' Redeemed Principal:	\$3,470,000.00
Total Payment:	\$3,470,000.00

TO: BANK OF NEW YORK MELLON, NA
ABA: 021 000 018
ACCT: xxxxxxxxx
OBI: Corporate Trust Services
REFERENCE: TOWN OF SCARBOROUGH ME

- (f) On the final respective redemption date, the Escrow Agent shall transfer any remaining moneys in the Escrow Fund to the Town via fed wire, as follows:

TO: KEYBANK
ABA: 011 200 608
ACCT: xxxxxxxxx
REFERENCE: TOWN OF SCARBOROUGH ME

SECTION 4. Statements of Escrow Agent.

The Escrow Agent shall provide a monthly statement to the Town which shall set forth the cash and the securities, held by the Escrow Agent in the Escrow Fund.

SECTION 5. Responsibilities of Escrow Agent.

The Escrow Agent and its respective successors, assigns, agents, directors, officers and employees shall not be held to any liability whatsoever, in tort, contract, or otherwise, in connection with the establishment of the Escrow Fund, the purchase of the securities to be purchased pursuant hereto, the sufficiency of the securities or any un-invested moneys held hereunder to accomplish the payment of the Refunded Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Agent, performed in accordance with the provisions of this Escrow Agreement, written direction of the Treasurer, written direction of counsel, or by reason of any act, omission or error of the Escrow Agent made in good faith in the conduct of its duties unless such act, omission or error is caused by the Escrow Agent's willful misconduct or gross negligence. To the extent permitted by law, the Town shall indemnify and hold harmless the Escrow Agent and its respective successors, assigns, agents, directors, officers and employees ("Indemnified Parties") from and against all costs, liabilities and expenses incurred in any action, suit or proceeding made or threatened against an Indemnified Party in connection with the performance of its duties hereunder not arising as a result of such Indemnified Party's willful misconduct or gross negligence. This indemnification shall survive the termination of this Escrow Agreement.

The recitals of fact contained in the "whereas" clause herein shall be taken as the statements of the Town, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any un-invested moneys to accomplish the payment of the Refunded Bonds or to the validity of this Escrow Agreement as to the Town and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement.

The Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no implied duties or obligations shall be inferred or otherwise imposed upon or against the Escrow Agent. The Escrow Agent may rely conclusively without independent verification upon any certification, writing, opinion or instrument under signature which it, in good faith, believes to be genuine, may assume the validity and

accuracy of any statement or assertion contained in any such certification, writing, opinion or instrument; and may assume that any person purporting to give any certification, writing, instrument, notice, advice, or instruction in connection with the provisions hereof has been duly authorized to do so, unless the Escrow Agent has reason to believe otherwise. The Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form or manner of execution or validity of any certification, writing, opinion or instrument deposited with or delivered to the Escrow Agent hereunder. The Escrow Agent may consult with counsel and the written advice of such counsel shall be full and complete authorization with respect to any action taken, suffered or omitted to be taken hereunder in good faith and in reliance thereon.

None of the provisions contained in this Escrow Agreement shall require the Escrow Agent to advance or risk its own funds in the performance of its duties herein defined.

Notwithstanding any provision contained herein to the contrary, the Escrow Agent, including its officers, directors, employees and agents, shall have the right to perform any of its duties hereunder through agents, attorneys, custodians or nominees, and shall not be responsible for the misconduct or negligence of such agents, attorneys, custodians and nominees appointed by it with due care.

SECTION 6. Term.

This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date when: (a) the Escrow Agent has paid, in accordance with the provisions hereof, moneys sufficient to pay all principal of and interest and redemption premium on the Refunded Bonds as set forth in EXHIBIT B; and (b) the Escrow Agent has transferred to the Town any remaining moneys or Investment Obligations, together with any interest thereon, in the Escrow Fund.

SECTION 7. Removal or Resignation of Escrow Agent.

- (a) The Escrow Agent may be removed with or without cause at any time by written instrument upon application by the Town or by a majority in principal amount of the holders of the Refunded Bonds then outstanding. The Escrow Agent may resign by giving not less than sixty (60) days written notice to the Town Manager or the Treasurer. No such removal or resignation shall take effect under this Escrow Agreement unless a successor Escrow Agent (the "Successor Escrow Agent") shall have been appointed by the holders of the Refunded Bonds in the event the holders removed the Escrow Agent or the Treasurer in the event the Town removed the Escrow Agent or the Escrow Agent resigned, and such Successor Escrow Agent shall have accepted such appointment. Upon the appointment and acceptance of the Successor Escrow Agent, such removal or resignation shall take effect immediately.
- (b) At any time the Escrow Agent is removed by the Town, resigns, is dissolved or is in the course of dissolution or liquidation, is taken under the control of any government official, agency, department or board, or otherwise becomes incapable of acting hereunder, the Treasurer may appoint a Successor Escrow Agent to fill such vacancy. In the event no appointment of a successor Escrow Agent is made within forty-five (45) days of the notice of removal or resignation or exercise of control or incapacity, the holder of any of the Refunded Bonds or any retiring Escrow Agent may, at the expense of the Town, apply to a court of competent jurisdiction for the appointment of a Successor Escrow Agent, and such court may thereupon, after such notice it deems proper, if any, appoint a Successor Escrow Agent.
- (c) Every Successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Treasurer, an instrument in writing accepting such appointment hereunder and thereupon such Successor Escrow Agent, without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor. Each predecessor shall immediately deliver all cash, defeasance obligations or other Investment Obligations held by it to its Successor Escrow Agent upon appointment.

- (d) Any corporation into which the Escrow Agent or any Successor Escrow Agent hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Escrow Agent or any Successor Escrow Agent hereunder may sell or transfer all or substantially all of its corporate trust business, shall be the Successor Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any further action on the part of the parties hereto, provided such Successor Escrow Agent meets the qualifications required by Section 13(e) hereof.
- (e) Any Escrow Agent appointed or becoming a Successor Escrow Agent under the provisions of this Section shall at all times during the term of this Escrow Agreement be a commercial bank or trust company having the powers of a trust company within or without the State of Maine, shall be qualified to act as a trustee in the State of Maine and shall have at the time of appointment capital, surplus and undivided profits of not less than \$50,000,000.

SECTION 8. Notices.

Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

if to the Town, at:

Town of Scarborough
259 US Route 1
PO Box 360
Scarborough, ME 04074
Attention: Ruth D. Porter, Treasurer
Telecopy No.: (207) 730-4088

if to the Escrow Agent:

The Bank of New York Mellon Trust Company, N.A.
135 Santilli Highway
AIM 026-0018
Everett, MA 02149
Attention: Chi C. Ma, Vice President
Telecopy No: (617) 382-4622

Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, "when received" shall mean actual receipt of: (i) an electronic communication by a telex machine or telecopier or (ii) of a written communication hand-delivered at the office specified in or pursuant to this Escrow Agreement provided, however, any notice given hereunder shall be deemed received by the Town only if received by the Treasurer.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Town desiring to provide such directions shall provide to the Escrow Agent an incumbency certificate listing persons with authority to act hereunder, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Town elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions even if such instructions conflict or are inconsistent with a subsequent written instruction. The Town agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 9. Severability.

If any one or more of the covenants or agreements in this Escrow Agreement to be performed by the Town or the Escrow Agent should be determined by a court of competent jurisdiction to be contrary to law, such covenant(s) or agreement(s) shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 10. Counterparts.

This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 11. Governing Law.

This Escrow Agreement shall be construed under the laws of the Commonwealth of Massachusetts, except that the authority of the Town to enter into and perform its obligations under this Escrow Agreement shall be determined by the laws of the State of Maine.

SECTION 12. Dispute Resolution.

It is understood and agreed that, should any dispute arise with respect to the delivery, ownership, right of possession, and/or disposition of the Escrow Fund, or should any claim be made upon the Escrow Agent or the Escrow Fund by a third party, the Escrow Agent upon receipt of notice of such dispute or claim is authorized and shall be entitled (at its sole option and election) to retain in its possession without liability to anyone, all or any of said Escrow Fund until such dispute shall have been settled either by the mutual written agreement of the parties involved or by a final order, decree or judgment of a court in the United States of America, the time for perfection of an appeal of such order, decree or judgment having expired. The Escrow Agent may, but shall be under no duty whatsoever to, institute or defend any legal proceedings which relate to the Escrow Fund.

SECTION 13. Force Majeure.

The Escrow Agent shall not be responsible for delays or failures in performance resulting from acts beyond its control. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes, acts of terrorism or other disasters.

SECTION 14. Compensation of Escrow Agent.

The Escrow Agent shall be compensated by the Town in accordance with the provisions in EXHIBIT C. In addition to receiving compensation for the performance of its anticipated duties under this Escrow Agreement, the Escrow Agent shall also be entitled to receive reimbursement for extraordinary services and extraordinary expenses incurred by it in connection with this Escrow Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

TOWN OF SCARBOROUGH, MAINE

Name:
Title:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. AS ESCROW AGENT

Name:
Title:

THE INVESTMENT OBLIGATIONS

Security Type	Issue Amount	Interest Rate	Maturity Date	Maturing Amount ^(†)	Interest	
					Payment(s)	
C of I	\$2,121,647.00	0.12%	11/01/2012	\$2,122,881.62		
C of I	475,571.00	0.16	05/01/2013	476,317.32		
Note	17,761,065.00	0.19	11/01/2013	17,811,042.12	11/1/12	5/1/13 11/1/13
Note	123,820.00	0.24	05/01/2014	124,408.67	11/1/12	5/1/13 11/1/13 5/1/14
Note	3,032,769.00	0.30	11/01/2014	3,055,341.69	11/1/12	5/1/13 11/1/13 11/1/14
Note	69,984.00	0.36	05/01/2015	70,735.03	11/1/12	5/1/13 11/1/13 5/1/14 11/1/14
Note	3,540,109.00	0.45	11/01/2015	3,595,562.72	11/1/12	5/1/13 11/1/13 5/1/14 11/1/14
	<u>\$27,124,965.00</u>			<u>\$27,256,289.17</u>		5/1/15 11/1/15

NOTE: ^(†) includes periodic interest payments, as indicated, on SLGS Notes.

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CHRONOLOGICAL ACTION TO BE TAKEN BY THE ESCROW AGENT

<u>Date</u>	<u>Series</u>	<u>Event</u>	<u>Amount</u>	<u>Event Total</u>
11/01/12	2003	Nov 1, 2012 interest:	380,006.25	
11/01/12	2003	Maturing Principal:	925,000.00	
11/01/12	2004	Nov 1, 2012 interest:	78,334.38	
11/01/12	2004	Maturing Principal:	690,000.00	
11/01/12	2005	Nov 1, 2012 interest:	78,075.00	
				2,151,415.63
05/01/13	2003	May 1, 2013 interest:	360,350.00	
05/01/13	2004	May 1, 2013 interest:	67,553.13	
05/01/13	2005	May 1, 2013 interest:	78,075.00	
				505,978.13
11/01/13	2003	Nov 1, 2013 interest:	360,350.00	
11/01/13	2003	Maturing Principal:	595,000.00	
11/01/13	2003	Redeemed Principal:	15,975,000.00	
11/01/13	2003	Call Premium:	159,750.00	
11/01/13	2004	Nov 1, 2013 interest:	67,553.13	
11/01/13	2004	Maturing Principal:	555,000.00	
11/01/13	2005	Nov 1, 2013 interest:	78,075.00	
				17,790,728.13
05/01/14	2004	May 1, 2014 interest:	58,534.38	
05/01/14	2005	May 1, 2014 interest:	78,075.00	
				136,609.38
11/01/14	2004	Nov 1, 2014 interest:	58,534.38	
11/01/14	2004	Redeemed Principal:	2,880,000.00	
11/01/14	2004	Call Premium:	28,800.00	
11/01/14	2005	Nov 1, 2014 interest:	78,075.00	
				3,045,409.38
05/01/15	2005	May 1, 2015 interest:	78,075.00	
				78,075.00
11/01/15	2005	Nov 1, 2015 interest:	78,075.00	
11/01/15	2005	Redeemed Principal:	3,470,000.00	
				3,548,075.00
		Escrow Total:		<u>27,256,290.65</u>

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THE BANK OF NEW YORK MELLON

RE: Town of Scarborough, Maine 2012 General Obligation Bonds

The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon"), will act as Refunding Escrow Agent in connection with the above referenced General Obligation Bonds (the "Bonds"). Our fees is shown below:

One-time up-front fees:

Refunding Escrow \$XXX

Disclaimer: BNY Mellon shall have no obligation to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties as Paying Agent in connection with the GOBs, or in the exercise of any of its rights or powers in connection therewith, if it shall have reasonable grounds for believing that repayment of such funds is not assured to it.

Extraordinary Services and Expenses: The fees for or expenses incurred with respect to performing extraordinary or other services or extraordinary expenses not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be commensurate with the extraordinary service provided or extraordinary expenses incurred and will be charged at BNY Mellon's sole discretion. Extraordinary services may include, but are not limited to, supplemental agreements, consent operations, unusual releases, failed remarketing/bank bond related responsibilities, mandatory or optional tenders, the preparation of special or interim reports, custody of collateral, and a special one-time fee charged upon termination of an engagement. Extraordinary expenses incurred including but not limited to fees, costs and expenses for counsel, accountants, and other services will be billed at cost.

Customer Notice Required By The USA Patriot Act

To help the US government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

What this means to you: When you establish a relationship with BNY Mellon, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us to identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

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APPENDIX E

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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

In connection with the issuance by the Town of Scarborough, Maine (the "Issuer") of its \$46,545,000 2012 General Obligation Bonds, dated as of May 8, 2012 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated April 26, 2012 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2012, 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) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

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

2. The Issuer will provide in a timely manner not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or events affecting the tax-exempt status of the Bonds;
 - g. Modifications to the rights of securities holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. The release, substitution, or sale of property securing repayment of the Bonds;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the Issuer; (Note: For the purposes of the event identified in paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

- reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.)
- m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of any other events, in addition to those listed above, but the Issuer does not undertake to provide any such notice of the occurrence of any event except those listed above.

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

8. The Issuer's Treasurer, 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, Treasurer, Town of Scarborough, 259 U.S. Route 1, P.O. Box 360, Scarborough, ME 04070-0360; Telephone: (207) 883-4301.

TOWN OF SCARBOROUGH, MAINE

Dated: _____, 2012

By: _____

Its: _____

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