



**MOORS & CABOT**  
INVESTMENTS

**Banking & Advisory Group**

**NEW ISSUE**

**Moody's: Aa3**

**S&P: AA+**

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel ("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 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 the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, adjusted current earnings of a corporation for the purpose of calculation of the alternative minimum tax and the foreign branch profits tax. 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 income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

**TOWN OF SCARBOROUGH, MAINE**

**\$7,540,000**

**2016 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>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2016	\$665,000	2.00%	0.56	2023	\$430,000	2.50%	1.50
2017	860,000	2.00	0.70	2024	395,000	3.00	1.60
2018	1,035,000	2.00	0.80	2025	395,000	3.00	1.76
2019	785,000	2.00	0.95	2026	340,000	3.00	1.90 <sup>(*)</sup>
2020	780,000	2.00	1.10	2027	335,000	4.00	2.01 <sup>(*)</sup>
2021	465,000	2.00	1.25	2028	165,000	4.00	2.10 <sup>(*)</sup>
2022	435,000	2.00	1.35				

\$455,000 3.00% Bond, due November 1, 2035, Yield 3.01%

The 2016 General Obligation Bonds (the "Bonds" or the "2016 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 U.S. Bank, National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2016 and semi-annually on each May 1 and November 1 thereafter until maturity, or redemption prior to maturity.

The legal opinion of 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 included in the school budget are not subject to the property tax limit set forth in Section 5721-A of the Maine Revised Statutes, as amended. 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, 2025 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after November 1, 2026 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2025 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein). Bonds maturing November 1, 2035 are 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 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. U.S. Bank, National Association will serve as Refunding 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 on or about May 12, 2016.

**Raymond James**

NOTE: <sup>(\*)</sup> Priced at stated yield to the November 1, 2025 optional redemption date at a redemption price of 100% (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.

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.

<b>TABLE OF CONTENTS</b>
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<b>CERTIFICATE CONCERNING OFFICIAL STATEMENT</b>	i	<b>TOWN FINANCES (continued)</b>	
		Comparative Balance Sheet	33
		Comparative Statement of Revenues, Expenditures and Changes in Fund Balances	34
<b>THE BONDS</b>		Property Taxation	35
Description of the Bonds	1	Tax Levy and Collections	36
Optional Redemption Prior to Maturity	1	Zoning Map	37
Mandatory Redemption	2	Largest Taxpayers	38
General Provisions Regarding Redemption of the Bonds	2	Current Tax Base and Tax Base Growth	38
Record Date; Payment	3		
Authorization and Purpose	4	Tax Increment Financing Districts and Affordable Housing Districts	38
Amortization of the Bonds	6	Revenues from the State	39
Plan of Refunding	7		
Sources and Uses of Funds	9	<b>INDEBTEDNESS</b>	
Source of Payment and Remedies	9	Limitations and Exclusions	40
Tax Matters	11	Debt Summary	41
Book-Entry-Only System	13	Debt Service Component of Operating Expenses	41
Ratings	15	Debt Ratios	41
Continuing Disclosure	16	Projected Debt Service Requirements	42
CUSIP Identification Numbers	16	Projected Principal Payments, by Issue	43
Financial Advisor	17	Overlapping Debt	44
Verification of Mathematical Computations	17	Contingent Debt	44
Refunding Escrow Agent	17	Total General Obligation, Overlapping and Contingent Debt	45
Legal Matters	17	Future Financing	45
Underwriting	17		
Statutory References	18	<b>RETIREMENT</b>	
Conditions Precedent to Delivery	18	A. Defined Benefit Pension Plan	46
		B. Defined Contribution Pension Plan	50
<b>TOWN OF SCARBOROUGH</b>		C. Deferred Compensation Plan	50
General	19	D. Other Post Employment Benefits	51
Government	20		
Municipal Services	20	<b>ENVIRONMENTAL MATTERS</b>	52
Public Education	21		
The Scarborough Public Library	23	<b>LITIGATION</b>	52
Labor Relations	24		
Building Permits	24	<b>APPENDIX A:</b>	
Economic Development	25	<b>FINANCIAL STATEMENTS</b>	
Economic Characteristics	27		
		<b>APPENDIX B:</b>	
<b>TOWN FINANCES</b>		<b>PROPOSED FORM OF LEGAL OPINION</b>	
Budgetary Process	28		
Capital Improvement Plan	29	<b>APPENDIX C:</b>	
Property Tax Limit	29	<b>PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE</b>	
Investment Policy	29		
Fund Balance Policy	30		
Debt Management Policy	30		
Financial Statements	31		
Funds	32		

**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 or by Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel by Raymond James & Associates, Inc., the Underwriter, or by counsel to 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, Underwriter or counsel to the 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  
\$7,540,000  
2016 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 2016 General Obligation Bonds (the “Bonds” or the “2016 Bonds”).

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be dated May 12, 2016 and 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” or the “Securities Depository”). 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 (accrued on a 30 day month/360 day year), payable on November 1, 2016, 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>
\$665,000	2016	806075A72	\$430,000	2023	806075B63
860,000	2017	806075A80	395,000	2024	806075B71
1,035,000	2018	806075A98	395,000	2025	806075B89
785,000	2019	806075B22	340,000	2026	806075B97
780,000	2020	806075B30	335,000	2027	806075B21
465,000	2021	806075B48	165,000	2028	806075C39
435,000	2022	806075B55			

\$455,000 Bond<sup>(\*)</sup>, due November 1, 2035, CUSIP 806075D20

NOTE: <sup>(\*)</sup> Bonds maturing November 1, 2035 are subject to mandatory redemption, as more fully set forth herein. See “THE BONDS - MANDATORY REDEMPTION” herein.

It is expected that the Bonds will be available for delivery at DTC on or about May 12, 2016.

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 U.S. Bank, National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before November 1, 2025 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2026 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2025, 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, 2035 are subject to mandatory redemption by the Town prior to maturity, in part by lot, at a redemption price equal to the amounts set forth below plus accrued interest to the date of redemption thereof, on November 1 in the following years and principal amounts:

<u>Year</u>	<u>Principal Amount</u>
2029	\$65,000
2030	65,000
2031	65,000
2032	65,000
2033	65,000
2034	65,000
2035 <sup>(#)</sup>	65,000

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NOTE: <sup>(#)</sup> 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 such address as shall 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 Beneficial Owner actually receives notice. The failure of the Town to give notice to a Beneficial Owner 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 when held by a Securities Depository by lot and when not held by a Securities Depository by the Town by lot or in such other manner, as the Town in its discretion may deem appropriate.

### **RECORD DATE; PAYMENT**

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of 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.

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## 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.

### Orders for the 2016 Bonds

<u>Project</u>	<u>Final Reading</u>	<u>Order Number(s)</u>	<u>Authorized or Unissued</u>	<u>Financed by the Bonds<sup>(3)</sup></u>
<b>Municipal Projects</b>				
2009/2010 CIP	8/16/2015 & 4/6/2016	15-066 & 16-018	\$25,000	
2014/2015 CIP	4/1/2015 & 4/6/2016	15-020 & 16-018	68,000	
2015/2016 CIP	4/6/2016	16-018	1,549,000	
<b>Total Municipal Projects</b>				\$1,642,000
<b>Municipal Equipment</b>				
2015/2016 CIP	4/6/2016	16-018	620,650	
<b>Total Municipal Equipment</b>				620,650
<b>Municipal Leases</b>				
2014/2015 CIP	4/1/2015 & 4/6/2016	15-020 & 16-018	53,000	
<b>Total Municipal Leases</b>				53,000
<b>School Projects</b>				
2014/2015 CIP	4/1/2015 & 4/6/2016	15-020 & 16-018	448,000	
2015 2016 CIP	4/6/2016	16-018	1,066,350	
<b>Total School Projects</b>				1,514,350
		<b>Total New Money CIP Projects<sup>(2)</sup></b>		<b>\$3,830,000</b>
<b>Refunding Bonds <sup>(1)</sup></b>	4/6/2016	16-018	3,800,000	
		<b>Total Refunding Bonds</b>		<b>\$3,800,000</b>

NOTE <sup>(1)</sup> See “THE BONDS – PLAN OF REFUNDING” herein.

<sup>(2)</sup> See “THE BONDS – AUTHORIZATION AND PURPOSE - The New Money CIP Projects” herein.

<sup>(3)</sup> Par amount of Bonds plus allocable net Original Issue Premium.



**The New Money CIP Projects (by Unit, Years to Bond and then CIP Year)**

<u>Unit</u>	<u>CIP Year</u>	<u>Project</u>	<u>Amount to Bond</u>	<u>Unit Total</u>	<u>Years to Bond</u>
Muni. - Projects	2015/2016	MIS Office Reconfiguration	\$10,000		2
Muni. - Projects	2009/2010	Danish Village Archway	25,000		5
Muni. - Projects	2015/2016	MIS Server Virtualization	25,000		5
Muni. - Projects	2015/2016	Eastern Trail (Local Match)	45,000		5
Muni. - Projects	2015/2016	Gorham Rd Engineering	65,000		5
Muni. - Projects	2014/2015	Mid-level Road Rehab	68,000		8
Muni. - Projects	2015/2016	Cummings Rd Reconstruction	245,000		10
Muni. - Projects	2015/2016	Fuel Station Replacement	60,000		10
Muni. - Projects	2015/2016	Mid-level Road Rehab	543,000		20
Muni. - Projects	2015/2016	Pleasant Hill (RR Overpass – Phase II)	556,000		20
				<u>\$1,642,000</u>	
Muni. - Equip.	2015/2016	Tow Mower	14,050		2
Muni. - Equip.	2015/2016	Upgrade Radio Equip	39,100		3
Muni. - Equip.	2015/2016	FD Extraction Tool	71,000		5
Muni. - Equip.	2015/2016	FD AED Replacement	75,000		5
Muni. - Equip.	2015/2016	FD Tank 3 Re-chassis	37,000		5
Muni. - Equip.	2015/2016	FD Plow Truck U7	45,000		5
Muni. - Equip.	2015/2016	Pickup Truck	30,000		5
Muni. - Equip.	2015/2016	Plow Truck	170,000		15
Muni. - Equip.	2015/2016	Front End Loader	139,500		15
				<u>620,650</u>	
Muni - Lease	2014/2015	MIS Main Office 10GB Switch	8,000		1
Muni - Lease	2014/2015	Town Hall Fire Alarm System Replac.	45,000		5
				<u>53,000</u>	
School Projects	2014/2015	DW Technology	360,000		3
School Projects	2015/2016	HS Tech New Laptops	700,000		3
School Projects	2014/2015	DW Roofing	88,000		8
School Projects	2014/2015	Security System Upgrade	65,000		8
School Projects	2015/2016	Buses (3)	301,350		10
				<u>1,514,350</u>	
<b>Total New Money CIP Projects</b>				<b>\$3,830,000<sup>(1)</sup></b>	

**Orders for the Refunded Bonds**

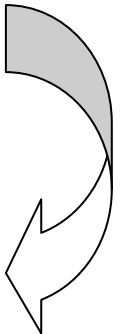
<u>Series</u>	<u>Bond Order</u>	<u>Description</u>	<u>Years to Bond</u>	<u>Original Issued</u>	<u>Refunded Bonds</u>
2006 Bonds	06-18	Pub Wks Green Acres Drainage	15	\$1,800,000	
2006 Bonds	05-7	Municipal Storage Building	15	250,000	
2006 Bonds	05-7	PW Green Acres Storm Drain	15	205,007	
<b>Total Refunded 2006 Bonds</b>				<b>2,255,007</b>	<b>\$815,000</b>
2007 Bonds	06-128	DPW Higgins Beach Drainage	15	180,000	
2007 Bonds	06-128	DPW Schooner Road Drainage	15	365,563	
<b>Total Refunded 2007 Bonds</b>				<b>545,563</b>	<b>125,000</b>
2008 Bonds	08-25	PW Green Acres Phase II Design	20	2,122,000	
2008 Bonds	08-25	PW Higgins Beach Drainage	20	1,465,000	
<b>Total Refunded 2008 Bonds</b>				<b>3,587,000</b>	<b>1,850,000</b>
2009 Bonds	08-122	PW Mid Level Road Rehab	20	400,000	
2009 Bonds	08-122	PW Hillside Rd Drainage Imp	20	1,358,000	
2009 Bonds	00-140 (08-139)	Salt Marsh Upland	20	202,600	
2009 Bonds	03-116 (08-139)	Salt Marsh Upland	20	47,400	
<b>Total Refunded 2009 Bonds</b>				<b>2,008,000</b>	<b>1,010,000</b>
<b>Total Refunded Bonds</b>				<b>\$8,395,570</b>	<b>\$3,800,000<sup>(1)</sup></b>

NOTE: <sup>(1)</sup> Par amount of Bonds plus allocable net Original Issue Premium.

**AMORTIZATION OF THE BONDS**

<u>Nov 1,</u>	<u>All</u> <u>1 Yr</u>	<u>All</u> <u>2 Yr</u>	<u>All</u> <u>3 Yr</u>	<u>All</u> <u>5 Yr</u>	<u>All</u> <u>8 Yr</u>	<u>All</u> <u>10 Yr</u>	<u>All</u> <u>15 Yr</u>	<u>All</u> <u>20 Yr</u>	<u>Total</u> <u>New CIP</u>
2016	\$7,938	\$11,933	\$364,211	\$91,888	\$27,413	\$60,169	\$20,640	\$60,810	\$645,000
2017		11,836	360,269	91,142	27,190	59,680	20,472	54,411	625,000
2018			363,081	91,853	27,402	60,146	20,632	51,885	615,000
2019				90,784	27,083	59,446	20,392	52,294	250,000
2020				88,969	26,542	58,257	19,984	51,248	245,000
2021					25,951	56,960	19,305	52,785	155,000
2022					25,951	56,960	19,305	52,785	155,000
2023					25,114	55,123	18,682	51,082	150,000
2024						56,144	19,028	49,829	125,000
2025						56,144	19,028	49,829	125,000
2026							19,180	50,820	70,000
2027							19,180	50,820	70,000
2028							19,180	50,820	70,000
2029							17,810	47,190	65,000
2030							17,810	47,190	65,000
2031								65,000	65,000
2032								65,000	65,000
2033								65,000	65,000
2034								65,000	65,000
2035								65,000	65,000
<b>Totals</b>	<b>\$7,938</b>	<b>\$23,768</b>	<b>\$1,087,560</b>	<b>\$454,636</b>	<b>\$212,645</b>	<b>\$579,028</b>	<b>\$290,628</b>	<b>\$1,098,797</b>	<b>\$3,755,000</b>

<u>Nov 1,</u>	<u>Total</u> <u>New CIP</u>	<u>Refunding Bonds</u>				<u>Total</u>	<u>The</u> <u>Bonds</u>
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>		
2016	\$645,000	\$5,000	\$0	\$10,000	\$5,000	\$20,000	\$665,000
2017	625,000	195,000	25,000	10,000	5,000	235,000	860,000
2018	615,000	195,000	25,000	195,000	5,000	420,000	1,035,000
2019	250,000	205,000	25,000	190,000	115,000	535,000	785,000
2020	245,000	215,000	25,000	190,000	105,000	535,000	780,000
2021	155,000		25,000	185,000	100,000	310,000	465,000
2022	155,000			180,000	100,000	280,000	435,000
2023	150,000			180,000	100,000	280,000	430,000
2024	125,000			175,000	95,000	270,000	395,000
2025	125,000			175,000	95,000	270,000	395,000
2026	70,000			175,000	95,000	270,000	340,000
2027	70,000			170,000	95,000	265,000	335,000
2028	70,000				95,000	95,000	165,000
2029	65,000						65,000
2030	65,000						65,000
2031	65,000						65,000
2032	65,000						65,000
2033	65,000						65,000
2034	65,000						65,000
2035	65,000						65,000
<b>Totals</b>	<b>\$3,755,000</b>	<b>\$815,000</b>	<b>\$125,000</b>	<b>\$1,835,000</b>	<b>\$1,010,000</b>	<b>\$3,785,000</b>	<b>\$7,540,000</b>



## **PLAN OF REFUNDING**

### **The Refunding Bonds**

A portion of the Town's 2016 Bonds will be used to refund prior bonds of the Town as discussed below (the "Refunding Bonds"). The Refunding Bonds are expected to pay:

- (i) A portion of the outstanding principal of the Town's 2006 General Obligation Bonds, dated May 15, 2006 (the "Refunded 2006 Bonds");
- (ii) A portion of the outstanding principal of the Town's 2007 General Obligation Bonds, dated May 15, 2007 (the "Refunded 2007 Bonds");
- (iii) A portion of the outstanding principal of the Town's 2008 General Obligation Bonds, dated June 1, 2008 (the "Refunded 2008 Bonds");
- (iv) A portion of the outstanding principal of the Town's 2009 General Obligation Bonds, dated May 1, 2009 (the "Refunded 2009 Bonds") (collectively, the "Refunded Bonds");
- (v) Interest and the respective call premium, if any, with respect to the Refunded Bonds; and
- (vi) Costs of issuance.

### **The Refunded Bonds**

The Refunded Bonds are currently outstanding in the aggregate principal amount of \$3,800,000. The refunding will achieve debt service savings for the Town. In order to accomplish the refunding of the Refunded Bonds, a portion of the proceeds of the sale of the Bonds will be deposited into a special trust fund created pursuant to an escrow agreement (the "Escrow Agreement") to be dated the date of delivery of the Bonds and to be entered into between the Town and U.S. Bank National Association, Boston, Massachusetts, as escrow agent (the "Refunding Escrow Agent"). A portion of the moneys so deposited in the special trust fund created pursuant to the Escrow Agreement will be used to acquire direct obligations of the United States of America, the principal of and interest on which, when due, together with money held by the Refunding Escrow Agent pursuant to the Escrow Agreement, will provide moneys sufficient for the payment of the interest due on the Refunded Bonds and, upon maturity or redemption, the outstanding principal of and redemption premium, if any, on the Refunded Bonds.

### **The Refunded Bonds' Proposed Optional Redemption**

- Refunded 2006 Bonds maturing on and after November 1, 2017 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2016, at any time, at the redemption price of 100%.
- Refunded 2007 Bonds maturing on and after November 1, 2017 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2016, at any time, at the redemption price of 100%.
- Refunded 2008 Bonds maturing on and after November 1, 2018 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2017, at any time, at the redemption price of 100%.
- Refunded 2009 Bonds maturing on and after November 1, 2019 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2018, at any time, at the redemption price of 100%.

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

- (a) To advance refund the Refunded 2006 Bonds, the proceeds of the Refunding Bonds which will be held and escrowed to the November 1, 2016 redemption date for the Refunded 2006 Bonds due November 1, 2017 through 2020;
- (b) To advance refund the Refunded 2007 Bonds, the proceeds of the Refunding Bonds which will be held and escrowed to the November 1, 2016 redemption date for the Refunded 2007 Bonds due November 1, 2017 through 2021;
- (c) To advance refund the Refunded 2008 Bonds, the proceeds of the Refunding Bonds which will be held and escrowed to the November 1, 2017 redemption date for the Refunded 2008 Bonds due November 1, 2018 through 2027; and
- (d) To advance refund the Refunded 2009 Bonds, the proceeds of the Refunding Bonds which will be held and escrowed to the November 1, 2018 redemption date for the Refunded 2009 Bonds due November 1, 2019 through 2028.

There is no call premium on the Refunded Bonds. The Refunded Bonds are:

<b><u>Refunded 2006 Bonds</u></b>					
<b><u>Principal Amount</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Call Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP</u></b>
\$190,000	November 1, 2017	4.00	November 1, 2016	100.000%	806075SC2
195,000	November 1, 2018	4.00	November 1, 2016	100.000%	806075SD0
210,000	November 1, 2019	4.05	November 1, 2016	100.000%	806075SE8
<u>220,000</u>	November 1, 2020	4.10	November 1, 2016	100.000%	806075SF5
\$815,000					

<b><u>Refunded 2007 Bonds</u></b>					
<b><u>Principal Amount</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Call Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP</u></b>
\$25,000	November 1, 2017	4.00	November 1, 2016	100.000%	806075SS7
25,000	November 1, 2018	4.00	November 1, 2016	100.000%	806075ST5
25,000	November 1, 2019	4.00	November 1, 2016	100.000%	806075SU2
25,000	November 1, 2020	4.00	November 1, 2016	100.000%	806075SV0
<u>25,000</u>	November 1, 2021	4.00	November 1, 2016	100.000%	806075SW8
\$125,000					

<b><u>Refunded 2008 Bonds</u></b>					
<b><u>Principal Amount</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Call Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP</u></b>
\$185,000	November 1, 2018	3.50%	November 1, 2017	100.000%	806075TH0
185,000	November 1, 2019	3.60	November 1, 2017	100.000%	806075TJ6
185,000	November 1, 2020	3.60	November 1, 2017	100.000%	806075TK3
185,000	November 1, 2021	3.65	November 1, 2017	100.000%	806075TL1
185,000	November 1, 2022	3.70	November 1, 2017	100.000%	806075TM9
185,000	November 1, 2023	3.75	November 1, 2017	100.000%	806075TN7
185,000	November 1, 2024	3.85	November 1, 2017	100.000%	806075TP2
185,000	November 1, 2025	4.00	November 1, 2017	100.000%	806075TQ0
185,000	November 1, 2026	4.00	November 1, 2017	100.000%	806075TR8
<u>185,000</u>	November 1, 2027	4.00	November 1, 2017	100.000%	806075TS6
\$1,850,000					

<b><u>Refunded 2009 Bonds</u></b>					
<b><u>Principal Amount</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Call Date</u></b>	<b><u>Redemption Price</u></b>	<b><u>CUSIP</u></b>
\$110,000	November 1, 2019	3.00%	November 1, 2018	100.000%	806075UD7
100,000	November 1, 2020	3.125	November 1, 2018	100.000%	806075UE5
100,000	November 1, 2021	3.375	November 1, 2018	100.000%	806075UF2
100,000	November 1, 2022	3.50	November 1, 2018	100.000%	806075UG0
100,000	November 1, 2023	3.75	November 1, 2018	100.000%	806075UH8
100,000	November 1, 2024	4.00	November 1, 2018	100.000%	806075UJ4
100,000	November 1, 2025	4.00	November 1, 2018	100.000%	806075UK1
100,000	November 1, 2026	4.00	November 1, 2018	100.000%	806075UL9
100,000	November 1, 2027	4.00	November 1, 2018	100.000%	806075UM7
<u>100,000</u>	November 1, 2028	4.25	November 1, 2018	100.000%	806075UN5
\$1,010,000					

**SOURCES AND USES OF FUNDS**

<b><u>Sources</u></b>		<b><u>Uses</u></b>	
Par Amount of the Bonds	\$7,540,000.00	Deposit to the Escrow Fund	\$3,972,329.01
Net Original Issue Premium	377,594.85	Project Funds	3,830,000.00
		Underwriter's Discount	41,427.38
		Cost of Issuance	<u>73,838.46</u>
Total Sources of Funds	<u>\$7,917,594.85</u>	Total Uses of Funds	<u>\$7,917,594.85</u>

**SOURCE OF PAYMENT AND REMEDIES**

**General**

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation 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 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 school improvements included in the school budget, 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.

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

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

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

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

The growth limitation factor is the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in the State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis and determined by October 1, annually, by an authorized State official. In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new Revenue Sharing funds provided by the State.

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.

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.

### **School Bonds**

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 on school improvements included in the school budget, financed by the a portion of the Bonds, is includable in the school budget and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the Bonds.

### **TAX MATTERS**

In the opinion of Bernstein, Shur, Sawyer & Nelson, Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations; however, interest on the Bonds will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax.

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

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Treasurer of the Town and the Issuer's Certificate Regarding Bank Qualified and Designated Status (collectively the "Tax Certificates") delivered concurrently with the Bonds which will contain provisions and procedures regarding compliance with the requirements of the Code. The Town, in executing the Tax Certificates, will certify to the effect that the Town will comply with the provisions and procedures set forth in the Tax Certificates and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds will be excludable

from gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the Town set forth in the Tax Certificates and assume that the Town will comply with the provisions and procedures set forth in the Tax Certificates.

### **Exemption of Interest on the Bonds from Taxation Within the State of Maine**

In the opinion of Bond Counsel, interest payable on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See “Proposed Form of Legal Opinion” in APPENDIX B herein.

### **Qualified Tax-Exempt Obligations**

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

### **Original Issue Discount**

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.



## **Additional Federal Income Tax Consequences**

In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the Holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures Holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

## **Changes in Federal Tax Law**

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

## **Extent of Opinion**

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to Section 57 of the Code and (c) the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

## **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](http://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 C 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 Raymond James & Associates, Inc. (the “Underwriter”) in complying with Rule 15c2-12 (the “Rule”) adopted by the Securities Exchange Commission (“SEC”) the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a “Continuing Disclosure Certificate” (the “Certificate”), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. Except for a late filing in 2004 (see below), the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule. The following are recent filings of the Town:

<b><u>Financial Statements</u></b> <b><u>FY ended June 30,</u></b>	<b><u>Date</u></b> <b><u>Filed</u></b>	<b><u>Days after</u></b> <b><u>Fiscal Period end</u></b>	<b><u>Filed With</u></b> <sup>(1)</sup>
2015	02/29/2016	244	EMMA
2014	03/02/2015	245	EMMA
2013	02/28/2014	243	EMMA
2012	01/30/2013	214	EMMA
2011	01/20/2012	204	EMMA

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NOTE: <sup>(1)</sup> Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”).

### Assurances of Future Compliance

Following a late filing for fiscal year ended June 30, 2003, the Town amended Section 215.1 of its Charter on November 2, 2004, effective December 1, 2004, such that “*The audit shall be completed and delivered to the Town Council not later than December 30<sup>th</sup> following the end of the municipal year of the subject audit*”.

Additionally, the Town incorporated a Post-Issuance Compliance portion of its Debt Management and Fiscal Policy, adopted by the Town Council on March 21, 2012, that, among other things, provides for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings; has established written procedures and assigned specific responsibilities that it believes will provide prompt compliance with its continuing disclosure undertakings on a going forward basis.

Finally, the Town has registered with the EMMA reminder system to receive e-mail reminders to help ensure timely annual filing of required financial and operating data.

### 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 submit its bid on, or participate in an underwriting syndicate for the public distribution of, 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 amount held or invested by the Refunding Escrow Agent pursuant to the Escrow Agreement and anticipated payments of principal and interest required 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.

## **REFUNDING ESCROW AGENT**

Upon delivery of the Bonds the Town and U.S. Bank, National Association, a national banking association, with a corporate trust office located in Boston, Massachusetts, as Refunding Escrow Agent, will enter into the Escrow Agreement.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of 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 all of the \$7,540,000.00 aggregate principal amount of the Bonds at a price of \$7,876,167.47, which purchase price reflects a net original issue premium in the amount of \$377,594.85 and an Underwriter's discount, from the initial offering prices of the Bonds, in the amount of \$41,427.38. 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.

## **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 U.S. Bank, National Association, 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

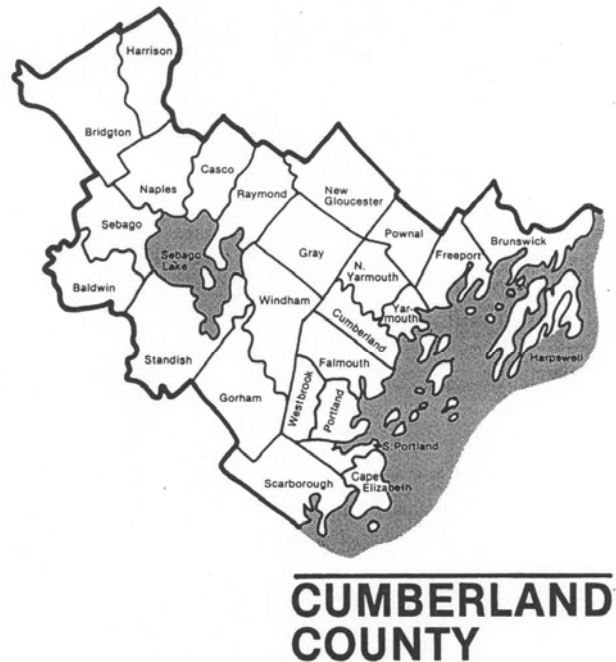
### GENERAL

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* (five cities in Maine).

The Town operates under a charter first adopted on October 7, 1969, amended most recently by voter approval at the Town's election held November 2, 2010, effective January 1, 2011, (the "Charter"). The Charter provides 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 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 Deputy Chiefs, seven 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, 14 Dispatchers, one crime analyst and 40 part-time personnel. The 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, 22 career Firefighter/EMTs and 155 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 five divisions. The *Administrative Division* includes a Director of Public Works, who oversees all of the department's divisions, a Deputy Director, and administrative assistant and a receptionist. The *Operations Division* is comprised of a Supervisor and 17 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling and processes "Excavator Licenses," "Street Opening Permits," and "Driveway Coordination Forms." The *Vehicle Maintenance Division* consists of a Supervisor, a Parts Manager and seven fleet technicians. This division 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. A *GIS Division* consists of a Project & Data Coordinator who manages a town-wide GIS program, data integration and storm water programs documentation.

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 \$413,183; 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 Director of Business & Finance, one Director of Special Education, one Director of Curriculum/Assessment, one Director of Facilities & Maintenance, 10 Principals or Assistant Principals, 264 teachers and 270 other professional and non-professional staff.

**Schools**

Schools	Grade	Estimated Capacity	Enrollment <sup>(2)</sup>
Blue Point School	K-2	250 <sup>(1)</sup>	194
Eight Corners School	K-2	240 <sup>(1)</sup>	227
Pleasant Hill School	K-2	180 <sup>(1)</sup>	174
Wentworth School	3-5	800	648
Scarborough Middle	6-8	800 <sup>(1)</sup>	749
Scarborough High	9-12	1,200	1,021

NOTE: <sup>(1)</sup> Includes Portable Classrooms. <sup>(2)</sup> “Curent Year Pupils” from Town of Scarborough School Department.

**Enrollment Trends**

April 1,	Grades					Total Enrollment
	K-2	3-5	6-8	9-12	Other	
2015	617	697	799	998	0	3,111
2014	627	702	791	1,038	0	3,158
2013	623	742	805	1,051	1	3,222
2012	646	781	780	1,054	6	3,267
2011	679	767	778	1,066	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

**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 2015/2016, the Scarborough School Department’s assessment is 4.065% of the total of the 2015/2016 Part I cost and the 2015/2016 Part II cost for PATHS. This represents the enrollment average for October 1, 2012 through 2013, being 20.0 FTE students from Scarborough of the 492.0 average student total enrollment for PATHS for that period.

## **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 five full-time and 16 part-time employees and various volunteers.

## LABOR RELATIONS

The Town employs approximately 473 full-time and various part-time personnel, and approximately 781 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union <sup>(1)</sup>	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	34	July 1, 2015	June 30, 2018
SPA	Dispatchers	13	July 1, 2015	June 30, 2018
SPA	Paramedics	24	July 1, 2014	June 30, 2017
SEA	Teachers	302	Sept. 1, 2013	Aug. 31, 2016
SAA	School Administrators	11	July 1, 2015	June 30, 2018
SESPA	School Staff and Teacher's Aids	122	July 1, 2014	June 30, 2017
SEA	School Custodians	33	July 1, 2015	June 30, 2018
SEA	Bus Drivers	22	July 1, 2014	June 30, 2017
SEA	Food Service Workers	24	July 1, 2015	June 30, 2018

NOTE: <sup>(1)</sup> "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.

## 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		
2015	5	\$82,997.2	82	\$68,360.2	100	\$157,613.0	535	\$140,197.5	722	\$449,167.9
2014	4	13,968.2	69	50,567.4	70	128,536.2	412	100,197.2	555	293,269.1
2013	4	24,397.2	80	29,681.0	77	121,727.1	407	104,750.0	568	280,555.3
2012	7	9,762.4	65	40,770.1	63	90,026.9	420	84,749.3	555	225,308.7
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	55,599.8	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

## 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 Larger Employers	Type of Business	Approximate Number of Employees	% All Town Employees
Town of Scarborough	Municipal Government	1,367	9.4%
Hannaford Bros.	Supermarket - Corp Office	1,052	7.2%
US Postal Service	USPO Distribution Center	589	4.0%
Maine Med Center	Hospital	389	2.7%
Wal-Mart	Retail Department Store	349	2.4%
Cabela's	Retail Sports Equipment	250	1.7%
NorDX	Medical Laboratory	216	1.5%
Piper Shores	Nursing Home	209	1.4%
Alere Inc.	Medical Diagnostic Producer	200	1.4%
Sam's Wholesale Club	Wholesale Department Store	188	1.3%

SOURCE: Town of Scarborough, Maine Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2015, Table 16.

## Commuter Trends

People who commute to Scarborough, but live in:	Number of Workers	% Scarborough Workforce	People who live in Scarborough, but commute to:	Number of Workers	% Scarborough Workers
Scarborough	2,409	20.74%	Portland	2,597	26.67%
Portland	1,316	11.33	Scarborough	2,409	24.74
South Portland	1,039	8.94	South Portland	1,686	17.32
Saco	516	4.44	Saco	559	5.74
Gorham	482	4.15	Westbrook	487	5.00
Westbrook	435	3.74	Biddeford	249	2.56
Biddeford	426	3.67	Gorham	170	1.75
Old Orchard Beach	419	3.61	Falmouth	145	1.49
Buxton	375	3.23	Freeport	137	1.41
Windham	331	2.85	Wells	95	0.98
Cape Elizabeth	282	2.43	Cape Elizabeth	86	0.88
Hollis	238	2.05	Old Orchard Beach	85	0.87
Standish	232	2.00	Yarmouth	75	0.77
Falmouth	212	1.82	Gray	64	0.66
Gray	191	1.64	Kennebunk	60	0.62
Auburn	140	1.21	Kittery	58	0.60
Cumberland	122	1.05	Windham	57	0.59
Arundel	118	1.02	Portsmouth	56	0.58
Lyman	115	0.99	Lewiston	52	0.53
Sanford	113	0.97	Sanford	52	0.53
Limington	110	0.95	Kennebunkport	44	0.45
Yarmouth	103	0.89	Auburn	43	0.44
Brunswick	101	0.87	Somersworth	43	0.44
Lewiston	84	0.72	Cumberland	40	0.41
Kennebunk	79	0.68	Brunswick	39	0.40
Other (In-State)	1,527	13.14	Augusta	39	0.40
Other (Out of State)	103	0.89	All Other	309	3.17
<b>Total</b>	<b>11,618</b>	<b>100.00%</b>	<b>Total</b>	<b>9,736</b>	<b>100.00%</b>

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2010 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
2015	58,088	51,084	30,295	169,449	85,793	40,788	76,754	512,250	454,162
2014	51,083	47,798	27,617	164,337	85,222	33,621	72,343	482,020	430,937
2013	59,275	50,647	24,861	153,884	90,664	31,056	68,279	478,665	419,390
2012	47,878	47,939	24,205	150,115	85,692	30,573	65,617	452,018	404,140
2011	48,315	42,048	22,410	148,707	80,770	31,417	59,680	433,346	385,031
2010	37,570	43,877	22,326	145,410	77,601	29,637	57,432	413,853	376,283
2009	47,569	41,367	21,975	129,496	71,543	26,808	54,504	393,262	345,693
2008	59,956	53,132	21,863	119,227	61,807	26,815	50,302	393,102	333,145
2007	64,601	38,068	21,611	121,064	20,875	28,777	43,324	338,320	273,719
2006	74,371	31,443	19,950	126,021	19,906	27,932	42,248	341,872	267,501

SOURCE: State of Maine, Department of Taxation, Sales Tax Section.

## ECONOMIC CHARACTERISTICS

Population	% Change			
	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	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	Town of Scarborough	Cumberland County	State of Maine	USA
Median family income	\$93,854	\$71,335	\$58,185	\$62,982
% Below poverty level (individuals)	3.0%	10.5%	12.6%	13.8%
Per capita income	\$37,959	\$31,041	\$25,385	\$27,334

Housing	Town of Scarborough	Cumberland County	State of Maine	USA
% Owner occupied	78.8%	68.5%	73.1%	66.6%
% Built 1939 or earlier	13.5%	29.0%	28.1%	14.1%
% Built since 2000	15.7%	10.8%	8.9%	12.8%
Owner occupied med. value	\$318,700	\$248,400	\$176,200	\$188,400
Median gross rent	\$1,097	\$868	\$707	\$841
Occupied housing units	7,397	116,616	551,125	-

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Scarborough	Cumberland County	State of Maine	USA
2015	3.0%	3.4%	4.4%	5.3%
2014	3.9	4.4	5.7	6.2
2013	4.7	5.3	6.7	7.4
2012	6.7	5.8	7.3	8.1
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

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,

<b>EXPENDITURES</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General government	\$4,520,293	\$4,556,921	\$4,817,259	\$4,790,521	\$4,849,887
Public services	3,806,964	3,853,161	4,075,921	4,505,429	4,651,686
Public safety	8,470,702	8,695,056	9,036,324	9,574,605	9,965,139
Public works	6,397,756	6,477,260	6,294,820	6,359,496	6,718,059
Education	35,652,462	37,370,562	39,399,516	42,165,315	43,725,308
County Tax	1,975,585	2,075,183	2,193,813	2,355,415	2,493,342
Debt service	4,909,870	4,732,060	4,508,353	4,641,657	4,906,499
CIP	909,450	1,406,500	923,700	1,879,364	892,030
<b>TOTAL EXPENDITURES</b>	<b>66,643,082</b>	<b>69,166,703</b>	<b>71,249,706</b>	<b>76,271,802</b>	<b>78,201,950</b>
<b>REVENUES</b>					
Taxes	50,739,366	54,257,619	58,209,370	60,225,927	63,093,568
Licenses and permits	801,540	855,880	925,396	543,130	1,170,144.00
Intergovernmental	8,392,466	7,194,622	6,405,140	7,012,731	7,017,032.16
Interest earned	30,000	20,000	15,000	15,000	15,000
Other	5,019,362	5,308,196	4,782,892	5,905,837	5,461,302
<b>TOTAL REVENUES</b>	<b>64,982,734</b>	<b>67,636,317</b>	<b>70,337,798</b>	<b>73,702,625</b>	<b>76,757,046</b>
<b>OTHER SOURCES</b>					
Operating transfers	918,292	672,493	569,767	486,270	822,978
Prior year fund balance	600,000	200,000	200,000	800,000	425,000
Overlay	(209,944)	(362,107)	(346,359)	(328,093)	(496,074)
Bond and note proceeds	352,000	1,020,000	488,500	1,611,000	693,000
<b>TOTAL OTHER</b>	<b>1,660,348</b>	<b>1,530,386</b>	<b>911,908</b>	<b>2,569,177</b>	<b>1,444,904</b>
<b>TOTAL BUDGET</b>	<b>\$66,643,082</b>	<b>\$69,166,703</b>	<b>\$71,249,706</b>	<b>\$76,271,802</b>	<b>\$78,201,950</b>



## CAPITAL IMPROVEMENT PLAN

The Town's Capital Improvement Program ("CIP") is an integral part of the annual budget process. A complete list of near-term improvements is included as part of the Town Manager's budget submission for all Town functions. The plan includes projects anticipated within the coming one-to-two year period with an indication of how the Town anticipates funding the improvement(s). Certain CIP items are longer-term in nature and while the near-term projects are specified within the budget submission, the longer-term goals are updated, reviewed and approved via the Town on a regular basis. The issuance of debt, however, is subject to the review and approval of the Town Council and, pursuant to Section 901.3 of the Town's Charter is subject to a petition for overrule of 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>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
State Personal Income Factor:	1.66%	1.43%	1.05%	1.09%	0.86%
Town Prop Growth Factor:	<u>0.41</u>	<u>0.17</u>	<u>0.78</u>	<u>1.09</u>	<u>1.22%</u>
Growth Limitation Factor:	2.07%	1.60%	1.83%	2.18%	2.08%
Property Tax Levy Limit:	\$14,428,637	\$14,359,273	\$15,158,240	\$15,534,744	\$16,660,322
Property Tax Levy:	<u>14,346,334</u>	<u>14,432,024</u>	<u>16,091,860</u>	<u>16,275,733</u>	<u>17,005,804</u>
Over/(below) Levy Limit:	(\$82,303)	\$72,751	\$933,620	\$740,989	\$345,482

## 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**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2011</b>	<b>2012</b>	<b>2013<sup>(1)</sup></b>	<b>2014</b>	<b>2015</b>
Committed, Assigned & Unassigned					
General Fund Balance	\$3,807,948	\$4,587,125	\$5,246,376	\$6,213,282	\$8,221,705
Total Revenues (Current Year)	65,932,351	66,904,627	70,898,619	74,396,159	78,578,544
Fund Bal as % Revenues	5.78%	6.86%	7.40%	8.35%	10.46%
Committed, Assigned & Unassigned					
General Fund Balance (Current Year)	\$3,807,948	\$4,587,125	\$5,246,376	\$6,213,282	\$8,221,705
Budgeted Expenses <sup>(2)</sup>	65,742,652	65,861,295	69,733,628	71,863,298	76,800,782
Fund Balance as % Revenues	5.79%	6.96%	7.52%	8.65%	10.71%

NOTE: <sup>(1)</sup> Amounts posted in the 2013 Financial Statements are overstated for “Restricted” and understated for “Unassigned”. This table shows the correct amounts, which are re-stated in the 2014 Financial Statements.  
<sup>(2)</sup> Stated pursuant to the Town’s Fund Balance Policy.

**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.

The policy also incorporates a Post-Issuance Compliance portion that, among other things, provides for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings; has established written procedures and assigned specific responsibilities that it believes will provide prompt compliance with its continuing disclosure undertakings on a going forward basis.

## **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 Macpage, LLC, Certified Public Accountants (“Macpage”) for this review.

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

The Town’s fiscal year 2015 Annual Financial Report, audited by Macpage, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of Macpage 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, 2014. This is the 10th 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,)**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$12,015,992	\$10,878,727	\$9,948,470	\$1,257,920	\$5,554,730
Investments	1,962,632	376,822	752,899	8,748,556	2,412,731
Receivables:					
Accounts receivable	1,249,773	735,264	1,110,371	828,253	563,698
Intergovernmental	48,527	198,794	124,122	191,841	182,202
Taxes receivable	148,389	143,405	137,001	172,971	168,995
Tax liens	808,236	983,581	844,343	757,577	730,719
Inter-fund receivable	3,077,866	3,132,347	2,683,412	3,004,027	2,904,940
Tax acquired property	7,231	7,231	7,231	7,231	7,231
Inventory	42,532	47,851	34,010	34,010	0
<b>TOTAL ASSETS</b>	<b>19,361,178</b>	<b>16,504,022</b>	<b>15,641,859</b>	<b>15,002,386</b>	<b>12,525,246</b>
<b>LIABILITIES</b>					
Accounts payable	2,037,776	1,680,911	1,685,130	2,402,854	1,092,572
Accrued payroll	4,499,022	4,114,853	3,922,340	3,656,473	3,676,889
Accrued absences	265,895	94,915	120,329	62,853	30,366
Unearned revenues	49,428	32,933	45,560	68,580	65,091
<b>TOTAL LIABILITIES</b>	<b>6,852,121</b>	<b>5,923,612</b>	<b>5,773,359</b>	<b>6,190,760</b>	<b>4,864,918</b>
<b>DEFERRED TAX REVENUE</b>	<b>806,479</b>	<b>971,922</b>	<b>810,854</b>	<b>757,593</b>	<b>671,053</b>
<b>EQUITY</b>					
Fund balances:					
Non-spendable	42,532	47,851	34,010	34,010	0
Restricted	3,438,341	3,347,355	3,777,260 <sup>(1)</sup>	3,432,898	3,181,327
Committed	519,043	452,151	374,000	687,603	629,908
Assigned	2,729,373	2,384,384	2,024,920	1,805,896	2,223,390
Unassigned	4,973,289	3,376,747	2,847,456 <sup>(1)</sup>	2,093,626	954,650
<b>TOTAL EQUITY</b>	<b>11,702,578</b>	<b>9,608,488</b>	<b>9,057,646</b>	<b>8,054,033</b>	<b>6,989,275</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$19,361,178</b>	<b>\$16,504,022</b>	<b>\$15,641,859</b>	<b>\$15,002,386</b>	<b>\$12,525,246</b>

Prepared from Audited Financial Statements.

NOTE: <sup>(1)</sup> Amounts posted in the 2013 Financial Statements are overstated for "Restricted" and understated for "Unassigned". This table shows the correct amounts, which are re-stated in the 2014 Financial Statements.

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>					
Taxes	\$60,971,872	\$58,605,638	\$54,317,932	\$50,413,387	\$48,942,881
Licenses and permits	756,181	661,553	553,504	494,439	479,746
Intergovernmental	10,378,344	9,455,733	10,462,944	10,541,991	11,728,400
Interest earned	390,260	108,862	42,573	66,255	42,024
Other	6,081,887	5,564,373	5,521,666	5,388,555	4,739,300
<b>TOTAL REVENUES</b>	<b>78,578,544</b>	<b>74,396,159</b>	<b>70,898,619</b>	<b>66,904,627</b>	<b>65,932,351</b>
<b>EXPENDITURES</b>					
General government	4,829,444	5,059,198	4,956,930	4,401,899	4,677,260
Public services	4,612,240	4,146,541	3,931,386	3,841,168	3,787,489
Public safety	9,514,108	8,879,022	8,577,811	8,241,916	7,967,270
Public works	6,506,439	6,502,618	6,681,399	6,598,823	6,040,273
Education	44,638,078	42,413,258	39,344,449	37,085,827	38,174,127
County tax	2,355,415	2,193,813	2,075,183	1,975,585	1,922,952
Debt service	4,605,500	4,470,950	4,942,403	5,416,558	4,771,048
Capital improvements	1,192,358	1,146,088	1,257,490	924,372	833,353
Other	6,765				
<b>TOTAL EXPENDITURES</b>	<b>78,260,347</b>	<b>74,811,488</b>	<b>71,767,051</b>	<b>68,486,148</b>	<b>68,173,772</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>318,197</b>	<b>(415,329)</b>	<b>(868,432)</b>	<b>(1,581,521)</b>	<b>(2,241,421)</b>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers in	594,836	561,290	1,015,621	1,723,391	1,120,962
Operating transfers out	(320,823)	(315,652)	(683,335)	(144,986)	(170,203)
Refunding bonds		-	7,065,000	24,605,000	-
Premium		-	321,961	2,998,094	-
Refunding escrow		-	(7,347,335)	(27,124,969)	-
Proceeds from Capital Lease		249,109	365,033	0	0
Bond or note proceeds	1,501,880	471,424	1,135,100	589,750	407,440
<b>TOTAL OTHER FINANCING:</b>	<b>1,775,893</b>	<b>966,171</b>	<b>1,872,045</b>	<b>2,646,280</b>	<b>1,358,199</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>2,094,090</b>	<b>550,842</b>	<b>1,003,613</b>	<b>1,064,758</b>	<b>(883,222)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>9,608,488</b>	<b>9,057,646</b>	<b>8,054,033</b>	<b>6,989,275</b>	<b>7,872,497</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$11,702,578</b>	<b>\$9,608,488</b>	<b>\$9,057,646</b>	<b>\$8,054,033</b>	<b>\$6,989,275</b>

Prepared from Audited Financial Statements

## **PROPERTY TAXATION**

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2015/2016 due dates are October 15, 2015 and March 15, 2016. All taxes paid after the due dates are subject to interest, established under Title 39, Section 186 of the Maine Revised Statutes, as amended, currently 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

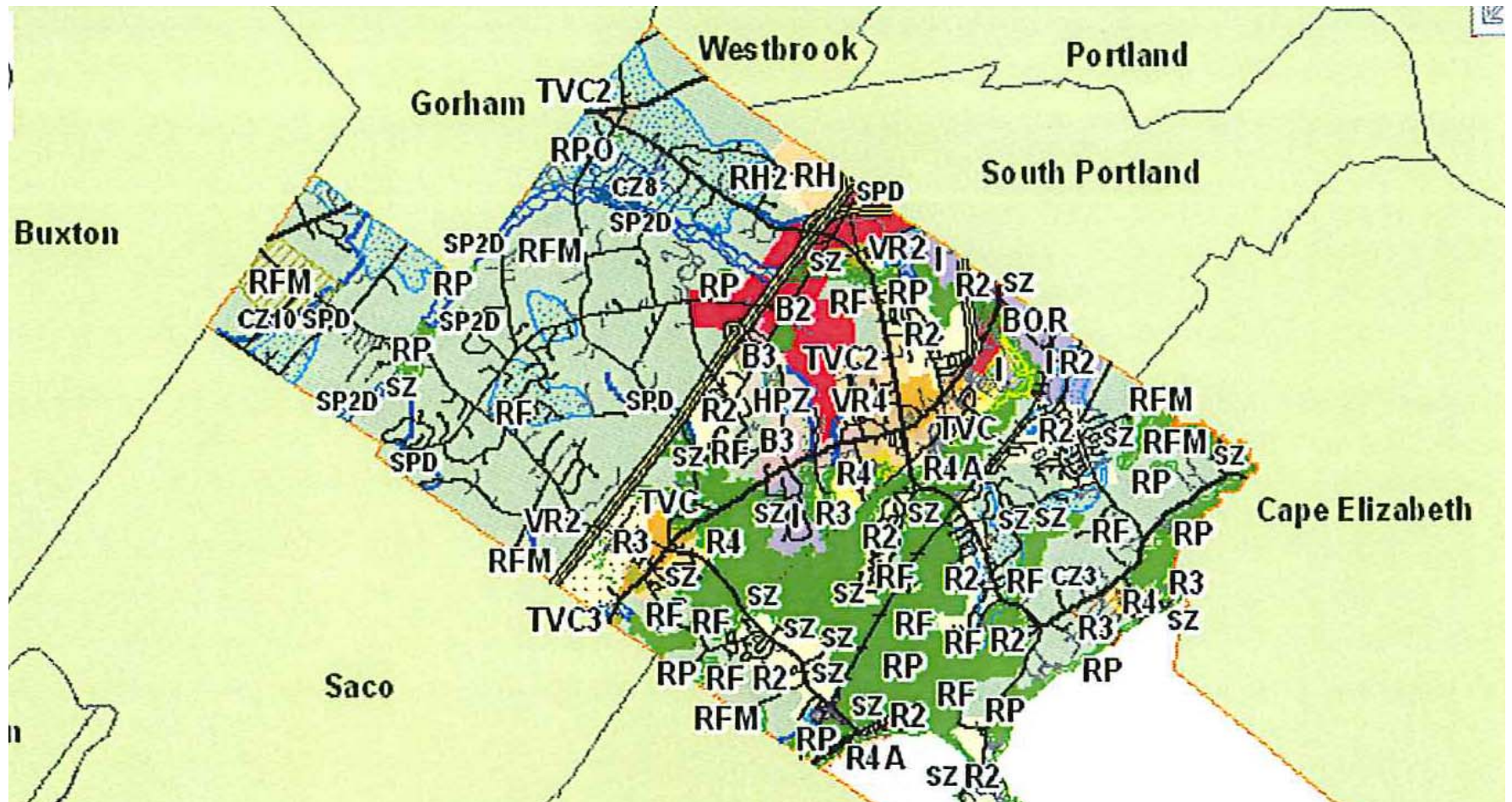
Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Commit. (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 3/31/16
2016	\$3,791,950	\$3,745,548	\$15.49	\$58,019	---- In Process ----		
2015	3,667,300	3,700,488	15.10	55,877	\$55,322	99.01%	99.57%
2014	3,579,450	3,660,306	14.77	54,063	53,470	98.60	99.94
2013	3,482,500	3,631,675	13.80	50,117	49,484	98.72	99.95
2012	3,556,750	3,517,196	13.03	46,532	46,103	98.76	99.97
2011	3,564,150	3,556,552	12.63	44,919	44,325	98.66	99.97
2010	3,620,450	3,524,772	12.15	42,826	42,319	98.82	99.96
2009	3,563,250	3,487,005	12.15	42,367	41,891	98.80	99.96
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01	99.97
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.25	100.00
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.19	100.00



## ZONING MAP

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

### Town of Scarborough, Maine



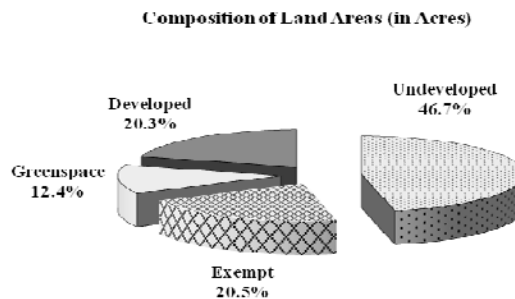
## LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2015				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$63,459,800	\$1,276,900	\$64,736,700	\$1,002,771	1.73%
Wal-mart/Sam's Club	Wholesale/Retail	33,674,000	3,964,900	37,638,900	583,027	1.00%
Central Maine Power	Utility	31,947,600	7,700	31,955,300	494,988	0.85%
New England Exped.	Retail/Restaurants	30,303,600	0	30,303,600	469,403	0.81%
Hannaford Bros.	Supermarket/Corp Off	16,252,400	6,722,100	22,974,500	355,875	0.61%
Scarborough Gallery	Retail/Restaurants	20,401,000	0	20,401,000	316,011	0.54%
MMC Realty	Maine Health	17,063,200	2,510,500	19,573,700	303,197	0.52%
Gavin Ruotolo	Commercial Leases	18,778,700	204,100	18,982,800	294,044	0.51%
RRE Foxcroft & Coach Lantern	Apartments	13,009,800	114,400	13,124,200	203,294	0.35%
Shaw's	Supermarket	8,911,600	2,972,400	<u>11,884,000</u>	<u>184,083</u>	<u>0.32%</u>
<b>Top Ten Taxpayers as a % of Total</b>				<b>\$271,524,700</b>	<b>\$4,206,693</b>	<b>7.24%</b>

## 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.

<u>By Land Area (acres)</u>	<u>2015</u>
Undeveloped <sup>(1)</sup>	13,182
Exempt	5,792
Greenspace <sup>(2)</sup>	3,504
Developed	<u>5,735</u>
Total	28,213



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

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

## 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 municipal development and tax increment financing ("TIF") district or an affordable housing municipal development and tax increment financing district (a "housing district") for a period of up to 30 years and adopts a development program (the "Development Program") stating the means and objectives for the development of that district. The municipality may designate, or "capture", all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased

property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1<sup>st</sup> preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones, 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. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table. The following table displays revenue received by the Town from the State for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	School Aid	Reimbursements			Other State Aid	Total From State
			Homestead Exemption	General Assist.	BETE		
2015	\$771,051	\$4,747,923	\$346,020	\$4,658	\$316,079	\$394,697	\$6,580,428
2014	791,820	4,241,404	338,458	1,600	268,811	430,464	6,072,557
2013	1,124,864	4,305,941	316,644	805	244,266	442,248	6,434,768
2012	1,122,837	4,712,801	296,978	1,780	152,738	407,849	6,694,983
2011	1,075,523	5,680,516	287,798	969	161,090	579,967	7,785,863

## 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 7½% 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 7½% 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, 2016 the Town’s equalized state valuation (“Equalized State Valuation” or “ESV”) was \$3,791,950,000. The 15% debt limit is \$568,792,500. On June 30, 2015 the Town’s long-term debt was \$98,500,000 or 2.60% of the 2016 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 6/30/2015	FY 2015/2016		Projected 6/30/2016
					Payments	Refunded	
1995	12/15/1995	\$6,160,000	11/1/2015	\$265,000	(\$265,000)		\$0
1997	4/15/1997	4,230,000	11/1/2016	220,000	(110,000)		110,000
2005	3/15/2005	10,665,000	11/1/2034	250,000	(250,000)		0
2006	5/15/2006	7,014,000	11/1/2020	1,505,000	(505,000)	(\$815,000)	185,000
2007	5/15/2007	4,000,000	11/1/2021	575,000	(225,000)	(125,000)	225,000
2008	6/1/2008	8,513,000	11/1/2027	3,565,000	(570,000)	(1,850,000)	1,145,000
2009	5/1/2009	4,560,000	11/1/2028	2,255,000	(315,000)	(1,010,000)	930,000
2009	10/1/2009	1,780,000	11/1/2019	855,000	(185,000)		670,000
2010	4/15/2010	6,002,000	11/1/2030	4,095,000	(470,000)		3,625,000
2011	6/15/2011	5,600,000	11/1/2030	3,435,000	(525,000)		2,910,000
2012	5/8/2012	46,545,000	11/1/2041	44,380,000	(1,065,000)		43,315,000
2013	4/1/2013	25,685,000	11/1/2042	25,000,000	(575,000)		24,425,000
2014	5/15/2014	6,505,000	11/1/2033	6,015,000	(760,000)		5,255,000
2015	5/1/2015	6,085,000	11/1/2034	6,085,000	(500,000)		5,585,000
1995	12/15/1995	6,160,000	11/1/2015	265,000	(265,000)		0
1997	4/15/1997	4,230,000	11/1/2016	220,000	(110,000)		110,000
<b>Sub-totals</b>				<b>98,500,000</b>	<b>(6,320,000)</b>	<b>(3,800,000)</b>	<b>88,380,000</b>
2016	5/12/2016	3,755,000	11/1/2035	0	0		3,755,000
2016	5/12/2016	3,785,000	11/1/2028	0	0		3,785,000
<b>Totals</b>				<b>\$98,500,000</b>	<b>(\$6,320,000)</b>	<b>(\$3,800,000)</b>	<b>\$95,920,000</b>

NOTE: Shaded rows indicate Bonds to be refunded, with the 2016 Refunding Bonds.

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

	Audited					Budgeted
	2011	2012	2013	2014	2015	2016
Total Current Year Debt Service:	\$8,304,376	\$8,224,935	\$7,950,370	\$8,378,569	\$8,980,337	\$9,838,805
Budgeted Operating Expense:	65,501,307	65,506,405	69,166,703	71,249,706	76,271,802	78,201,950
Debt Service as % Oper. Expense:	12.68%	12.56%	11.49%	11.76%	11.77%	12.58%

**DEBT RATIOS**

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2015	19,524	\$3,667,300	\$3,700,488	\$98,500,000	2.69%	\$5,045.07
2014	19,343	3,579,450	3,660,306	97,895,000	2.73	5,061.00
2013	18,941	3,482,500	3,631,675	96,180,000	2.76	5,077.87
2012	18,786	3,556,750	3,517,196	82,250,000	2.31	4,378.26
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

**PROJECTED DEBT SERVICE REQUIREMENTS**

Fiscal Yr. End June 30,	Prior Debt				Projected Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	(less Refunded)	Total Debt	Principal	Interest	Total Debt	
2016	\$6,320,000	\$3,811,785	\$0	\$10,131,785	\$0	\$0	\$0	\$10,131,785
2017	6,380,000	3,326,419	(144,878)	9,561,541	665,000	166,687	831,686.67	10,393,228
2018	6,525,000	3,115,446	(355,578)	9,284,869	860,000	156,900	1,016,900.00	10,301,769
2019	6,320,000	2,897,828	(533,640)	8,684,188	1,035,000	137,950	1,172,950.00	9,857,138
2020	6,080,000	2,675,776	(641,270)	8,114,506	785,000	119,750	904,750.00	9,019,256
2021	6,130,000	2,432,366	(621,635)	7,940,731	780,000	104,100	884,100.00	8,824,831
2022	5,800,000	2,215,344	(386,169)	7,629,175	465,000	91,650	556,650.00	8,185,825
2023	5,600,000	2,032,726	(350,433)	7,282,294	435,000	82,650	517,650.00	7,799,944
2024	4,185,000	1,852,260	(339,916)	5,697,344	430,000	72,925	502,925.00	6,200,269
2025	3,840,000	1,692,436	(329,011)	5,203,425	395,000	61,625	456,625.00	5,660,050
2026	3,825,000	1,539,919	(317,750)	5,047,169	395,000	49,775	444,775.00	5,491,944
2027	3,775,000	1,383,672	(306,350)	4,852,322	340,000	38,750	378,750.00	5,231,072
2028	3,785,000	1,240,294	(294,950)	4,730,344	335,000	26,950	361,950.00	5,092,294
2029	3,560,000	1,106,875	(102,125)	4,564,750	165,000	16,950	181,950.00	4,746,700
2030	3,295,000	978,831		4,273,831	65,000	12,675	77,675.00	4,351,506
2031	3,265,000	859,056		4,124,056	65,000	10,725	75,725.00	4,199,781
2032	3,100,000	741,406		3,841,406	65,000	8,775	73,775.00	3,915,181
2033	3,100,000	623,038		3,723,038	65,000	6,825	71,825.00	3,794,863
2034	2,420,000	510,813		2,930,813	65,000	4,875	69,875.00	3,000,688
2035	1,880,000	419,513		2,299,513	65,000	2,925	67,925.00	2,367,438
2036	1,250,000	350,813		1,600,813	65,000	975	65,975.00	1,666,788
2037	1,250,000	293,963		1,543,963				1,543,963
2038	1,250,000	240,538		1,490,538				1,490,538
2039	1,250,000	191,244		1,441,244				1,441,244
2040	1,250,000	142,656		1,392,656				1,392,656
2041	1,250,000	94,069		1,344,069				1,344,069
2042	1,250,000	45,481		1,295,481				1,295,481
2043	565,000	10,594		575,594				575,594
<b>TOTAL</b>	<b>\$98,500,000</b>	<b>\$36,825,158</b>	<b>(\$4,723,704)</b>	<b>\$130,601,454</b>	<b>\$7,540,000</b>	<b>\$1,174,437</b>	<b>\$8,714,437</b>	<b>\$139,315,891</b>

**PROJECTED PRINCIPAL PAYMENTS, BY ISSUE**

**(\$/000)**

Yr. End								Ref'd'g								Ref'd'g	(less	
June 30,	1995B	1997	2005	2006	2007	2008	2009	2009	2010	2011	2012	2013	2014	2015	2016	2016	Ref'd'd	Total
2016	265	110	250	505	225	570	315	185	470	525	1,065	575	760	500	0	0	0	6,320
2017		110		185	225	570	310	185	345	360	1,690	1,145	760	495	645	20	0	7,045
2018				190	25	575	310	185	345	360	2,400	915	735	485	625	235	(215)	7,170
2019				195	25	185	310	185	345	355	2,825	765	700	430	615	420	(405)	6,950
2020				210	25	185	110	115	345	355	3,210	770	325	430	250	535	(530)	6,335
2021				220	25	185	100		345	355	3,475	765	325	335	245	535	(530)	6,380
2022					25	185	100		280	115	3,685	765	310	335	155	310	(310)	5,955
2023						185	100		280	115	3,520	765	300	335	155	280	(285)	5,750
2024						185	100		280	115	2,170	715	300	320	150	280	(285)	4,330
2025						185	100		280	115	1,870	720	250	320	125	270	(285)	3,950
2026						185	100		280	115	1,585	1,045	250	265	125	270	(285)	3,935
2027						185	100		100	110	1,335	1,430	250	265	70	270	(285)	3,830
2028						185	100		100	110	1,310	1,465	250	265	70	265	(285)	3,835
2029							100		100	110	1,330	1,405	250	265	70	95	(100)	3,625
2030									100	110	1,355	1,435	50	245	65	0		3,360
2031									100	110	1,775	1,065	50	165	65	0		3,330
2032											1,815	1,075	50	160	65	0		3,165
2033											1,800	1,090	50	160	65	0		3,165
2034											685	1,525	50	160	65	0		2,485
2035											685	1,045		150	65	0		1,945
2036											685	565			65	0		1,315
2037											685	565						1,250
2038											685	565						1,250
2039											685	565						1,250
2040											685	565						1,250
2041											685	565						1,250
2042											685	565						1,250
2043												565						565
<b>6/30/2015</b>	265	220	250	1,505	575	3,565	2,255	855	4,095	3,435	44,380	25,000	6,015	6,085	3,755	3,785	(3,800)	102,240
Payments	(265)	(110)	(250)	(505)	(225)	(570)	(315)	(185)	(470)	(525)	(1,065)	(575)	(760)	(500)	0	0	0	(6,320)
Ref'd'd				(815)	(125)	(1,850)	(1,010)											
<b>6/30/2016</b>	0	110	0	185	225	1,145	930	670	3,625	2,910	43,315	24,425	5,255	5,585	3,755	3,785	(3,800)	95,920

NOTE: Shaded rows indicate Bonds to be refunded, with the 2016 Refunding Bonds.

## **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, 2016 the Town's equalized State Valuation of \$3,791,950,000 is 9.29% of the County's equalized State Valuation of \$40,806,800,000. The Town's share is 9.29%, or \$3,337,846, of the County's \$35,920,000 (unaudited) long-term debt projected outstanding as of December 31, 2015.

## **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 December 31, 2015 the Town was contingently responsible for approximately 14.49%, or \$6,273,299 of the PWD's \$43,281,287 (unaudited) 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, 2015, outstanding RRS Debt was \$0.00.

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, 2015 outstanding MRF debt was \$0.00.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and post-closure care costs approximate \$16,451,511 at June 30, 2015 (the most current information available). The Town's proportionate share of these estimated landfill closure and post-closure care costs is 8.92% or \$1,467,511.

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

	<b>Direct Debt</b>	<b>Overlapping</b>	<b>Contingent</b>	<b>Total Debt</b>
Town of Scarborough	\$98,500,000			\$98,500,000
County of Cumberland <sup>(1)</sup>		\$3,337,846		3,337,846
Portland Water District <sup>(1)</sup>			\$6,273,299	6,273,299
ecomaine (RRS)			0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			1,467,511	1,467,511
<b>Total A/O June 30, 2015</b>	<b>\$98,500,000</b>	<b>\$3,337,846</b>	<b>\$7,740,810</b>	<b>\$109,578,656</b>
Debt as % 2016 ESV	<b>2.60%</b>	<b>0.08%</b>	<b>0.20%</b>	<b>2.89%</b>
Debt per Capita	<b>\$5,045.07</b>	<b>\$170.96</b>	<b>\$396.48</b>	<b>\$5,612.51</b>

NOTE: <sup>(1)</sup> Projected, as of fiscal year ended December 31, 2015.

**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**

As the Town identifies, and successfully negotiates the purchase price of, suitable properties for parks and conservation lands it plans to finance such purchase(s) through the issuance of bonds. The Town has \$159,270 under the remaining portion of the Council Order #03-116 and \$1,000,000 of the Council Order #09-105, respectively, in the consolidated amount of \$1,159,270 remaining as authorized but unissued debt for this purpose.

**Rescinded Bond Authorizations**

The Town authorized certain bonded indebtedness between 1995 and 2014 that was not needed and the full amount of such originally authorized municipal bonded indebtedness was never issued either because the projects did not require the full amount of bonded indebtedness that was authorized or the projects

were abandoned. Therefore, by Bond Order 15-080 passed by the Town Council on October 7, 2015, 32 projects, in the consolidated amount of \$4,346,004, of unused and unneeded bonded indebtedness authority was rescinded and de-authorized.

### Additional CIP

The Town continues to have 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. The following projects may be rescinded, if applicable, or financed, if completed, by future bond issues:

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>Authorized Unissued</u>
2005/2006	06-018	Fire Dept Training Building	150,000	0	150,000
2008/2009	08-008	Dunston Sidewalk	550,000	(375,340)	174,660
2007/2008	08-028	Pleasant Hill/Blue Point Out Ltg	70,000	(55,000)	15,000
2007/2008	08-029	Blue Point Fence	25,000	(7,500)	17,500
2007/2008	08-030	Long Range Planning	160,000	(80,000)	80,000
2008/2009	08-122	Broadturn Road	61,700	0	61,700
2008/2009	08-123	Bleacher Safety	45,000	(42,000)	3,000
2008/2009	08-123	Auditorium Wall & Stage	25,000	0	25,000
2008/2009	08-123	HS Café AC	125,000	(100,000)	25,000
2008/2009	08-123	WI Asbestos Abatement	25,000	0	25,000
2008/2009	08-123	DW & WI Bldg Envelope	65,000	(30,000)	35,000
2009/2010	10-011	Running Hill Sewer	1,450,000	0	1,450,000
2010/2011	11-030	Martin Ave/Broadturn Rd	115,000	(60,000)	55,000
2010/2011	11-030	Haigis Pky/Route One	2,235,000	(2,141,500)	93,500
2010/2011	11-031	District Wide Energy Cons	45,000	(13,000)	32,000
2011/2012	12-028	PW Plow Truck	180,000	(176,600)	3,400
2012/2013	13-007	PW Mid-level Road	483,000	(353,400)	129,600
2012/2013	13-007	PW Fogg Road Study	230,000	0	230,000
2012/2013	13-007	DW Movable Equip	25,000	0	25,000
			<u>\$6,064,700</u>	<u>(\$3,434,340)</u>	<u>\$2,630,360</u>

## RETIREMENT

### A. DEFINED BENEFIT PENSION PLAN

#### Description of the Plan

The Town is a “participating local district” pursuant to Regular Plan AC, Special Plan 1C and, effective July 1, 2015, Special Plan 3C 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. 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 or by calling (800) 451-9800. Such report is also available at <http://www.msrs.org/Publications/Publications.htm#AnnualReports>.

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014 and is reported as follows:

The Town contributes to MainePERS, as part of the State Employee and Teacher Plan (the “Teachers Plan”) and also the Participating Local District Consolidated Plan (the “PLD Plan”) (collectively, the “Plans”) which are cost sharing multiple employer defined benefit pension plans. The Plans were established as the administrator of a public employee retirement system under the Laws of the State of Maine. Within the Town, the School Department’s teaching certified employees plus other qualified educators, are eligible to participate in the Teacher s Plan. The Teacher Plan covers 229 participating employers. The Town’s Police, Fire/Rescue and certain other Town employees and the Town’s school custodians, school lunch personnel, and other non-teacher personnel including some educational technicians (Ed Techs), central office employees, and secretarial employees have the option to participate in the PLD Plan. The PLD Plan covers 286 participating employers.

Employee membership data related to the Plans, as of June 30, 2014 was as follows:

	<u>Teachers</u>	<u>PLD</u>
Current participants: Vested and non-vested	39,910	10,848
Terminated participants: Vested	7,571	2,071
Retirees and beneficiaries receiving benefits	<u>32,611</u>	<u>8,333</u>
	80,092	21,252

Benefit terms are established by Maine statute. In the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the Plan and periodically makes recommendations. The Plans’ retirement programs provide defined retirement benefits based on members’ average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for Teacher Plan members is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD Plan members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The Plans also provides disability and death benefits which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members’ accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members’ accounts is set by the Plan’s Board of Trustees and is currently 5%.

For the year ended June 30, 2015, the Town's total payroll for all employees was \$38,201,491. Total covered payroll was \$21,706,258 for the Teacher Plan and \$6,287,712 for the PLD Plan. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

**Contributions**

The contribution requirements of the Teacher Plan members are defined by law or the Plan's Board. Teacher Plan members of the Town's School Department are required to contribute 7.65% of covered compensation to the Teacher Plan. The School Department employee's contributions are deducted from the employee's wages or salary and remitted by the School Department to the Teacher Plan on a monthly basis. The State is statutorily required to contribute 13.03% of annual teacher wages, excluding wages covered by grants, which pays for the unfunded liability for the teachers. Employer contribution rates are determined through actuarial valuations. The School Department's required contribution rate for the year ended June 30, 2015, was 2.65% percent of annual teacher payroll, plus 13.03% for grant funded wages, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year (normal cost contributions). The School Department's contributions to the Teacher Plan for the year ended June 30, 2015 were \$626,859.

The contribution requirements of PLD Plan members are defined by law or the Plan's Board. Employees of the Town and School Department are required to contribute 7.0% of covered compensation to the PLD Plan. The contributions are deducted from the employee's wages or salary and remitted by the Town to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The Town's school and town employees, other than Police and Fire/Rescue, required contribution rate for the year ended June 30, 2015, was 7.8% percent of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2015 was 13.4%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town's contributions to the Plan for the year ended June 30, 2015 were \$624,901.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

**Teacher Plan**

At June 30, 2015, the Town of Scarborough School Department reported a liability for its proportionate share of the net pension liability that reflected a reduction of State pension support provided to the Town's School Department. The amount recognized by the School Department, as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Department was as follows:

Town's proportionate share of the net pension liability:	\$378,299
State's proportionate share of the net pension liability:	<u>19,539,727</u>
Total:	\$19,918,026

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the School Department's proportion was 0.035 percent, which was a decrease of 0.008 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the School Department recognized pension expense of \$157,674 and revenue of \$2,702,952 for support provided by the State. In addition, the School Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience:		\$1,892
Changes of Assumptions:	\$26,053	
Net difference between projected and actual earnings on pension investments:		161,888
Changes in proportion and differences between contributions and proportionate share of contributions:	357,055	90,685
The Town's contributions subsequent to the measurement date:	626,859	
Total:	<u>\$1,009,967</u>	<u>\$254,465</u>

The \$626,859 reported as deferred outflows of resources related to pensions resulting from the School Department's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended June 30,</u></b>	<b><u>PLD Plan</u></b>
2016	\$104,794
2017	104,793
2018	(40,472)
2019	<u>(40,472)</u>
Total	(\$128,643)

#### **PLD Plan**

At June 30, 2015, the Town and the School Department reported a liability of \$2,310,255 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town and the School Department's proportion of the net pension liability was based on a projection of the Town and the School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Town and the School Department's proportion was 1.50%, which was a decrease of 0.02% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town and the School Department recognized pension expense of \$382,816. At June 30, 2015, the Town and the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience:	\$290,099	
Changes of Assumptions:	0	
Net difference between projected and actual earnings on pension investments:		\$2,453,637
Changes in proportion and differences between contributions and proportionate share of contributions:	49,614	
The Town's contributions subsequent to the measurement date:	624,901	
Total:	<u>\$964,614</u>	<u>\$2,453,637</u>

The \$624,901 of deferred outflows of resources resulting from the Town and School Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Plan year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

<u>Year ended June 30,</u>	<u>PLD Plan</u>
2016	(\$500,171)
2017	(500,171)
2018	(500,172)
2019	<u>(613,410)</u>
Total	(\$2,113,924)

### **Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation, methodology and assumptions are detailed in "APPENDIX A - TOWN OF SCARBOROUGH, MAINE, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015", pages 68 et seq, herein.

### **B. DEFINED CONTRIBUTION PENSION 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. 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 \$305,907 which was 6% of the participating employees and 17% of the Town Manager's current year covered payroll. The covered payroll amounted to \$4,842,156, while the Town's total payroll was \$12,355,347. Employee's required contributions amounted to \$282,083, 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.

### **C. 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 (“GASB”) 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.

**D. 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 the consultants in January 2014 for the year ended June 30, 2014. 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 and the annual required contribution:

Normal cost:	\$116,338
Amortization of unfunded cost:	151,698
Interest:	<u>5,308</u>
Annual required contribution:	\$273,344

**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, 2015 was:

Annual required contribution:	\$273,344
Interest on NET OPEB Obligation:	54,136
Amortization adjustment to ARC:	<u>(78,267)</u>
Annual OPEB cost:	249,213
Actual contribution:	<u>(45,684)</u>
Increase in Net OPEB obligation:	203,529
Net OPEB – beginning of year:	<u>1,353,397</u>
Net OPEB – end of year:	1,556,926

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

<b>Fiscal Year Ended</b>	<b>Cost</b>	<b>Contributed</b>	<b>Obligation</b>
<b><u>June 30,</u></b>			
2015	\$249,213	16%	\$1,556,926
2014	252,818	20%	1,353,397
2013	254,097	10%	1,151,199
2012	255,098	13%	921,025

The funded status of the plan as of June 30, 2015 was:

Actuarial accrued liability:	\$2,728,097
Plan assets:	<u>0</u>
Unfunded actuarial accrued liability:	\$2,728,097
Covered payroll:	\$9,967,491
Unfunded actuarial accrued liability as % of covered payroll	27%

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**

Securities and Exchange Commission Regulation 229.103 (the "Regulation") requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. The Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. Although the Town, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the Town is voluntarily making the following disclosure with respect to environmental liabilities:

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, 2015**

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

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# TOWN OF SCARBOROUGH MAINE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR  
FISCAL YEAR  
ENDING  
06/30/2015**

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# TOWN OF SCARBOROUGH MAINE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



PREPARED BY:

TOWN OF SCARBOROUGH  
FINANCE DEPARTMENT

**TOWN OF SCARBOROUGH, MAINE**  
**Comprehensive Annual Financial Report**  
**Year ended June 30, 2015**

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**Table of Contents**

	<u>Statement</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal		1-11
Certificate of Achievement for Excellence in Financial Reporting		12
Organizational Chart		13
List of Elected and Appointed Officials		14
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		17-19
Management's Discussion and Analysis		23-35
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	39
Statement of Activities	2	40
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	41
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	43
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	6	44
Statement of Fiduciary Net position – Fiduciary Funds	7	45
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	8	46
Notes to Basic Financial Statements		47-76
Required Supplementary Information		
Schedule of Funding Progress		77
Schedule of Proportionate Share of the Net Pension Liability		78
Schedule of Contributions		79
<u>Exhibit</u>		
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	83
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis	A-2	84-86
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	88
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	93-94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	95-96

**TOWN OF SCARBOROUGH, MAINE**  
**Comprehensive Annual Financial Report**  
**Year ended June 30, 2015**

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**Table of Contents, continued**

	<u>Exhibit</u>	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –		
School Categorical Funds	C-3	97
Nonmajor Capital Project Funds:		
Balance Sheet	D-1	101
Statement of Revenues, Expenditures and Changes in Fund Balance	D-2	102
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	105
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	106
Private-purpose Trust Funds:		
Combining Statement of Fiduciary Net position	F-1	109
Combining Statement of Changes in Fiduciary Net Position	F-2	110
Agency Funds:		
Statement of Changes in Assets and Liabilities	F-3	111
General Long-term Debt:		
Statement of Changes in General Long-term Debt	G	115-116

Table

**STATISTICAL SECTION**

Statistical Information:

Net Position by Component - Last Ten Fiscal Years	1	121
Changes in Net Position - Last Ten Fiscal Years	2	122
Fund Balances of Governmental Funds - Last Ten Fiscal Years	3	123
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	4	124
General Governmental Expenditures by Function - Budgetary Basis – Last Ten Fiscal Years	5	125
General Government Tax Revenue by Source - Last Ten Fiscal Years	6	126
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	7	127
Property Tax Rates Direct and Overlapping Governments – Last Ten Fiscal Years	8	128
Principal Property Taxpayers – Current Year and Ten Years Ago	9	129
Property Tax Levies and Collections – Last Ten Fiscal Years	10	130
Assessed Valuations and Tax Levies – Last Ten Fiscal Years	11	131
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	12	132
Ratios of General Bonded Debt Outstanding	12A	133
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures - Last Ten Fiscal Years	13	134
Legal Debt Margin Information – Last Ten Fiscal Years	14	135
Direct, Overlapping and Contingent Debt – Last Ten Fiscal Years	14A	136
Demographic and Economic Statistics – Last Ten Fiscal Years	15	137
Principal Employers – Current Year and Ten Years Ago	16	138
Unemployment Data – Last Ten Fiscal Years	17	139
Operating Indicators by Function – Last Ten Fiscal Years	18	140
Capital Asset Statistics by Function – Last Six Fiscal Years	19	141
Town Government Employees by Function Last Ten Fiscal Years	20	142
Departmental Listings by Division, Department and Function	21	143

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# TOWN OF SCARBOROUGH MAINE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



## INTRODUCTION

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# *Town of Scarborough, Maine*

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

February 26, 2016

William Donovan, Council Chairperson  
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, 2015.

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.

The comprehensive annual financial report is prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. 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 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, 2014. This is the tenth-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.

## **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 Scarborough 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 members, 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, most 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, at least 60 days prior to the beginning of each fiscal year. 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 voters must approve a Budget Validation Referenda to approve the school's budget. 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 school 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 the school referendum is approved.

## **ECONOMIC CONDITION AND FUTURE OUTLOOK**

**Maine Economy.** The decline in heating oil prices benefitted residents and businesses alike in 2015. With oil prices lower than in the past three years, consumer sentiment and small business optimism increased. While optimism is up, Maine is still demographically challenged as the oldest state in the nation (ranked by median age).

In the good news category, single family home sales in Maine increased by 8.6% from January 2014 to January 2015. Single-family building permits also increased. Maine's foreclosure rate is declining, although it is still above the U.S. rate, as it has been for the previous 10 quarters.

Labor conditions improve as the unemployment rate dropped to the lowest rate in nearly seven years. The Maine Department of Labor estimates that payroll jobs increased by 2,700. Interestingly, the labor force declined by 7,000 people, far more than the number of jobs created. This gap is partly due to the thousands of "Baby Boomers" leaving the workforce for retirement.

As for challenges, Maine has the highest share of people in their 60's and the second highest share in their 50's in the nation. For the next two decades, thousands of baby boomers will be retiring. Not surprisingly, Maine has the lowest share of people in the under-age-25 category. According to the Maine Department of Labor, the size of the labor force reached a plateau in 2005 and by 2013, the labor force began to decline. Unless Maine can attract people of working ages to the state, employment growth will be limited.

According to the latest forecast by the Consensus Economic Forecasting Commission (April 1, 2015), the 2019 job forecast for Maine is nearly the same as the 2007 pre-recession peak at 617,600 jobs.

**Local Economy.** Scarborough remains one of Maine's leading communities for growth in both jobs and residents. As of 2014, Scarborough is the ninth largest community in the state in terms of population and the seventh largest community in terms of jobs.

Scarborough added 621 new residents in the last four years according to the US Census estimates of local population for 2014. Since 2010, Scarborough posted the second highest increase in net new residents within the state, with only the Town of Gorham adding more in this same period. Fueled by new housing starts, the current population of the Scarborough is now 19,524. Scarborough is now larger than the Saco and Augusta.

The popularity of Scarborough as a place to live fueled the residential construction industry. In the four years covering 2010-2014, Scarborough permitted 320 new residential units. In 2014, the average construction cost of a new unit was \$302,956.

The unemployment rate for Scarborough in 2014, the most recent data available, was more than two points lower than the state as a whole (3.9% versus 6.2%). While Scarborough unemployment rates were not yet available for 2015, the Cumberland County August 2015 rate was 2.9%.



In 2014, Scarborough's job-count totaled 14,564 payroll jobs. If you look at total jobs, which includes contract workers and self-employed, the job-count jumps to 16,182. Over the past 10 years, Scarborough added over 1,500 payroll jobs.

Health Care represents the largest economic sector within Scarborough – representing just over 17% of the jobs. Maine Health, a major player in the health care market, is fueling this economic sector, which has both its research institute and its financial center located here in Scarborough.

Growth in this sector has excellent prospects. The industry as a whole has a bright outlook. In 2016, Martin's Point Health Care is expected to build a new facility on site of the former Scarborough Commons office complex. This complex was destroyed by fire in September 2014.

Other new investments this year include Bellavita, an assisted living facility with 82 units and Salt Pump Climbing Co., a 10,000 square foot new facility on Haigis Parkway. More than 100,000 square feet of new retail space is scheduled to open by January 2016 in Scarborough Gallery, across from Lowe's Home Improvement. The space is nearing completion as of October 2015, and some stores may open as early as November.

Perhaps the most significant announcement for 2015 came in February when Canadian-based Sun Life Financial announced their intentions of opening a new disability insurance center in Scarborough. The company leased 40,000 square feet on Ashley Drive, the former headquarters of Cole Haan. As of September, the company is active in the new location with approximately 70 new employees. The company anticipates ramping up to 200 employees in the near future. This company chose the Portland region and Scarborough specifically, after a national search for a new location. Sun Life was drawn to the region because of the area's talent base in the industry.

Redevelopment projects also played a significant role in Scarborough's economic landscape in 2015. The former Dunstan School building is now the home of On the Vine Marketplace. Working within the walls of the existing structure, the renovations to the building took place over the summer of 2015 and the company opened its doors in September.

In Pine Point, Ready Seafood took over the building formerly occupied by the Nestling Duck and created a state of the art facility for storing lobster. Another company, Mainely Tubs, took over the former Mill Store on Payne Road. With a significant investment in renovations, Mainely Tubs was able to bring together their retail and product warehousing to one location. The new facility allows them significantly more floor space for retail.

The outlook for 2016 includes the completion of the retail space at Scarborough Gallery, the approval and start of the Martin's Point Health Care facility, and continued increases in staffing for Sun Life Financial.

Beyond 2016, the Scarborough Downs or "Crossroads" zoning district has the potential to play a significant role in the region's economy. The future of some 300+ acres in the center of Scarborough and next to the Maine Mall area is yet to be determined.

Sources: SEDCO Survey of Major Employers, Maine Department of Labor, "Report of the Consensus Economic Forecasting Commission, April 1, 2015.

**Comprehensive Plan.** One of the key tasks of the Long Range Planning Committee (LRPC) is to facilitate the implementation and execution of the Town's Comprehensive Plan. During fiscal year 2015, the committee continued this tireless effort. Below are the Key Initiatives and Accomplishments for 2015:

- ***Streamlined Development Review by acquiring “Municipal Capacity”*** – The town was recognized for our comprehensive land use ordinances and review process. Once the State approved this ordinance, the Town is authorized to review larger projects without additional approvals and reviews by the Maine Department of Environmental Protection (MDEP).
- ***Developed a new Ordinance for Wireless Towers and Facilities*** – Assisted the Ordinance Committee and Town Council in creating and adopting contemporary and comprehensive zoning for wireless towers and facilities.
- ***Historic Preservation and Affordable Housing Efforts*** – Two primary Town Council goals this year were preserving historic properties and creating more opportunities for affordable housing. Given this, the Planning staff worked closely with the Council's Committees to create a local list of historic properties, zoning and code incentives for historic preservation and additional zoning tools for affordable housing, including an affordable housing in-lieu of fee.
- ***Revitalization Plan for Dunstan Corner*** – The Dunstan area of Scarborough is poised to become a vital mixed-use center. To this end, SEDCO and the Planning Department worked closely to facilitate a revitalization strategy to help enable this area to continue to develop positively.
- ***Stormwater and Watershed Improvements*** – The Planning and Public Work's departments, worked together to expand stormwater management requirements as well as implement improvements within impaired watersheds. These efforts include getting Maine DEP funding for restoration projects along the Red Brook stream corridor and planning for enhancements of both Phillips and Mill Brooks.
- ***Bicycle and Pedestrian Plans and Improvements*** – Working with Scarborough's Transportation Committee, the Eastern Trail Management District and the Bicycle Coalition of Maine, the Planning department has been working on a wide range of bicycle and pedestrian projects in Town. These initiatives include acquiring construction funding for a 0.8-mile extension of the Eastern Trail; implementing a new signalized crosswalk with landscaped islands at Gorham Road and Hannaford Drive; and planning for pedestrian and safety improvements at and around the Oak Hill intersection.



In addition to these initiatives, the Planning and Engineering Divisions manage the Site Plan and Subdivision review process, which included some significant development projects in 2015. Most notably:

- *Leighton Farms Residential Subdivision – 97 Single-Family Lots*
- *Habitat for Humanity Subdivision – 13 Lot Single-Family Lots*
- *Sawgrass Residential Subdivision – 24 Single-Family Lots*
- *Piper Shores Retirement Community Expansion – 30 Assisted Living Units*
- *Burnham Village Expansion – 32 Multi-Family Units*
- *Griffin Road Elderly Housing – 36 Elderly Housing Units*
- *Waterstone Retail Development at Scarborough Gallery – 115,000 SF Building*
- *Expansion of Prime Mercedes Benz Dealership*

### **Major Initiatives:**

**For the year.** Over the course of fiscal year 2015, the volume and pace of construction activity continued its upward trend as the local residential real estate market strengthened and interest in commercial and non-residential development expanded. The Zoning and Code Enforcement Division focused on a range of initiatives aimed at continuing to be responsive and customer-friendly, while ensuring compliance with our building, zoning and life-safety codes.

### **Key Initiatives and Accomplishments for FY 2015:**

#### **Planning:**

- *Webpage and Content* – Improving customer service and access to forms, permits and regulations by expanding our webpage and content so customers can access more information remotely.
- *Using Mobile Technology to Improve Efficiency* – Expanding Code Officer’s use of tablet technology so that they have mobile access to plans, files and permits to increase efficiency in their field work and reduce trips back to the office.
- *Focus on Erosion Control and Best Management Practices* – As development activity has increased in the past year and as more development is proposed near wetlands and other natural resources, our staff have increasingly focused on monitoring erosion control and environmental best practices to ensure construction activities do not impact our natural resources.
- *Convert to an All-Electric Inspection Vehicle* – The Planning Department is the first department to purchase an all-electric Nissan Leaf. This new vehicle was a fiscally responsible purchase since we were able to obtain a grant for a portion of the purchase. This vehicle has been a great success in terms of both cost and environmental stewardship.

#### **School:**

A highlight of the 2014-15 fiscal year was the opening of the new Wentworth School, a state-of-the-art educational facility designed and built to replace the deteriorating 53-year-old Wentworth Intermediate School. Opening ceremonies were a joyful celebration of advanced opportunities for teaching and learning, with grateful acknowledgement of the community’s support for this locally funded project.

Over 800 students and staff made the transition, and have set to work incorporating advanced technology and collaborative workspaces into their curriculum.

The Wentworth School construction project was notable for its smooth progress and timely completion. Project financial statements are almost complete, with only a small balance owed to the contractor pending final site work. The project was budgeted by the Wentworth Building Committee at over \$3 million less than the amount approved by Scarborough citizens at referendum, and finished an additional \$300,000 under budget.

The Scarborough community has embraced this new school building and is already in use well beyond the school day. Some examples: the Town of Scarborough's Community Services childcare program; Gym Dandies Children's Circus; school concerts and performances; town-wide Community Dialogue; a gathering place for seniors.

### **Fire:**

This past fiscal year, an accomplishment the Fire Department is most proud of is the successful graduation of six of our paramedics from a yearlong Community Paramedic advanced Certification program. This initiative was funded through a \$225,090 regional Metro Fire Chiefs' federal grant that covered 90% of the cost of tuition and overtime costs. We are now working with various stakeholders to develop a pilot program to help proactively serve the community with targeted home-based healthcare initiatives to help save unnecessary hospital admissions, reduce costs, and provide more access to healthcare.

### **Police:**

In February 2015, the Scarborough Public Safety Communications Center took over responsibilities for providing both dispatch and 911 service to the citizens of the Town of Old Orchard Beach, Maine under a mutually beneficial contractual agreement. In order to cover the additional call volume three new public safety dispatchers were hired.

In this fiscal year, the Police Department decided to standardize its fleet. The Ford Police Interceptor SUV was chosen as the main vehicle for a number of reasons. The 3.7 liter V-6 engine utilized in the vehicle makes it almost as fuel efficient as all of the sedans that currently offered as police packages. It has the advantage of all-wheel drive and the clearance of the SUV for winter operation and allows better access to more remote areas. The interior volume allows more room for people and equipment. The height and size also makes it easier for officers to enter and exit the vehicle throughout their shifts. The town has found maintenance costs to be reasonable for the Ford police options, and cost and ease of initial set-up has been the best with the Ford SUV.

The Police Department continues to make valuable use of social media. In addition to our already existing presence on Facebook and Twitter, we also collaborated with Nextdoor. Nextdoor is a private social media network that members of Scarborough can sign up for, free of charge. It allows users to communicate with their neighbors and community, but also stay informed with posts and alerts from the police department. Unlike Facebook and Twitter, citizens only see the alerts for the neighborhood in which they reside. Every member must verify their address and use their real name. However, members can choose what information they wish to share. Currently, over 700 Scarborough residents use Nextdoor, and we hope to see that number grow.



Over the course of this fiscal year, our presence on social media has been responsible for solving a number of crimes that may otherwise have gone unsolved. We are also able to keep citizens up to date on important information pertinent to our community.

### **Public Works:**

The fiscal year ending June 30, 2015 provided its own unique challenges and opportunities to the staff of the Public Works Department. The administrative team this year responded to 1,440 requests for service from residents and outside entities. For the past fourteen years, the public works staff used a public works software package called CitiTech to track these calls and the work performed. We embarked on a major project to replace CitiTech with a different program named Cityworks. This software change allowed our staff to more fully use our robust Geographic Information System (GIS) program, developed over the last eight years.

Another factor in the change was the added mobility that Cityworks offers in comparison to the old software. The change allows for expanded inspection and record keeping functionality, out in the field, than ever before. The advantage to this is that work will be real-time and will require less post-processing. Data that is more accurate is another benefit because the person completing the work or inspection will be entering it directly into the system.

Public Works Vehicle Maintenance Division participates in an automotive technician internship program with Southern Maine Community College. Over the past three years, we have hosted a student with the goal of introducing him/her to the opportunities available in a municipal career. We were fortunate enough to be able offer a position to one of these students allowing our staffing to grow from six to seven employees.

### **For the Future.**

The School Board has established a long-range facilities planning committee. In 2014-15, the team commissioned an extensive and detailed district-wide facilities report from Harriman Associates. A number of scenarios for future school facilities management and investment were developed based on this report and are under consideration. The team has also commissioned an updated town demographics analysis from Planning Decisions to support more accurate enrollment projections. This work continues into fiscal 2015-16.

The energy efficient project that is furthering the Town of Scarborough's green efforts is the Tri-Generational natural gas-fired generator for the municipal building. We are now 98 percent complete and Tri-Gen is providing the heating and electrical needs of the Municipal building. Anticipated completion date is February 2016.

The first phase of the "Pleasant Hill Drainage and Road Reconstruction Project" is completed. This two-year project will consist of rebuilding the road from Highland Avenue to Route One.



With an average daily trip count of ten thousand vehicles per day, this segment of road is ready for reconstruction. A Municipal Partnership Agreement with the Maine Department of Transportation (MDOT) provides partial funding for this work. The next major project will be on the southern side of Scarborough on East Grand Avenue. The reconstruction of East Grand Avenue is scheduled in the five-year plan. It is the Town of Scarborough's hope that we will once again be successful in securing Municipal Partnership Agreement funding through the MDOT for this project. The timing is favorable as MDOT plans to replace the railroad bridge on Pine Point Road starting in the fall of 2015.

The Portland Area Comprehensive Transportation System (PACTS) and the MDOT gave approval for approximately \$2.7 million in funding for Scarborough to complete the remaining segments of the Eastern Trail project, which include two bridges and trail improvements from Pleasant Hill Road to South Portland. Fund raising efforts are continuing for the remaining balance of \$900,000 of needed funding. Now that the preliminary designs are complete, the next step is the permitting process.

**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. The plan is updated annually.

Scarborough's annual "Pavement Management Study" gives the Town the ability to project our level of road rehabilitation costs well into the future. We continue to add \$20,000 per year to capital funding that is geared toward mid-level road maintenance and rehabilitation. This program will keep roads at a minimal level of wear over a longer period. The funds, along with other annual capital project funding, provides the resources to keep the roads in Scarborough in better than average condition for the long term.

Mindful of Town-wide focus on debt service levels, the School Board will coordinate with the Town Council to manage large-scale investments with a broader perspective. To facilitate this, the School developed its first five-year capital improvement budget. This capital budget will provide the tools to determine the improvements to facilities, transportation and technology.

## **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 2015 value by \$40,182,500 from 2014. For the 2015 tax year, the valuation was \$3,700,488,200 compared to the 2014 valuation of \$3,660,305,700.

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, 2015</u>
\$603,735 in 2011	\$21,223
\$581,380 in 2012	\$20,131
\$641,719 in 2013	\$41,015
\$749,380 in 2014	\$227,314
\$555,384 in 2015	\$555,384

The Town Council authorized the use of \$200,000 from school fund balance, for fiscal year 2013. Of this amount, the fund balance actually utilized was \$0. Similarly, for 2014, the Town Council authorized \$200,000 from the School’s fund balance to help offset the loss of education state revenues, which again, the town did not actually utilize. For 2015, the Town Council authorized \$800,000 from the School’s fund balance to assist with their 2015 funding needs and once again, these funds were not utilized.

The Town of Scarborough’s management is committed to properly safeguarding, managing and accounting for the Town’s assets by implementing internal controls with policies and procedures at all levels. The Town’s written policies and procedures clearly state which individual positions have the authority to authorize and/or access each different type of transaction. We have a structured segregation of specific duties in place and employees are educated on understanding the purpose and importance of internal controls. All of the asset and liability transactions are recorded into the Town’s accounting system. This accounting system includes control features such as system generated sequential numbering, segregated approval requirements, email workflow notifications and audit trails. The Town of Scarborough’s electronic banking system requires multiple approvals and the use of security tokens to authorize electronic transfers. Hardcopy records are accessible only to authorized personnel. No one person has sole access to any one process. Management routinely reviews and reconciles the Town’s accounts and follows up on all indications of potential errors or irregularities. The Town of Scarborough’s Information Technology Department oversees the computer hardware and software. This technology is housed in an environmentally secured computer room and the information is backed-up every night off site.

**OTHER INFORMATION**

**Awards.** The Fire Department received a Best Practices Award from the Maine Fire Protection Services Commission. This award was in recognition of the town’s new combination Fire Inspector/Code Enforcement Officer position that the Fire and Planning Departments share. The Fire Commission looks for programs or initiatives that can be replicated successfully by other departments across the state.

The Fire and Police Departments were honored to receive a Psychologically Healthy Workplace Award from the Maine Chapter of the American Psychological Association (APA).

**Independent Audit.** The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of Macpage LLC was engaged to perform the annual audit for the Scarborough Town Council for fiscal year 2015. This audit is designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133.

**Acknowledgements.** I would like to thank the Town Manager and the Town Council for their unfailing support in maintaining the highest standards of professionalism for the management of the Town's finances. Thank you for interest and support. In addition, I would like express my appreciation to the department administrators for their contributions to this report. The preparation of this report would not have been possible without the efficient and dedicated services of the Finance department staff. Each member of the finance department has our sincere and grateful appreciation for their contributions in the preparation of this report. Finally, I would like to acknowledge the firm of MacPage LLC for their efforts and guidance during the engagement.

Respectfully Submitted,

Ruth D. Porter  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Scarborough  
Maine**

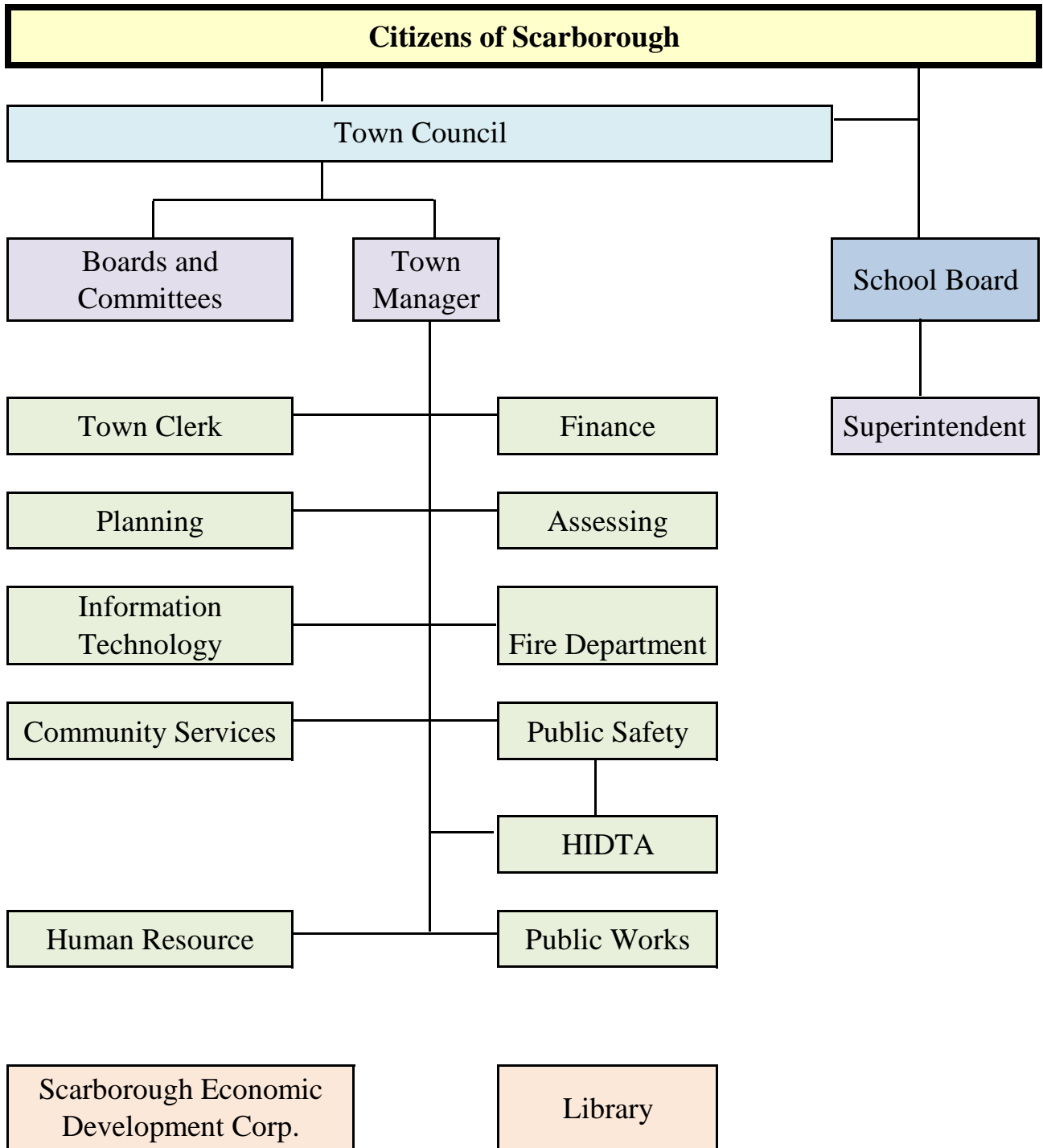
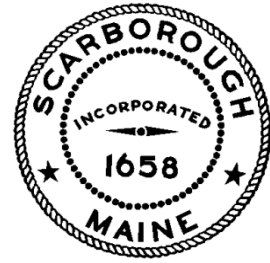
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# Town of Scarborough, Maine

## Organizational Chart



**Principal Executive Officers 2014-2015**

The following table sets forth the principal executive officers of the Town of Scarborough.

<u>OFFICE</u>	<u>NAME</u>	<u>MANNER OF SELECTION/TERM</u>	<u>TERM EXPIRES</u>
Councilors	Jessica Holbrook, Council Chair	Elected - 3 Year Term	11/18/2015
	Shawn Babine	Elected - 3 Year Term	11/15/2017
	Edward Blaise	Elected - 3 Year Term	11/18/2015
	Jean-Marie Caterina	Elected - 3 Year Term	11/16/2016
	William Donovan	Elected - 3 Year Term	11/16/2016
	Peter Hayes	Elected - 3 Year Term	11/15/2017
	Katherine St. Clair	Elected - 3 Year Term	11/15/2017
<b>Municipal Employees:</b>			
Town Mgr.	Thomas J. Hall	Appointed - 3 Year Term	12/31/2018
Town Clerk/Registrar of Voters	Yolande P. Justice	Appointed/Indefinite	N/A
Tax Collector/Finance Director and Treasurer	Ruth D. Porter	Appointed/Indefinite	N/A
Assessor	Matthew Sturgis	Appointed - 1 Year Term	06/30/2016
Chief of Police	Robert Moulton	Appointed/Indefinite	N/A
Code Enforcement Officer	Brian Longstaff	Appointed/Indefinite	N/A
Director of Public Works	Michael Shaw	Appointed/Indefinite	N/A
Fire Chief	B. Michael Thurlow	Appointed/Indefinite	N/A
Town Planner	Dan Bacon	Appointed/Indefinite	N/A
Senior Planner	Jay Chace	Appointed/Indefinite	N/A
Recreation Director	Bruce Gullifer	Appointed/Indefinite	N/A
Human Resource/General Ass't.	Jaclyn Mandrake	Appointed/Indefinite	N/A
Community Development Director	Karen Martin	Appointed/Indefinite	N/A
<b>School Board:</b>			
Members, Board of Education	Donna Beeley, Board Chair	Elected - 3 Year Term	11/18/2015
	Christopher Caiazzo	Elected - 3 Year Term	11/18/2015
	Vacant	Elected - 3 Year Term	11/16/2016
	Christine Massengill	Elected - 3 Year Term	11/15/2017
	Kelly Noonan Murphy	Elected - 3 Year Term	11/15/2017
	Jacqueline Perry	Elected - 3 Year Term	11/18/2015
	Jodi Shea	Elected - 3 Year Term	11/16/2015
Superintendent of Schools	Dr. George Entwistle, III	Appointed/Indefinite	N/A
Assistant Superintendent of Schools/Adult Education Director	Jo Ann Sizemore	Appointed/Indefinite	N/A
Business Office Manager	Kate Bolton	Appointed/Indefinite	N/A
School Lunch Director	Judy Campbell	Appointed/Indefinite	N/A
Federal Project Administrators:	Monique Culbertson Kate Bolton		



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TOWN OF  
**SCARBOROUGH MAINE**

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



**FINANCIAL SECTION**

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## Independent Auditors' Report

Town Council  
Town of Scarborough, Maine

### Report on the Financial Statements

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 (the Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scarborough Public Library, a component unit of the Town of Scarborough, Maine, which is presented as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Scarborough Public Library, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Town Council  
Town of Scarborough, Maine

## **Opinions**

In our opinion, based on our audit and the report of other auditors, 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 and for the year ended June 30, 2015 and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in the Notes to the financial statements, the Town of Scarborough, Maine adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 – 35, the Schedule of Funding Progress on page 77, the Schedule of Proportionate Share of the Net Pension Liability on page 78, and the Schedule of Contributions on page 79, 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 an 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Scarborough, Maine's financial statements. The introductory section on pages 1 – 11, supplementary statements and schedules on pages 83 – 116, and statistical tables on pages 121 – 143, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Town Council  
Town of Scarborough, Maine

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Town of Scarborough, Maine's basic financial statements for the year ended June 30, 2014, which are not presented with the accompanying statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Scarborough, Maine. The financial statements of the Scarborough Public Library, a component unit of the Town, were audited by other auditors. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Scarborough, Maine's basic financial statements as a whole. 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, related to the June 30, 2014 financial statements 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 related directly to the underlying accounting and other records used to prepare the June 30, 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the June 30, 2014 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, are fairly stated in all material respects, in relation to the basic financial statements from which they have been derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Scarborough, Maine's internal control over financial reporting and compliance.

*Macpage LLC*

South Portland, Maine  
February 26, 2016

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TOWN OF  
SCARBOROUGH MAINE

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



MANAGEMENT'S  
DISCUSSION AND ANALYSIS

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**TOWN OF SCARBOROUGH, MAINE**  
**Management Discussion and Analysis**  
**June 30, 2015**

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As management of the Town of Scarborough, we are presenting our narrative overview and analysis of the Town's financial activities during the fiscal year ended June 30, 2015. 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.

### **FINANCIAL HIGHLIGHTS**

Due to the implementation of GASB 68, *Accounting and Reporting for Pensions*, and GASB 71, an amendment of GASB 68, beginning net position was restated from \$61,844,176 to \$57,709,831, a decrease of \$4,134,345.

The assets of the Town of Scarborough exceeded its liabilities at the close of this most recent fiscal year by \$59,749,588 (net position). Of this amount, (\$1,363,245) represents a deficit unrestricted net position, the result of GASB 68 and 71.

- The Town's total net position increased \$2,039,757. This represents a 3.5% increase over last year's restated net position.
- As of June 30, 2015, the Town's governmental funds reported combined fund balances of \$20,502,252, a decrease of \$2,642,871 compared with the prior year. Approximately 28.15% of this amount, or \$5,771,537, is available for spending at the Town's discretion (*assigned and unassigned fund balance*).
- Total nonspendable fund balance increased by \$19,487 from \$196,385 to \$215,872. Restricted fund balance decreased by \$4,021,767 from \$13,578,584 to \$9,556,817. Total committed fund balance increased by \$59,879 from \$4,898,147 to \$4,958,026. Assigned fund balance increased by \$344,989 from \$2,384,384 to \$2,729,373. Finally, the unassigned fund balance for the governmental funds increased by \$954,541 from \$2,087,623 to \$3,042,164.
- With respect to fund balances in the governmental funds, of the \$10,729,563 reported as committed (authorized by town council), assigned (authorized by town manager) and unassigned fund balance, \$3,074,441 are special revenue funds authorized for specific projects and the remaining amount of \$7,655,122 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, 2015, unrestricted fund balance for the general fund was \$8,221,705, or 10.51% of the total general fund expenditures of \$78,260,347. The fund balance policy goes on to state that "any excess above 10% will be assigned for capital needs or for property tax stabilization of the Town."
- Total debt increased by \$605,000 from the prior year. Total debt retired was \$5,480,000. Total debt issued was \$6,085,000 in general obligation bonds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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The statement of net position presents information on all Town of Scarborough's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 39 – 40 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financial decisions. Both the governmental fund balance sheet (Statement 3) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Statement 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, Wentworth Intermediate Construction 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 41 – 42 of this report.



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

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**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 Wentworth School Construction Account was established to account for funds approved by voter referendum to replace the existing school building.

The Municipal Building Fund, General Town Improvement and General School Improvement accounts are not considered major funds and are provided in the form of combining statements elsewhere in this report. The Wentworth School Construction Project is considered a major fund and shows as a separate fund on Statements 3 and 4 of the basic financial statements. As of June 30, 2015, the Town borrowed \$35,784,815, excluding any bond premium, towards this project not to exceed \$39,077,594 by voter referendum. The Town will not need to borrow the remaining funds for the Wentworth project. The non-major capital projects fund financial statements are found on pages 101-102 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 105-106 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 accounting used for fiduciary funds is much like that used for proprietary funds.

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 109-111 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-76.

**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 83-116 of this report.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position over time, may serve as a useful indicator of the Town's financial position. In the case of the Town of Scarborough, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,749,588 as of June 30, 2015.

By far, the largest portion of the Town of Scarborough's Net Position (95.57%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets. 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 Position for the current year and the prior two years.

**Town of Scarborough's Net Position**  
**Governmental Activities**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current and other assets	\$ 28,185,083	\$ 31,424,076	\$ 44,406,380
Long term assets	1,457,623	1,590,789	1,821,073
Capital Assets	<u>148,281,938</u>	<u>143,599,908</u>	<u>126,890,790</u>
Total Assets	<u>177,924,644</u>	<u>176,614,773</u>	<u>173,118,243</u>
Total deferred outflows of resources	<u>4,280,858</u>	<u>3,538,902</u>	<u>2,544,244</u>
Total Deferred outflows	<u>4,280,858</u>	<u>3,538,902</u>	<u>2,544,244</u>
Liabilities:			
Long term liabilities outstanding	111,086,443	113,051,637	100,973,990
Other liabilities	<u>8,661,369</u>	<u>9,392,207</u>	<u>14,962,547</u>
Total Liabilities	<u>119,747,812</u>	<u>122,443,844</u>	<u>115,936,537</u>
Total deferred inflows of resources	<u>2,708,102</u>	-	-
Total Deferred inflows	<u>2,708,102</u>	-	-
Net assets:			
Net investment in capital assets	57,103,811	53,887,278	49,823,697
Restricted	4,009,022	4,049,315	3,555,142
Unrestricted	<u>(1,363,245)</u>	<u>(226,762)</u>	<u>6,347,111</u>
Total Net Position	<u>\$ 59,749,588</u>	<u>\$ 57,709,831</u>	<u>\$ 59,725,950</u>

\$4,009,022 (6.71%) of the Town of Scarborough's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position, for (\$1,363,245), as stated earlier, is the result of the new GASB pension standards.

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 position.

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

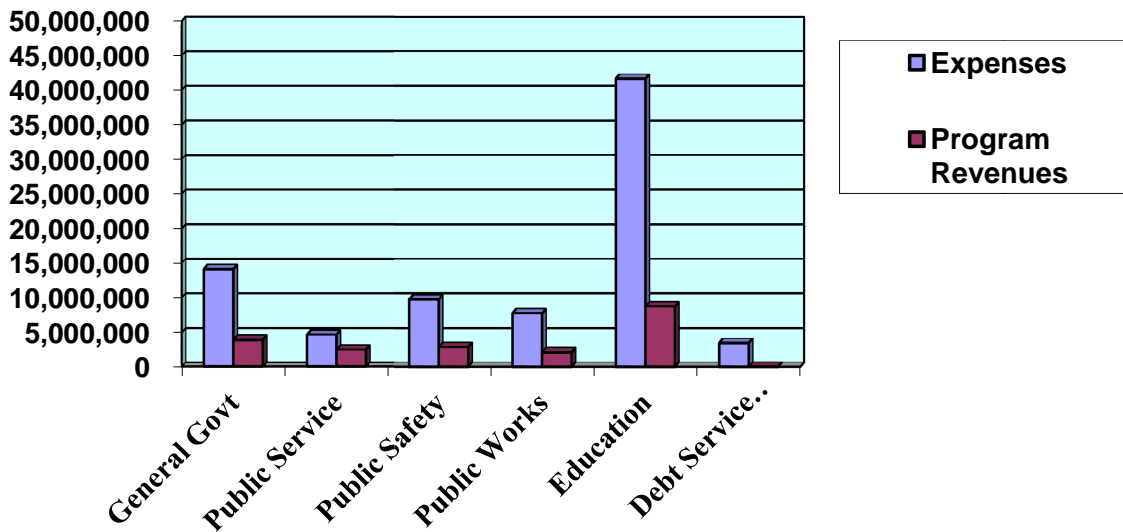
**GOVERNMENTAL ACTIVITIES.** The increase pertaining to the Town of Scarborough's net position of \$2,039,757 is due to the governmental activities of the Town. The Town of Scarborough's non-tax revenues increased by \$1,381,458 and tax revenues increased by \$2,039,626. Increase in taxes is due in part to an increase in the overall assessed valuation of \$40,182,500 from \$3,660,305,700 to \$3,700,488,200. Additionally, vehicle excise tax collections increased by \$405,667 from the prior year. The Town of Scarborough property taxes increased as the Town continues to improve the quality of education for our students. Public Safety expenditures increased as the Town of Scarborough contracted with the neighboring community of Old Orchard Beach Maine to provide Dispatch services to that community. Intergovernmental revenues also increased as a result. Finally, the Fire Department staffing plan continues to be implemented.

Key components of this increase are shown below.

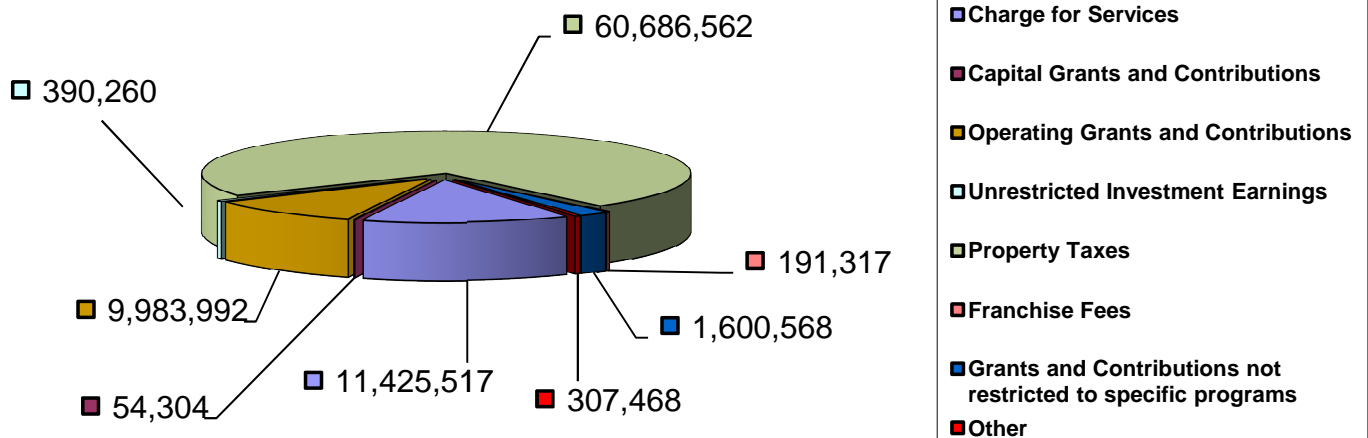
**Town of Scarborough's Changes in Net Position**

	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 11,425,517	\$ 9,379,113
Operating grants and contributions	8,586,603	9,983,992
Capital grants and contributions	54,304	159,089
General Revenues:		
Property and excise taxes, levied for general purposes	60,686,562	58,646,936
Franchise Tax	191,317	191,220
Grants and contributions not restricted to specific programs	1,600,568	1,274,768
Unrestricted investment earnings	390,260	108,862
Other	307,468	77,535
Total revenues	<u>83,242,599</u>	<u>79,821,515</u>
Expenses:		
General government	14,077,217	11,346,043
Public Services	4,658,690	4,188,079
Public Safety	9,716,227	9,362,899
Public Works	7,713,975	7,617,844
Education	41,617,985	41,772,944
Interest on Debt Service	3,418,748	3,415,482
Total expenses	<u>81,202,842</u>	<u>77,703,291</u>
Increase in net position	2,039,757	2,118,224
Net position beginning (as restated)	57,709,831	55,591,607
<b>Net position ending</b>	<b>\$ 59,749,588</b>	<b>\$ 57,709,831</b>

### 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 of Scarborough'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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use by the Town Council of the Town of Scarborough.

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

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At June 30, 2015, the Town of Scarborough's governmental funds reported combined fund balances of \$20,502,252. This is a decrease of \$2,642,871 in comparison with the prior year. Approximately 14.84% of this amount, or \$3,042,164, constitutes *unassigned fund* balance that is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed or assigned*. This indicates that it is 1) not in spendable form (\$215,872), 2) restricted for particular purposes (\$9,556,817), 3) committed for particular purposes (\$4,958,026), or 4) assigned for a particular purpose (\$2,729,373).

The revenues generated for the Haigis Parkway from 15-year special sewer assessment payments and tax increment financing revenues will be used to pay the long-term debt service payments on the Haigis Parkway infrastructure construction. The deficit fund balance is anticipated to grow until the special assessments are paid over time.

**Governmental Fund Balance Comparison**

	<b>2015</b>	<b>2014</b>
General Fund	\$ 11,702,578	\$ 9,608,488
Wentworth School Construction	2,954,194	6,401,250
Haigis Parkway	(1,289,688)	(1,029,143)
Other Governmental Funds	7,135,168	8,164,528
<b>Total</b>	<b>\$ 20,502,252</b>	<b>\$ 23,145,123</b>

As noted earlier, governmental funds reported combined fund balances of \$20,502,252, a decrease of \$2,642,871, compared with the prior year fund balances of \$23,145,123. Of the \$10,729,563 reported as unrestricted fund balance (total of committed, assigned and unassigned), \$3,074,441 are for special revenue fund projects authorized for specific purposes. The capital projects fund has a deficit of (\$566,583) to be funded in future periods from TIF revenues. \$8,221,705 is available for general fund committed and assigned purposes for which these funds are collected.

The remaining \$9,772,689 of fund balance is restricted to indicate that it is not available for new spending because it has already been allocated for the following:

\$ 2,898,090		Deficit Fund Balances in Special Revenues and Capital Projects Funds
2,454,384		Town Capital Projects
356,023		Town Grants
233,364		Perpetual Care of Municipal Cemeteries
3,762,174		Education Funding - including Wentworth School - major fund
68,654		Food Service and Fuel Inventory
\$ 9,772,689		Total Governmental Fund Nonspendable and Restricted Fund Balance

**Capital Projects Fund Highlights**

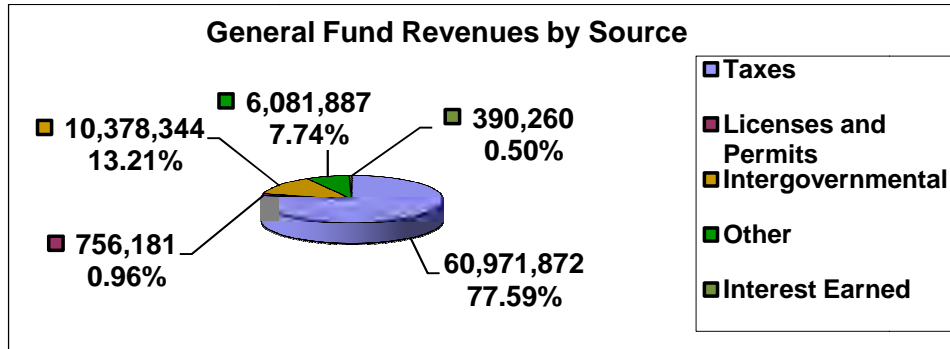
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased \$4,446,509 from \$9,288,504 in 2014 to \$4,841,995 in 2015. Expenditures decreased \$9,447,643, from \$19,825,055 in 2014 to \$10,377,412 in 2015. These decreases in fund balance and expenditures are due to the completion of the Wentworth School Construction Project.

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

**General Fund Highlights**

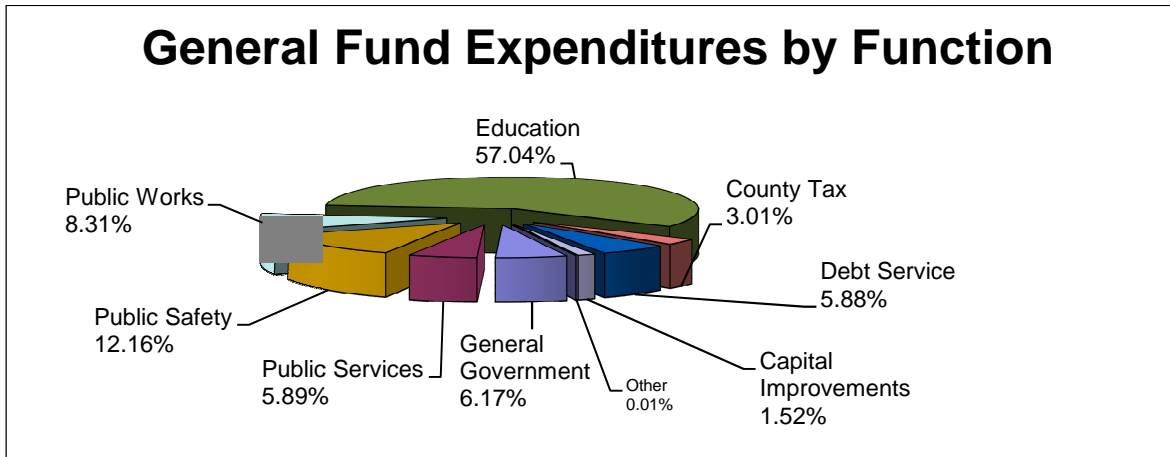
The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2015, total fund balance was \$11,702,578 reflecting an increase of \$2,094,090 compared to the prior year. Unassigned fund balance in the General Fund was \$4,973,289, compared to total fund balance of \$11,702,578. 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 general fund expenditures. Unassigned fund balances represent 6.35% of total general fund expenditures while total fund balance represents 14.95% of that same amount.

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



Property Tax revenues increased \$1,630,608 from 2014 to 2015, compared to the 2013 to 2014 increase of \$3,998,307. A comparison of the actual revenues to estimated revenues can be found on page 44 of the financial statements.

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



Actual revenues modestly exceeded estimates by \$1,834,589 while expenditures came in under budget by \$1,488,573.

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

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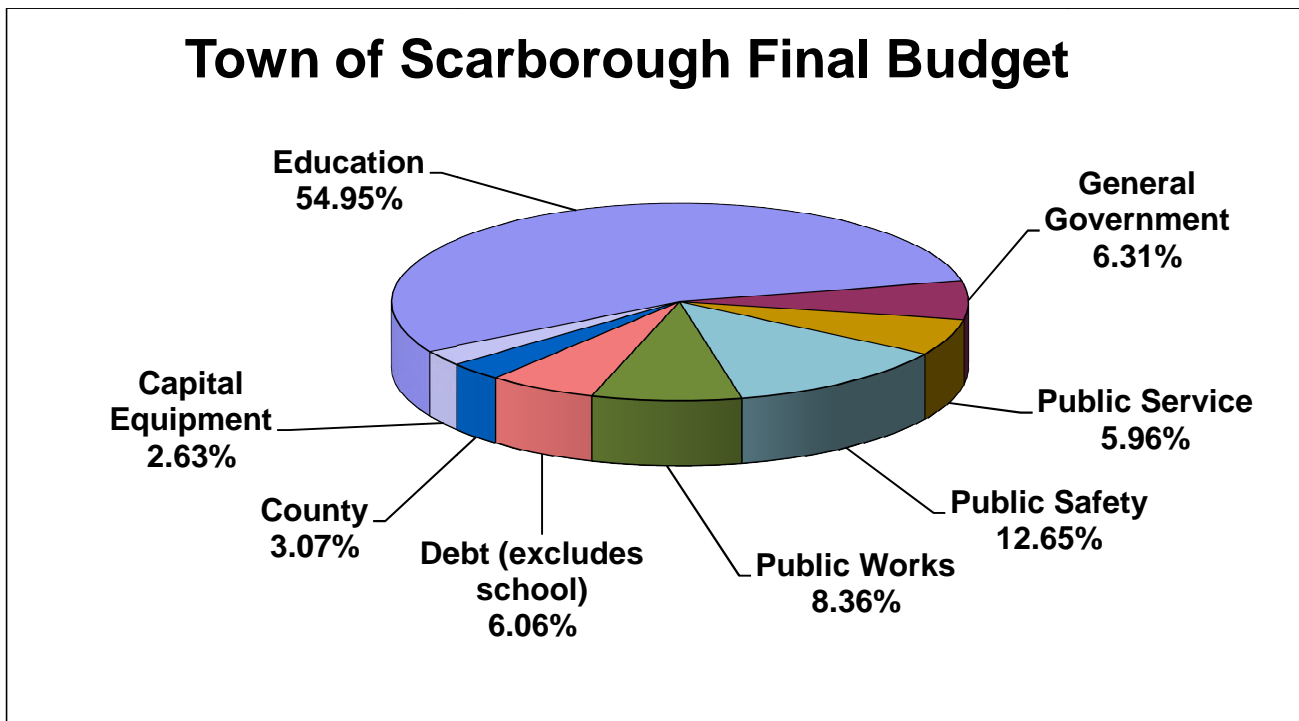
Total general fund expenditures increased \$3,635,029, or 5.09% compared to the prior year. The factors for this increase are:

- General Government decreased 4.54% because re-allocation of the municipal building expenditures to Public Service category,
- Public Service increased 11.23% due to community services programs, library funding increases and the shift of the municipal building to public service from General Government,
- Public Safety increased 7.15% due to the increase in fire and police personnel and providing dispatch services to a neighboring community,
- Public Works increased .06% mostly due to the reduced solid waste tipping fees and assessments,
- Education increased 6.19% to offset increased costs for contractual personnel and program restorations,
- County Tax increased 7.37% to help offset the costs of Cumberland County,
- Town Debt (excludes school debt) increased 3.01% due to the new bond issue and
- Capital Improvements increased 4.04%. These capital expenditures will vary year to year depending on the type of capital improvement scheduled and approved by the Town Council.

**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 2015, a total of \$2,304,373 was set aside for prior year encumbrances and commitments. There were no budget amendments in fiscal 2015. The final operating budget for fiscal year 2015 amounted to \$76,600,395 compared to \$71,864,551 for fiscal year 2014.

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



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

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The Town's investment in capital assets for its governmental fund, as of June 30, 2015, amounts to \$148,281,938 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, improvements, machinery, equipment, and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was 3.26%. This modest increase is the result of new purchases.

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>2015</u>	<u>2014</u>
Land	\$ 7,159,182	\$ 6,386,622
Buildings	84,185,636	51,255,940
Vehicles	6,238,859	5,721,347
Equipment & Furniture	1,540,984	1,510,306
Infrastructure	45,915,861	45,429,087
Construction in Progress	3,241,416	33,296,606
<b>Total</b>	<b><u>\$ 148,281,938</u></b>	<b><u>\$ 143,599,908</u></b>

The Town's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34. Major capital asset events during the fiscal year ended June 30, 2015 related mostly to the improvements to the roads and culverts and to the completion of new Wentworth School.

Additional information on the Town of Scarborough's capital assets can be found in Notes to the Basic Financial Statements on page 56 of this report.

**Long-term Debt.** As of June 30, 2015, the Town had long-term bonds outstanding of \$98,500,000, compared to \$97,895,000 in the prior year, resulting in a .62% increase. This debt is backed by the full faith and credit of the Town of Scarborough.

During fiscal year ended June 30, 2015, the Town of Scarborough issued \$6,085,000 in bonds. This bond issue was all new money for various capital projects, the largest of which was for the purchase of Benjamin Farms for land conservation and recreation for \$2,000,000.



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

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Additional information relating to the Town’s long-term debt can be found in the Notes to Financial Statements on pages 58 – 59 of this report.

<b>Outstanding Debt</b>			
<b>General Obligation Bonds</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Municipal	\$ 27,519,496	\$ 25,490,280	\$ 25,312,482
Education	63,043,357	64,467,573	62,846,518
Sewer	7,937,147	7,937,147	8,021,000
	<b>\$ 98,500,000</b>	<b>\$ 97,895,000</b>	<b>\$ 96,180,000</b>

Moody’s Investors Service has given the Town of Scarborough a bond rating of “Aa3” and affirmed the Aa3 rating on all of the town’s outstanding debt. Per Moody’s Investors Service rating report dated April 17, 2015, “The Aa3 rating reflects the town’s stable tax base with favorable wealth levels, satisfactory financial position, and above average debt burden.” Additionally, Moody sights the Town’s stable tax base with favorable wealth levels, improved financial position with adequate reserves and manageable pension and OPEB liabilities as strengths. Some challenges cited by Moody’s is moderate revenue raising ability due to State of Maine Statutes, outstanding General Fund subsidy due to tax increment financing (TIF) district debt and the Town’s continued reliance on fund balance appropriation to balance school budgets.

Standard and Poor’s Rating Services (S&P) has assigned its “AA” long-term rating to the Town of Scarborough, Maine’s series 2015 general obligation (GO) bonds and affirmed its AA long-term rating and underlying rating on the town’s existing GO debt. S&P’s rating reflects their opinion of the Town’s:

- Very strong economy, which benefits from participation in the broad and diverse economy of Portland, Maine;
- Strong budgetary performance, with slight general fund deficits and operating surpluses in total governmental funds;
- Adequate budgetary flexibility, with available reserves above 5% of general fund expenditures for the three most recent audited years;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Strong management conditions, with formalized practices and a consistent ability to maintain budgets;
- Weak debt and contingent liabilities profile driven mainly by the town’s high net direct debt as a percentage of revenues; and
- Strong institutional framework.

Additional information on both of these bond ratings can be found on the Town of Scarborough’s website at: <http://www.scarboroughmaine.org/departments/finance/accounting> under the heading **Bond Ratings Documents**.

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

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

In adopting the budget for the ensuing fiscal year, the Town of Scarborough’s officials considered many factors in making judgments and estimates about the finances of the upcoming year. The Town Council’s budget goals for fiscal year 2016 were to:

1. Maintain Essential Services,
2. Avoid Layoffs,
3. Re-Develop Staffing Plans,
4. Level Services vs. New Initiatives,
5. Recognize Fiscal Constraints,
6. Consider Non Property Tax Revenues
7. Maximize Value
8. Trade-Off Conversations
9. Stability in Tax Rate and
10. Capital/Long-term Planning.

Non-property tax revenues continue their downward spiral as the State continues to reduce its commitments to Maine communities to share both the State’s income and sales tax revenues. Maine Municipalities only have taxing authority on property taxes. The State of Maine is the only governing body that can assess the sales and income taxes.

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.

The 2016 Town of Scarborough budget is provided in a new format to provide additional information and a deeper understanding regarding the organization and functions of each department. The 2016 proposed budget included funding for nine new municipal positions, of which only two were funded as follows:

- Purchasing Agent;
- Budget Analyst;
- Community Service, Planning and Public Work’s shared position to become one full time position;
- Two Police Officers and
- Four new paramedic positions (two paramedic positions were funded).

The assessed valuation for the past three years are as follows:

2016	\$3,745,548,100, an increase of \$45,059,900 over 2015,
2015	\$3,700,488,200, an increase of \$40,182,500 over 2014
2014	\$3,660,305,700, an increase of \$28,630,400 over the 2013 value of \$3,631,675,300.

The 2016 property tax rate of \$15.49 is 2.58% higher than the 2015 tax rate of \$15.10.

During the past economic downturn, the Town of Scarborough appropriated portions of its unassigned fund balance to help offset the impact of the recession. Below is a listing of the approved use of unassigned fund balance since 2013. Since 2012, fund balance appropriations have been appropriated to help offset the costs association with the Scarborough Education Budget. While the Town of Scarborough has appropriated a portion of its unassigned fund balance each year, since 2012, revenues exceeded expenditures and, therefore, the use fund balance was not needed.

2013	\$ 200,000
2014	\$ 200,000
2015	\$ 800,000
2016	\$ 675,000

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

The Town of Scarborough recognizes the importance of maintaining an appropriate level of fund balance. As stated earlier, the Town Council has adopted a fund balance policy. Once the fund balance level of 10% is achieved, the intent is to dedicate any excess balances towards major capital improvements or property tax stabilization.

Below is a comparison of the 2014, 2015 and 2016 budgets (excluding carryforwards, and including capital budgets).

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Administration	\$ 1,808,421	\$ 2,028,958	\$ 1,953,976
Finance Department	992,910	1,028,033	1,013,837
Information Systems	1,163,646	1,120,568	942,328
Planning Department	918,035	917,045	907,118
Community Services	2,656,296	2,309,723	2,246,928
Library	1,022,538	953,583	891,884
Economic Development	215,180	205,257	224,182
General Assistance/Affordable Hsg	29,156	27,883	27,611
Fire/Rescue/EMA Department	4,213,171	4,130,131	3,904,485
Public Safety Department	5,861,456	5,578,998	5,254,329
Public Works Department	6,718,059	6,359,496	6,294,820
Debt Service	4,906,499	4,641,657	4,508,353
Capital Equipment	892,030	1,879,364	923,700
Total Municipal Operating	31,397,397	31,180,696	29,093,551
Education	43,725,308	42,165,315	39,474,516
County Tax	2,493,342	2,355,415	2,193,813
Total Operating Budget	46,218,650	44,520,730	41,668,329
School Food Services	1,495,568	1,485,180	1,415,040
Capital Improvement-Municipal	2,657,750	2,240,460	2,683,426
Capital Improvement-School	1,297,451	1,786,153	1,705,425
TIFs and Overlay	1,448,286	1,233,880	1,223,908
<b>Total Budget</b>	<b>\$ 84,515,102</b>	<b>\$ 82,447,099</b>	<b>\$ 77,789,679</b>

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Scarborough's finances for all those with an interest in the Town of Scarborough. Questions concerning any of the information provided in this report or 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](mailto:rporte@ci.scarborough.me).

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# TOWN OF SCARBOROUGH MAINE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



## BASIC FINANCIAL STATEMENTS

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**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Governmental Activities</b>	<b>Component Units</b>	
		<b>Public Library</b>	<b>Economic Development</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,270,294	64,885	37,069
Investments	10,836,851	620,052	-
Receivables:			
Accounts	1,880,289	-	-
Intergovernmental	165,139	-	24,129
Taxes receivable	148,389	-	-
Tax liens	808,236	-	-
Tax acquired property	7,231	-	-
Inventory	68,654	1,566	-
Prepaid items	-	214	-
Notes receivable	1,457,623	-	-
Capital assets, not being depreciated	10,914,395	-	-
Capital assets, net	137,367,543	936,604	11,049
<b>Total Assets</b>	<b>177,924,644</b>	<b>1,623,321</b>	<b>72,247</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	2,293,124	-	-
Deferred pension items	1,987,734	-	-
<b>Total deferred outflows of resources</b>	<b>4,280,858</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,519,630	12,794	13,002
Accrued payroll and other related liabilities	4,499,022	34,953	3,478
Unearned revenues	49,428	-	-
Accrued interest	593,289	-	-
Noncurrent liabilities:			
Due within one year	6,785,808	-	-
Due in more than one year	104,300,635	-	-
<b>Total Liabilities</b>	<b>119,747,812</b>	<b>47,747</b>	<b>16,480</b>
<b>DEFERRED INFLOWS OF RESOURCES - PENSION</b>		2,708,102	
<b>NET POSITION</b>			
Net investment in capital assets	57,103,811	936,604	11,049
Restricted for:			
Nonexpendable trust principal	147,218	102,249	-
Expendable trust - income portion	86,146	-	-
Town grants and projects	2,810,407	-	-
Education	965,251	-	-
Unrestricted	(1,363,245)	536,721	44,718
<b>Total Net Position</b>	<b>\$ 59,749,588</b>	<b>1,575,574</b>	<b>55,767</b>

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2015**

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
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 14,077,217	3,170,678	658,261	54,304	(10,193,974)	-	-
Public services	4,658,690	2,531,113	4,658	-	(2,122,919)	-	-
Public safety	9,716,227	2,731,150	116,002	-	(6,869,075)	-	-
Public works	7,713,975	1,692,802	383,813	-	(5,637,360)	-	-
Education	41,617,985	1,299,774	7,423,869	-	(32,894,342)	-	-
Interest on debt service	3,418,748	-	-	-	(3,418,748)	-	-
Total governmental activities	81,202,842	11,425,517	8,586,603	54,304	(61,136,418)	-	-
<b>Total primary government</b>	<b>\$ 81,202,842</b>	<b>11,425,517</b>	<b>8,586,603</b>	<b>54,304</b>	<b>(61,136,418)</b>	<b>-</b>	<b>-</b>
<b>Component units:</b>							
Scarborough Public Library	\$ 1,199,733	-	1,163,491	-	-	(36,242)	
Scarborough Economic Develop.	237,923	-	238,893	-	-		970
General revenues:							
Property taxes, levied for general purposes				\$ 55,456,493	-	-	
Excise taxes				5,053,559	-	-	
Payments in lieu of taxes				71,450	-	-	
Interest and costs on taxes				105,060	-	-	
Franchise Tax				191,317	-	-	
Grants and contributions not restricted to specific programs:							
Homestead exemption and business equipment exemption				662,099	-	-	
Other State aid				167,418	-	-	
State Revenue Sharing				771,051	-	-	
Unrestricted investment earnings				390,260	-	-	
Other				307,468	-	-	
Total general revenues				63,176,175	-	-	
Change in net position				2,039,757	(36,242)	970	
Net position - beginning, as restated				57,709,831	1,611,816	54,797	
<b>Net position - ending</b>				<b>\$ 59,749,588</b>	<b>1,575,574</b>	<b>55,767</b>	

*See accompanying notes to financial statements.*



**TOWN OF SCARBOROUGH, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Performance Bonds	Wentworth School Construction	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,015,992	69,414	1,711,478	-	473,410	14,270,294
Investments	1,962,632	239,455	1,258,126	-	7,376,638	10,836,851
Receivables:						
Accounts	1,249,773	-	-	-	630,516	1,880,289
Intergovernmental	48,527	-	-	-	116,612	165,139
Taxes receivable	148,389	-	-	-	-	148,389
Tax liens	808,236	-	-	-	-	808,236
Interfund loans receivable	3,077,866	-	-	-	430,324	3,508,190
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	42,532	-	-	-	26,122	68,654
Notes receivable	-	-	-	1,457,623	-	1,457,623
<b>Total assets</b>	<b>\$ 19,361,178</b>	<b>308,869</b>	<b>2,969,604</b>	<b>1,457,623</b>	<b>9,053,622</b>	<b>33,150,896</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other current liabilities	2,037,776	-	15,410	-	1,157,575	3,210,761
Accrued payroll and other related liabilities	4,499,022	-	-	-	-	4,499,022
Accrued compensated absences	265,895	-	-	-	-	265,895
Interfund loans payable	-	-	-	2,747,311	760,879	3,508,190
Unearned revenues	49,428	-	-	-	-	49,428
Performance bond deposits	-	308,869	-	-	-	308,869
<b>Total liabilities</b>	<b>6,852,121</b>	<b>308,869</b>	<b>15,410</b>	<b>2,747,311</b>	<b>1,918,454</b>	<b>11,842,165</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-property taxes	806,479	-	-	-	-	806,479
<b>Total deferred inflows of resources</b>	<b>806,479</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>806,479</b>
Fund balances:						
Nonspendable Permanent Fund Principal					147,218	147,218
Nonspendable Inventory	42,532				26,122	68,654
Restricted for Town	2,898,090	-			2,896,553	5,794,643
Restricted for Education	540,251		2,954,194		267,729	3,762,174
Committed - General Fund	519,043	-	-		-	519,043
Committed - Education	-	-	-		9,123	9,123
Committed - Special Revenues	-	-	-		4,429,860	4,429,860
Assigned - General Fund	2,304,373	-	-		-	2,304,373
Assigned - Education	425,000	-	-		-	425,000
Unassigned Town	4,973,289	-	-	(1,289,688)	(641,437)	3,042,164
<b>Total fund balances</b>	<b>11,702,578</b>	<b>-</b>	<b>2,954,194</b>	<b>(1,289,688)</b>	<b>7,135,168</b>	<b>20,502,252</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,361,178</b>	<b>308,869</b>	<b>2,969,604</b>	<b>1,457,623</b>	<b>9,053,622</b>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						148,281,938
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						806,479
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, including issuance premiums						(103,733,906)
Deferred charge on refunding						2,293,124
Capital leases						(395,578)
Accrued interest						(593,289)
Landfill liability						(413,184)
Other postemployment benefits liability						(1,556,926)
Net pension liability with related deferred inflows and outflows of resources						(3,408,922)
Accrued compensated absences						(2,032,400)
<b>Net position of governmental activities</b>						<b>\$ 59,749,588</b>

*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, 2015**

	General	Performance Bonds	Wentworth School Construction	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 60,971,872	-	-	-	182,500	61,154,372
Licenses and permits	756,181	-	-	-	-	756,181
Intergovernmental	10,378,344	-	-	-	2,500,890	12,879,234
Interest earned	390,260	-	817	12,758	45,125	448,960
Donations	-	-	-	-	45,956	45,956
Sale of lots	-	-	-	-	11,440	11,440
Assessments and impact fees	-	-	-	-	2,163,775	2,163,775
Other	6,081,887	-	126,447	-	1,945,790	8,154,124
Total revenues	78,578,544	-	127,264	12,758	6,895,476	85,614,042
Expenditures:						
Current:						
General government	4,829,444	-	-	-	-	4,829,444
Public services	4,612,240	-	-	-	-	4,612,240
Public safety	9,514,108	-	-	-	-	9,514,108
Public works	6,506,439	-	-	-	-	6,506,439
Education	44,638,078	-	3,574,320	-	2,505,043	50,717,441
County tax	2,355,415	-	-	-	-	2,355,415
Debt service	4,605,500	-	-	-	-	4,605,500
Capital improvements	1,192,358	-	-	-	8,081,114	9,273,472
Other	6,765	-	-	-	1,921,089	1,927,854
Total expenditures	78,260,347	-	3,574,320	-	12,507,246	94,341,913
Excess (deficiency) of revenues over expenditures	318,197	-	(3,447,056)	12,758	(5,611,770)	(8,727,871)
Other financing sources (uses):						
Transfers in	594,836	-	-	96,697	379,956	1,071,489
Transfers out	(320,823)	-	-	(370,000)	(380,666)	(1,071,489)
General obligation bonds	1,501,880	-	-	-	4,583,120	6,085,000
Total other financing sources (uses)	1,775,893	-	-	(273,303)	4,582,410	6,085,000
Net change in fund balances	2,094,090	-	(3,447,056)	(260,545)	(1,029,360)	(2,642,871)
Fund balances, beginning of year	9,608,488	-	6,401,250	(1,029,143)	8,164,528	23,145,123
<b>Fund balances (deficit), end of year</b>	<b>\$ 11,702,578</b>	<b>-</b>	<b>2,954,194</b>	<b>(1,289,688)</b>	<b>7,135,168</b>	<b>20,502,252</b>

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2015**

Amounts reported for governmental activities in the statement of activities  
(Statement 2) are different because:

Net change in fund balances - total governmental funds (Statement 4)	\$	(2,642,871)
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Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of these assets  
is allocated over their estimated useful lives and reported as  
depreciation expense.

Capital outlays	\$9,941,609	4,682,030
Depreciation expense	(3,866,087)	
Net book value of dispositions	(1,393,492)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(165,443)
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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	(3,987)
Landfill	4,050
Compensated absences	(67,602)
Other postemployment benefits liability	(203,529)
Net pension liability with deferred outflows and inflows of resources	725,423

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.	201,666
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The issuance of long term debt (e.g., bonds, leases) provides current financial  
resources to governmental funds, while the repayments of the principal of long-term  
debt consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net position. Also, governmental funds  
report the effect of issuance costs, premiums, discounts, and similar items when  
debt is first issued, whereas these amounts are deferred and amortized in the statement  
of activities. This amount is the net effect of these differences in the treatment of  
long-term debt and related items.

General obligation bond proceeds	\$ (6,085,000)	
General obligation bond payments	5,480,000	
Amortization of Bond Premiums	240,580	
Amortization of Deferred Charge	( 125,560)	(489,980)

<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>2,039,757</b>
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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, 2015**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 60,232,027	60,232,027	60,971,872	739,845
Licenses and permits	668,915	668,915	756,181	87,266
Intergovernmental	7,047,193	7,047,193	7,156,344	109,151
Interest earned	15,000	15,000	390,260	375,260
Unclassified	5,558,820	5,558,820	6,081,887	523,067
Total revenues	73,521,955	73,521,955	75,356,544	1,834,589
<b>Expenditures:</b>				
Current:				
General government	4,837,061	4,837,061	4,829,444	7,617
Public services	4,568,510	4,568,510	4,612,240	(43,730)
Public safety	9,688,555	9,688,555	9,514,108	174,447
Public works	6,400,539	6,400,539	6,506,439	(105,900)
Education	42,090,315	42,090,315	41,496,318	593,997
County tax	2,355,415	2,355,415	2,355,415	-
Debt service	4,641,657	4,641,657	4,605,500	36,157
Capital improvements	2,018,343	2,018,343	1,192,358	825,985
Total expenditures	76,600,395	76,600,395	75,111,822	1,488,573
Excess (deficiency) of revenues over expenditures	(3,078,440)	(3,078,440)	244,722	3,323,162
<b>Other financing sources (uses):</b>				
Transfers in	697,827	697,827	594,836	(102,991)
Transfers out	(275,887)	(275,887)	(320,823)	(44,936)
Utilization of surplus	1,373,593	1,373,593	-	(1,373,593)
General obligation bonds	1,611,000	1,611,000	1,501,880	(109,120)
Overlay	(328,093)	(328,093)	(6,765)	321,328
Total other financing sources (uses)	3,078,440	3,078,440	1,769,128	(1,309,312)
Net change in fund balances - budgetary basis			2,013,850	2,013,850
<b>Reconciliation to GAAP basis:</b>				
Change in current portion of accrued compensated absences			80,240	
Net change in fund balances - GAAP basis			2,094,090	
Fund balance, beginning of year			9,608,488	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>11,702,578</b>	

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Private-purpose Trust Funds (Scholarships)	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	280,486
Investments	230,762	-
Accounts receivable	-	-
Interfund loans receivable	-	-
<b>Total assets</b>	<b>230,762</b>	<b>280,486</b>
<b>LIABILITIES</b>		
Interfund loans payable	-	-
Accounts payable	-	-
Due to student groups	-	280,486
<b>Total liabilities</b>	<b>-</b>	<b>280,486</b>
<b>NET POSITION</b>		
Held in trust	\$ 230,762	-

*See accompanying notes to financial statements.*

**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2015**

	<b>Private-purpose Trust Funds (Scholarships)</b>
Additions:	
Donations	\$ -
Interest and dividends	1,871
Total additions	1,871
Deductions:	
School scholarships	5,250
Total deductions	5,250
Change in net position	(3,379)
Net position, beginning of year	234,141
<b>Net position, end of year</b>	<b>\$ 230,762</b>

*See accompanying notes to financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

Scarborough Economic Development Corporation (SEDCO) encourages and assists with the development of business in the Town of Scarborough. The SEDCO board 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 \$224,652, or 94% of total revenues, to SEDCO for the year ended June 30, 2015.

Scarborough Public Library (the Library) promotes and maintains library facilities in and for the Town of Scarborough. While the Town does not appoint the Library's board, the Town provides the Library with a majority of its funding and the Library provides services directly to the citizens of the Town. The Town owns the land in which the Library operates and may provide for capital improvements and other support services to the Library. The Town believes that the financial statements would be incomplete without the inclusion of the Library as a discretely presented component unit. The Town provided \$953,583, or 82% of total revenues, to the Library for the year ended June 30, 2015.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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 may be obtained by contacting the following offices.

Scarborough Economic Development Corporation  
360 US Route One Willowdale Place, Suite 203  
PO Box 550  
Scarborough, ME 04070-0550

Scarborough Public Library  
48 Gorham Road  
Scarborough, ME 04074

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

The government-wide financial statements (i.e., the statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary 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.



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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

The Town reports the following major governmental funds:

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

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 Wentworth School Construction Fund, approved through a referendum vote by the voters of the Town of Scarborough on November 8, 2011, allows the town to borrow approximately \$39 million to reconstruct Wentworth Intermediate School. The construction contract for the new school was signed in October 2012 and was completed in the fall of 2014.

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 contributions made on behalf of the School Department for student scholarships. Assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. Private-purpose Trust funds use the economic resources measurement focus.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the 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.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

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

**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. Additionally, the town records its fuel on hand as of the end of the fiscal year as inventory. 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 5-25 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 Position. 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.

**Deferred outflows/inflows of resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. One item is deferred outflows related to the pension liability as is more fully disclosed in the pension footnote and the other item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. It is the deferred inflows related to the pension liability as is more fully disclosed in the pension footnote. Also, the government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Fund Balances** – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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: 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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3. For Committed fund balance: The portion of fund balance that represents resources whose use is constrained by limitations imposed by the Town Council, by passing an ordinance prior to the end of the fiscal year, as the highest governing body of the Town of Scarborough and can only be removed by the Town Council in the same manner. 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 Council has by resolution authorized the Town Manager to assign fund balance. The Town Manager has authorized carry forward balances to be used to offset 2016 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.

**Net Position Flow Assumption** – Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

**Fund Balance Flow Assumptions** – Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements as flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**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**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**E. Recently Adopted Accounting Pronouncements**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The adoption of this statement is disclosed in the notes to the financial statements.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68 related to contributions made to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The new statement is effective for periods beginning after June 15, 2014. The adoption of this statement is disclosed in the notes to the financial statements.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2014-2015 budget as adopted	\$76,600,395	\$76,600,395
Budgetary adjustments:		
Subsequent authorization	-	-
Prior year encumbrances and carryforwards	403,593	403,593
<b>Total adjusted budget</b>	<b>\$ 77,003,988</b>	<b>\$ 77,003,988</b>

**B. Deficit Fund Balance**

At June 30, 2015, the following special revenue and capital projects funds had deficit fund balances:

Boat Launch Fund (a special revenue fund) had a deficit of \$48,732. 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 \$102,047. This deficit is expected to be adequately funded in future years with TIF revenues.

The Haigis Parkway Assessments Fund had a deficit of \$1,289,688. This deficit is expected to grow initially and then be adequately funded in future years with TIF revenues and assessment payments.

**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, 2015, the Town reported deposits of \$14,550,780 with a bank balance of \$14,482,280. Of the Town's bank balances of \$14,482,280, 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	\$14,270,294
Reported in fiduciary funds	280,486
<b>Total deposits</b>	<b>\$14,550,780</b>

At June 30, 2015, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$64,885 and \$37,069 respectively, all of which was covered by F.D.I.C. insurance.

**B. Investments**

At June 30, 2015, the Town had the following investments and maturities:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Money markets and repurchase agreements	\$11,067,613	\$11,067,613	-	-
<b>Total investments</b>	<b>\$11,067,613</b>	<b>\$11,067,613</b>	<b>--</b>	<b>-</b>

Investments have been reported as follows:

Reported in governmental funds	\$10,836,851
Reported in fiduciary funds	230,762
<b>Total investments</b>	<b>\$11,067,613</b>

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

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

*Custodial Credit Risk-Town Investments:* Custodial credit risk is the risk that in the event of a 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.

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

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**PROPERTY TAX**

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Property taxes for the current year were committed on August 21, 2014, 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, 2014 and 50% on March 16, 2015. 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, 2015 and the Town's value was 100% of the 2015 State valuation of \$3,667,300,000.

The Town is permitted by the laws of the State of Maine to levy up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$328,093 for the year ended June 30, 2015.

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 inflow of resources.

The following summarizes the June 30, 2015 levy:

Assessed value	\$ 3,700,488,200
Tax rate (per \$1,000)	15.10
Commitment	55,877,372
Supplemental taxes assessed	4,650
	55,882,022
Less - collections and abatements	55,326,638
<b>Receivable at June 30</b>	<b>555,384</b>
Consisting of:	
Taxes	\$ 26,004
Liens	529,380
<b>Receivable at June 30</b>	<b>\$ 555,384</b>
Collection rate	99.01%

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

**CAPITAL ASSETS**

Capital asset activity for the year ending June 30, 2015 was as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,386,622	\$ 3,104,760	\$ 2,332,200	\$ 7,159,182
Deposit Equipment	-	513,797	-	513,797
Construction in progress	33,296,606	6,046,644	36,101,834	3,241,416
<b>Total capital assets, not being depreciated</b>	<b>39,683,228</b>	<b>9,665,201</b>	<b>38,434,034</b>	<b>10,914,395</b>
Capital assets, being depreciated:				
Buildings	69,048,291	35,908,276	2,856,105	102,100,462
Vehicles	13,433,131	1,032,497	414,066	14,051,562
Equipment and furniture	5,841,692	394,013	82,756	6,152,949
Infrastructure	56,100,486	1,375,656	23,110	57,453,032
<b>Total capital assets being depreciated</b>	<b>144,423,600</b>	<b>38,710,442</b>	<b>3,376,037</b>	<b>179,758,005</b>
Less accumulated depreciation for:				
Buildings	17,792,350	1,722,119	1,599,643	17,914,826
Vehicles	7,711,784	916,688	301,972	8,326,500
Equipment and furniture	4,331,385	357,336	76,756	4,611,965
Infrastructure	10,671,399	869,944	4,172	11,537,171
<b>Total accumulated depreciation</b>	<b>40,506,918</b>	<b>3,866,087</b>	<b>1,982,543</b>	<b>42,390,462</b>
<b>Total capital assets being depreciated, net</b>	<b>103,916,682</b>	<b>34,844,355</b>	<b>1,393,494</b>	<b>137,367,543</b>
<b>Governmental activities capital assets, net</b>	<b>\$143,599,910</b>	<b>\$44,509,556</b>	<b>\$39,827,528</b>	<b>\$148,281,938</b>

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

Governmental activities:	
General government	\$ 315,033
Public services	46,450
Public safety	520,267
Public works, including depreciation of general infrastructure assets	1,235,795
Education	1,748,542
<b>Total depreciation expense – governmental activities</b>	<b>\$ 3,866,087</b>

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	\$1,670,741	-
Furniture and fixtures	706,412	\$39,842
Books	906,820	-
Total	3,283,973	39,842
Less accumulated depreciation	(2,347,369)	(28,793)
<b>Property and equipment, net</b>	<b>\$ 936,604</b>	<b>\$11,049</b>
<b>Depreciation expense</b>	<b>\$ 137,060</b>	<b>\$ 2,538</b>



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

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**INTERFUND BALANCES**

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Interfund balances result from the sharing of pooled cash and investments. Individual interfund loans receivables and loans payables at June 30, 2015, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$3,077,866</u>	<u>-</u>
<u>Haigis Parkway</u>	<u>-</u>	<u>\$2,747,311</u>
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Recreational development	22,060	
Impact Fees	116,798	314,376
Boat Launch	-	48,732
Sawyer Road improvement		66,679
Police asset forfeiture	-	40,441
Payne Road impact fees	2,277	-
Rescue equipment	32,125	-
<u>Departmental grants and programs</u>		<u>188,332</u>
<u>Total Nonmajor Special Revenue Funds</u>	<u>173,260</u>	<u>658,560</u>
Nonmajor Capital Project Funds:		
Higgins Beach Bath House	7,039	
Athletic Field Building Improvements	50,284	
Oak Hill Intersection Improvements	29,237	
Pine Point Eastern Trail	1,879	
Tri-Gen Project from Sawyer Rd Project	157,185	
Municipal building fund	-	102,047
<u>Total Nonmajor Capital Project Funds</u>	<u>245,624</u>	<u>102,047</u>
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	11,440	-
Dunstan Perpetual Care	-	272
<u>Total Permanent Funds</u>	<u>11,440</u>	<u>272</u>
<u>Total Other Governmental Funds</u>	<u>430,324</u>	<u>760,879</u>
<u>Private-purpose Trust Funds</u>	<u>-</u>	<u>-</u>
<b><u>Total all funds</u></b>	<b><u>\$3,508,190</u></b>	<b><u>\$3,508,190</u></b>

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

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

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**INTERFUND TRANSFERS**

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	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$594,836	\$ 320,823
Haigis Parkway Assessments	96,697	370,000
Nonmajor Governmental Funds	379,956	380,666
<b>Total</b>	<b>\$1,071,489</b>	<b>\$1,071,489</b>

Interfund transfers are used to move unrestricted resources to finance various programs that the Town must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The most significant transfers include annual transfers from the education general fund to the school lunch program to fund the annual deficit from operations, transfers from other impact fees fund and rescue fund to cover capital outlay, transfer from Haigis Parkway fund to cover a portion of debt service, and transfer from departmental grants and programs fund to cover related expenditures incurred in the general fund.

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$97,895,000	\$6,085,000	\$5,480,000	\$98,500,000	\$6,320,000
Premium	5,474,487		240,580	5,233,907	
Capital leases	597,244	-	201,666	395,578	195,863
Compensated absences	2,059,713	333,497	94,915	2,298,295	265,895
Other postemployment Benefits liability	1,353,397	203,529		1,556,926	
Net pension liability	5,254,563		2,566,009	2,688,554	
Landfill post-closure care costs	417,233	-	4,050	413,183	4,050
<b>Governmental activity Long-term liabilities</b>	<b>\$113,051,637</b>	<b>\$6,622,026</b>	<b>\$8,587,220</b>	<b>\$111,086,443</b>	<b>\$6,785,808</b>

As of June 30, 2015, the Town had authorized, but unissued debt totaling \$2,696,730. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

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

**BONDS PAYABLE**

Bonds payable at June 30, 2015 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			
1994 Capital improvements	6,775,000	-	-	-	Varies	2015	\$ -
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	265,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	220,000
2004 Capital improvements	14,628,000	-	100.00%	-	Varies	2016	-
2005 Capital improvements	10,665,000	4.00%	96.00%	-	Varies	2034	250,000
2006 Capital improvements	7,014,000	95.02%	4.98%	-	Varies	2036	1,505,000
2007 Capital improvements	4,000,000	93.04%	6.96%	-	Varies	2022	575,000
2008 Capital improvements	8,513,000	87.47%	12.53%	-	Varies	2028	3,565,000
2009 Capital improvements	4,560,000	97.78%	2.22%	-	Varies	2029	2,255,000
2009 Capital improvements	1,780,000	79.53%	20.47%	-	2.00%	2020	855,000
2010 Capital improvements	6,002,000	86.01%	13.99%	-	2.00%	2031	4,095,000
2011 Capital improvements	5,600,000	86.32%	13.68%	-	Varies	2031	3,435,000
2012 Capital improvements	46,545,000	5.42%	76.71%	17.66%	Varies	2042	44,380,000
2013 Capital improvements	25,685,000	8.56%	91.44%	-	Varies	2043	25,000,000
2014 Capital improvements	6,505,000	49.55%	50.45%	-	Varies	2034	6,015,000
2015 Capital improvements	6,085,000	87.24%	12.76%	-	Varies	2035	6,085,000
<b>Total</b>							<b>\$98,500,000</b>

The annual requirements to amortize all debt outstanding as of June 30, 2015 are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 6,320,000	\$ 3,518,805	\$ 9,838,805
2017	6,380,000	3,326,419	9,706,419
2018	6,525,000	3,115,446	9,640,446
2019	6,320,000	2,897,828	9,217,828
2020	6,080,000	2,675,776	8,755,776
2021-2025	25,555,000	10,225,133	35,780,133
2026-2030	18,240,000	6,249,591	24,489,591
2031-2035	13,765,000	3,153,825	16,918,825
2036-2040	6,250,000	1,219,213	7,469,213
2041-2043	3,065,000	150,144	3,215,144
<b>Totals</b>	<b>\$ 98,500,000</b>	<b>\$36,532,180</b>	<b>\$135,032,180</b>

**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, 2015 outstanding bonds	Percent of 2015 State assessed value of \$ 3,667,300,000	Amount	Margin
For school purposes	\$ 63,043,357	10.00%	\$366,730,000	\$303,686,643
For storm or sanitary sewer	7,937,147	7.50%	275,047,500	267,110,353
For municipal airport, water and special district purposes	-	3.00%	110,019,000	110,019,000
For all other purposes	27,519,496	7.50%	275,047,500	247,528,004
<b>Total</b>	<b>\$ 98,500,000</b>			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$550,095,000. The total debt margin based on this limit is \$451,595,000.

**STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES**

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

**CAPITAL LEASES**

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building 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 \$1,645,305.

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, 2015:

2016	\$ 208,353
2017	206,028
<u>2018-thereafter</u>	<u>-</u>
Total minimum lease payments	414,381
Less: amount representing interest	18,803
<b><u>Present value of future minimum lease payments</u></b>	<b><u>\$ 395,578</u></b>

**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, 2015, the Town's State valuation of \$3,667,300,000 was 9.31% of the County's State valuation of \$39,379,600,000. The Town's share is 9.31% or \$3,457,336 of Cumberland County's \$37,125,000 long-term debt outstanding as of June 30, 2015.

The Town is also served by the Portland Water District. At June 30, 2015, the Town's share of self-supporting bonded water debt is 14.1226% or \$6,453,864 of total debt of \$45,698,839.

**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, 2012, outstanding "Incinerator Debt" of ecomaine totaled \$2,660,000 all of which was paid on July 1, 2012 thereby reducing the Scarborough's proportionate share to zero.

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, 2012, outstanding MRF debt totaled \$1,990,000 of which \$1,405,000 was paid on July 1, 2012 with the balance of \$585,000 paid on August 1, 2012, thereby reducing Scarborough's proportionate share to zero. ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$16,451,511 at June 30, 2015, the most recent data available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.92%, or \$1,467,476.

**Total Debt and Contingencies**

Governmental Unit	As of June 30, 2015			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 98,500,000	-	-	\$ 98,500,000
Cumberland County	-	\$ 3,457,336	-	3,457,336
Portland Water District - water debt	-	6,453,864	-	6,453,864
ecomaine Waste Systems:				
Landfill closure/postclosure costs	-	-	\$1,467,476	1,467,476
<b>Totals</b>	<b>\$ 98,500,000</b>	<b>\$9,911,200</b>	<b>\$1,467,476</b>	<b>\$109,878,676</b>

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

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**OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED**

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**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, 2015, substantially all such calculations have been performed and the Town is in compliance with all known 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.

**Litigation**

There are various claims and suits pending against the Town which arise in the normal course of the Town's activities. In the opinion of the Town's management, the ultimate disposition of these various claims and suits will not materially affect the financial condition of the Town. With respect to litigation relating to tax abatement appeals, any potential financial exposure is expected to be covered by the Overlay appropriated annually.

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**LANDFILL CLOSURE AND POSTCLOSURE COSTS**

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Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill under a waiver granted by the State. The landfill is permitted to operate in its existing capacity until 2027. As of June 30, 2015, approximately 20% of the landfill's total capacity has been used. The estimated total current cost of landfill closure, \$413,183, 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, 2015. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

The total closure and postclosure care costs of \$413,183 have been accrued in the statement of activities for the year ended June 30, 2015. 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.

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

**FUND BALANCE CHANGES**

For the period ending June 30, 2015, 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, 2014</u>	<u>June 30, 2015</u>
Unemployment Compensation	\$ 143,607	\$ 155,190
Hurd Park and Ferry Beach	292,760	347,881
Hunnewell House	<u>15,784</u>	<u>15,972</u>
Total reclassification	<u>\$ 452,151</u>	<u>\$ 519,043</u>

The following is a schedule of fund balance classifications for the governmental funds as June 30, 2015:

	<u>General Fund</u>	<u>Wentworth Construction</u>	<u>Haigis Parkway Assess</u>	<u>Nonmajor Governmental</u>
<b>Fund Balances:</b>				
Nonspendable-Permanent Funds	\$ -	\$ -	-	\$ 147,218
Nonspendable-Inventory	<u>42,532</u>	-	-	<u>26,122</u>
	<u>42,532</u>	-	-	<u>173,340</u>
Restricted				
Permanent Fund Interest	-	-	-	86,146
Deficits in Other Funds	1,440,467	-	-	-
Haigis Parkway Note Receivable	1,457,623	-	-	-
Credit Enhancement Agreements	-	-	-	42,990
Grants and Donations	-	-	-	154,750
Fire Department Equipment	-	-	-	24,696
Police Asset Forfeiture	-	-	-	133,587
Town Improvements	-	-	-	2,454,384
Education	<u>540,251</u>	<u>2,954,194</u>	-	<u>267,729</u>
	<u>3,483,341</u>	<u>2,954,194</u>	-	<u>3,164,282</u>
Committed				
Unemp. Comp/Beach Reserve/Hunnewell	519,043	-	-	-
Impact Fees/Reserves	-	-	-	4,429,860
Education	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,123</u>
	<u>519,043</u>	-	-	<u>4,438,983</u>
Assigned				
Carryforward Balances/Encumbrances	2,304,373	-	-	-
Education	<u>425,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,729,373</u>	-	-	-
Unassigned	<u>4,973,289</u>	-	<u>(1,289,688)</u>	<u>(641,437)</u>
Total Fund Balances	<u>\$11,702,578</u>	<u>\$2,954,194</u>	<u>(\$1,289,688)</u>	<u>\$7,135,168</u>

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

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**ASSIGNED FUND BALANCES**

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At June 30, 2015, portions of the General Fund balance were assigned to future periods as follows:

	<u>2015</u>
General Fund:	
State Revenue Sharing	\$ (85,793)
Administration – Salary Adjustments	8,280
Human Resource – Overtime	1,500
Human Resource – Employee Recognition	2,500
Human Resource – Recruitment	400
Finance – Accounting Training	1,577
Finance – Collections Training	8,000
Finance – Collections Postage	3,000
Assessing Department – Training	630
Assessing Department – Printing	3,000
Assessing Department – Supplies	486
Information Systems – Employee Training	4,900
Information Systems – Software Maintenance	6,893
Planning Initiatives (former Comprehensive Plan)	2,990
CS Municipal Building – Building Repairs & Maint.	21,600
CS Municipal Building – Tri-Gen Maintenance	8,607
CS Municipal Building – Equipment Maintenance	3,500
CS Municipal Building – Operational Supplies	5,100
CS Municipal Building – Rebate Revenues	4,920
Cable Franchise Fees	21,264
Child Care	20,000
Summer Recreation	27,367
Fire Department – Misc Expenditures	2,637
Fire Department – Daytime Fire Fighter Pay	13,000
Police Department – New Vehicles	70,990
Marine Resource Office – Inventory Management	8,057
Town-Wide Computer Purchases	6,766
Community Services – 2016 Tow Behind Mower	(14,050)
Fire Department – 2015 Defibrillators	7,269
Fire Department – Municipal Holding Tank	8,837
Fire Department – New Fire Pumper Truck	23,834
Police Department – OOB Equipment Setup	57,245
Public Works – Traffic Camera – Oak Hill	400
Encumbered purchase orders	409,462
2015 Bond Premium	319,254
Fund Balance Appropriated for the 2015 Education Budget	425,000
Reserve for Accrued Sick Pay	1,319,951
<b>Total General Fund assigned fund balance</b>	<b>\$ 2,729,373</b>



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

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

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**Plan Descriptions**

The Town contributes to the Maine Public Employees Retirement System, as part of the State Employee and Teacher Plan (the Teacher Plan) and also the Participating Local District Consolidated Plan (the PLD plan) or (the Plans) which are cost sharing multiple employer defined benefit pension plans. The Plans were established as the administrator of a public employee retirement system under the Laws of the State of Maine. Within the Town of Scarborough, the School Department's teaching certified employees plus other qualified educators, are eligible to participate in the Teacher Plan. The Teacher Plan covers 229 participating employers. The Town's Police, Fire/Rescue and certain other Town employees and the Town's school custodians, school lunch personnel, and other non-teacher personnel including, some educational technicians (Ed Techs), central office employees, and secretarial employees have the option to participate in the PLD Plan. The PLD Plan covers 286 participating employers.

Employee membership data related to the Plans, as of June 30, 2014 was as follows:

	Teachers	PLD
Current participants: Vested and non-vested	39,910	10,848
Terminated participants: Vested	7,571	2,071
Retirees and beneficiaries receiving benefits	<u>32,611</u>	<u>8,333</u>
	<u>80,092</u>	<u>21,252</u>

Benefit terms are established by Maine statute. In the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the Plan and periodically makes recommendations. The Plans' retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for Teacher Plan members is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD Plan members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The Plans also provides disability and death benefits which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the Plan's Board of Trustees and is currently 5%.

For the year ended June 30, 2015, the Town's total payroll for all employees was \$38,201,491. Total covered payroll was \$21,706,258 for the Teacher Plan and \$6,287,712 for the PLD Plan. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN, CONTINUED**

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**Contributions**

The contribution requirements of the Teacher Plan members are defined by law or the Plan's Board. Teacher Plan members of the Town of Scarborough's school department are required to contribute 7.65% of covered compensation to the Teacher Plan. The Town of Scarborough's school department employee's contributions are deducted from the employee's wages or salary and remitted by the Town of Scarborough's school department to the Teacher Plan on a monthly basis. The State is statutorily required to contribute 13.03% of annual Teacher wages, excluding wages covered by grants, which pays for the unfunded liability for the teachers. Employer contribution rates are determined through actuarial valuations. The School Department's required contribution rate for the year ended June 30, 2015, was 2.65% percent of annual teacher payroll, plus 13.03% for grant funded wages, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year (normal cost contributions). The Scarborough School Department's contributions to the Teacher Plan for the year ended June 30, 2015 were \$626,859.

The contribution requirements of the PLD Plan members are defined by law or the Plan's Board. Employees of the Town of Scarborough and school department are required to contribute 7.0% of covered compensation to the PLD Plan. The contributions are deducted from the employee's wages or salary and remitted by the Town of Scarborough to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The Town of Scarborough's school and town employees, other than Police and Fire/Rescue, required contribution rate for the year ended June 30, 2015, was 7.8% percent of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2015 was 13.4%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town of Scarborough's contributions to the Plan for the year ended June 30, 2015 were \$624,901.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

**Teacher Plan**

At June 30, 2015, the Town of Scarborough School Department reported a liability for its proportionate share of the net pension liability that reflected a reduction of State pension support provided to the Town of Scarborough School Department. The amount recognized by the Town of Scarborough School Department as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town of Scarborough School Department was as follows:

Town of Scarborough School Department's proportionate share of the net pension liability	\$ 378,299
State's proportionate share of the net pension liability associated with the Town of Scarborough School Department	<u>19,539,727</u>
Total	<u>\$ 19,918,026</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town of Scarborough School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the School Department's proportion was 0.035 percent, which was a decrease of 0.008 from its proportion measured as of June 30, 2013.

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN, CONTINUED**

For the year ended June 30, 2015, the School Department recognized pension expense of \$157,674 and revenue of \$2,702,952 for support provided by the State. In addition, the School Unit reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results		\$ 1,892
Changes of assumptions	\$ 26,053	
Net difference between projected and actual earnings on Plan investments		161,888
Changes in proportion and differences between contributions and proportionate share of contributions	357,055	90,685
Contributions subsequent to the measurement date	626,859	
Total	\$ 1,009,967	\$ 254,465

The \$626,859 of deferred outflows of resources resulting from the School Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Plan year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

Years ending June 30,	
2016	\$ 104,794
2017	104,793
2018	(40,472)
2019	(40,472)
Total	\$(128,643)

**PLD Plan**

At June 30, 2015, the Town and the Town School Department reported a liability of \$2,310,255 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town and the Town School Department's proportion of the net pension liability was based on a projection of the Town and the Town School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Town and the Town School Department's proportion was 1.50%, which was a decrease of 0.02% from its proportion measured as of June 30, 2013.

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN, CONTINUED**

For the year ended June 30, 2015, the Town and the Town School Department recognized pension expense of \$382,816. At June 30, 2015, the Town and the Town School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 290,099	
Changes of assumptions	0	
Net difference between projected and actual earnings on Plan investments		\$ 2,453,637
Changes in proportion and differences between contributions and proportionate share of contributions	49,614	
Contributions subsequent to the measurement date	624,901	
<b>Total</b>	<b>\$ 964,614</b>	<b>\$ 2,453,637</b>

The \$624,901 of deferred outflows of resources resulting from the Town and Town School Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Plan year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

Years ending June 30,	
2016	\$ (500,171)
2017	(500,171)
2018	(500,172)
2019	(613,410)
<b>Total</b>	<b>\$(2,113,924)</b>

**Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Teachers Plan 2.55% and PLD Plan 3.12%, per annum
Salary increases	Teachers Plan 3.5%-13.5% and PLD Plan 3.5%-9.5%, per year
Investment rate of return	Teachers Plan 7.125% and PLD Plan 7.25%, per annum, compounded annually

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN, CONTINUED**

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The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Fixed income	25%	0.0 %
U.S. equities	20%	2.5 %
Non-U.S. equities	20%	5.5 %
Real estate	10%	3.7 %
Infrastructure	10%	4.0 %
Private equity	10%	7.6 %
Hard Assets	5%	4.8 %
Total	100%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.125% for the Teacher Plan and 7.25% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN, CONTINUED**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

**Teacher Plan**

The following presents the Town of Scarborough School Department's proportionate share of the net pension liability calculated using the discount rate of 7.125% percent, as well as what the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1-percentage-point higher (8.125%) than the current rate:

	<b>Discount rate</b>	<b>Town School Department's proportionate share of net pension liability</b>
1% decrease	6.125%	\$ 724,599
Current discount rate	7.125%	\$ 378,299
1% increase	8.125%	\$ 88,525

**PLD Plan**

The following presents the Town and the School Department's proportionate share of the net pension liability calculated using the discount rate of 7.25% percent, as well as what the Town and the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<b>Discount rate</b>	<b>Town and School Department's proportionate share of net pension liability</b>
1% decrease	6.25%	\$ 7,207,314
Current discount rate	7.25%	\$ 2,310,255
1% increase	8.25%	\$ (1,783,078)

**Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN, CONTINUED**

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**On-Behalf Payments**

The State of Maine makes a contribution to the Maine Public Employees Retirement System Teachers Fund for the teachers of the Town of Scarborough's School Department. The actual payment, which is made by the State, is determined by an actuary for the entire teachers' fund. The Maine Public Employees Retirement System estimates the payment made on-behalf of the Town of Scarborough's School Department to approximate 13.03% of the qualified teachers' salaries, plus an additional 2.16% for health insurance. For the year ended June 30, 2015, the total amount of on-behalf payments was approximately \$3,222,000 and was recognized in the fund financial statements. The amount of on-behalf payments recognized in the government wide financial statements for pension expense was approximately \$1,016,000.

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**DEFINED CONTRIBUTION PENSION PLAN**

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

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All full time municipal employees of the Town have the option of participating in either the ICMA Money Purchase 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 17% 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 \$305,907 which was 6% of the participating employees and 17% of the Town Manager's current year covered payroll. The covered payroll amounted to \$4,842,156, while the Town's total payroll was \$12,355,347.

Employee's required contributions amounted to \$282,083, which was 6% of the Town's current year covered payroll.

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

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

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

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**DEFINED CONTRIBUTION PENSION PLAN, CONTINUED**

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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 employee's contributions amounted to \$407,593 and the Town contributions amounted to \$258,368. The Town contributes a match up to 4%. The covered payroll amounted to \$6,266,359.

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.

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**OTHER POST EMPLOYMENT BENEFITS**

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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 January 1, 2014 for fiscal year ending June 30, 2014.

**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.



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

**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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

Normal Cost	\$116,338
Amortization of Unfunded	151,698
<u>Interest</u>	<u>5,308</u>
Annual Required Contribution	\$273,344

**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 ended June 30, 2015 were as follows:

Annual required contribution	\$273,344
Interest on NET OPEB Obligation	54,136
Amortization adjustment to ARC	<u>(78,267)</u>
Annual OPEB Cost	249,213
<u>Actual contribution</u>	<u>(45,684)</u>
Increase in Net OPEB Obligation	203,529
<u>Net OPEB obligation – beginning of year</u>	<u>1,353,397</u>
<b><u>Net OPEB Obligation – end of year</u></b>	<b><u>\$1,556,926</u></b>

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>
2015	\$ 249,213	16%	\$ 1,556,926
2014	252,818	20%	1,353,397
2013	254,097	10%	1,151,199

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial accrued liability	\$2,728,097
<u>Plan Assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$2,728,097
Covered payroll	\$9,967,491
Unfunded actuarial accrued liability as a percentage of covered payroll	27%

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.

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

**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

**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	1-1-2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	30 years, open amortization period
Actuarial assumptions:	
Discount Rate	4.00%
Projected salary increases	3.00%
Healthcare inflation rate	4.60%

**TAX INCREMENT FINANCING DISTRICTS**

The Town has established two, Tax Increment Financing Districts (TIF) under the terms of applicable State laws. The TIF 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 Scarborough Town Center Development District was amended in March 2012 to extend the number of years this TIF district to 2016.

Additionally, under the terms of applicable State laws, the town established four, Credit Enhancement Agreements (CEA). Credit Enhancement Agreements permit the “captured” property tax dollars to be channeled directly to the business doing the development. The money must be used for the project as approved by the Town.

The status of the various Tax Increment Financing Districts and Credit Enhancement Agreements are 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, 2015	6,900,000
Haigis Parkway TIF:	
Original assessed value	8,563,500
Amount captured as of June 30, 2015	7,541,300
Enterprise Business Park CEA:	
	7,727,300
New England Expedition CEA:	
	35,201,100
Bessey School Senior Housing CEA:	
	2,630,800
Foundation Center LLC CEA:	
	1,472,200

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

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, for which the Town either carries commercial insurance, participates in a public entity pool, or is effectively self-insured. Currently, the municipal departments participate in several public entity and self-insured pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claims liabilities which should be recorded at June 30, 2015. There have been no significant reductions in commercial insurance coverage from the prior year and no settlements have exceeded commercial insurance coverage in any of the past three years.

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**NET POSITION**

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Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets, 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 Positions 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 investment in capital assets, was calculated as follows at June 30, 2015:

	Governmental <u>Activities</u>
Capital assets	\$ 190,672,402
Accumulated depreciation	(42,390,464)
Bonds payable	(90,563,000)
Premium liabilities net of amortization	(5,233,906)
Deferred charge on refunding	2,293,124
Capital leases payable	(395,578)
<u>Unspent bond proceeds</u>	<u>2,721,233</u>
<b><u>Net investment in capital assets</u></b>	<b><u>\$57,103,811</u></b>

The Town's Bonds payable is \$98,500,000 as stated in the footnote on page **59**. For the purpose of determining net investment in capital assets, bonds payable totaling \$7,937,147, have been excluded from this calculation because the Town transferred ownership of the capital assets to other entities.

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**PRIOR PERIOD ADJUSTMENT TO NET POSITION**

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Beginning net position was adjusted as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Beginning net position was reduced by \$4,134,345 as a result of implementation of this new standard.

Beginning of year, as previously stated	\$61,844,176
Less: GASB No. 68 and GASB No. 71	<u>(4,134,345)</u>
Beginning of year as restated	<u>\$57,709,831</u>

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

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**COMMITMENTS**

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Construction in progress of \$3,241,416 as of June 30, 2015 consists of athletic field improvements, road improvements, Eastern Trail improvements, and major fire station repairs. These projects are expected to be completed during the fiscal year ending June 30, 2016. The additional estimated costs to complete these projects is approximately \$1,800,000.

**TOWN OF SCARBOROUGH, MAINE**  
**Schedule of Funding Progress**  
**Required Supplementary Information**  
**June 30, 2015**  
**(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]
2015	01-01-2014	\$ -	\$2,728,097	\$2,728,097	0%	\$9,967,491	27%
2014	01-01-2014	\$ -	\$2,728,097	\$2,728,097	0%	\$9,298,561	29%
2013	01-01-2011	\$ -	\$3,023,581	\$3,023,581	0%	\$8,974,368	33%
2012	01-01-2011	\$ -	\$3,023,581	\$3,023,581	0%	\$7,864,585	38%
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%

**TOWN OF SCARBOROUGH, MAINE**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Required Supplementary Information**  
**June 30, 2015**  
**(Unaudited)**

**Maine Public Employees Retirement System**

**Teacher Plan**

Fiscal Year	Actuarial Valuation Date	Town Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Covered Employee Payroll	Town Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	06-30-2014	0.035%	\$378,299	\$19,539,727	\$19,918,026	\$21,706,258	1.74%	84.04%

**PLD Plan**

Fiscal Year	Actuarial Valuation Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	06-30-2014	1.50%	\$2,310,255	\$6,287,712	36.74	94.10%

**TOWN OF SCARBOROUGH, MAINE**  
**Schedule of Contributions**  
**Required Supplementary Information**  
**June 30, 2015**  
**(Unaudited)**

**Teachers Plan**

Fiscal Year	Actuarial Valuation Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	06-30-2015	\$626,859	\$626,859	\$0	\$21,706,258	2.88%

**PLD Plan**

Fiscal Year	Actuarial Valuation Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	06-30-2015	\$624,901	\$624,901	\$0	\$6,287,712	9.94%

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## **GENERAL FUND**

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

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**TOWN OF SCARBOROUGH, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,015,992	10,878,727
Investments	1,962,632	376,822
Receivables:		
Taxes receivable	148,389	143,405
Tax liens	808,236	983,581
Accounts receivable	1,249,773	735,264
Intergovernmental	48,527	198,794
Inventory	42,532	47,851
Interfund loans receivable	3,077,866	3,132,347
Tax acquired property	7,231	7,231
<b>Total assets</b>	<b>\$ 19,361,178</b>	<b>16,504,022</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and other current liabilities	2,037,776	1,680,911
Accrued payroll and other related liabilities	4,499,022	4,114,853
Accrued compensated absence (current)	265,895	94,915
Unearned revenues	49,428	32,933
<b>Total liabilities</b>	<b>6,852,121</b>	<b>5,923,612</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-property taxes	806,479	971,922
<b>Total deferred inflows of resources</b>	<b>\$ 806,479</b>	<b>971,922</b>
Fund balance:		
Nonspendable inventory	42,532	47,851
Restricted - Town	2,898,090	2,838,565
Restricted - Education	540,251	508,790
Committed - Town	519,043	452,151
Assigned - Town	2,304,373	1,584,384
Assigned - School	425,000	800,000
Unassigned - Town	4,973,289	3,376,747
<b>Total fund balance</b>	<b>11,702,578</b>	<b>9,608,488</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 19,361,178</b>	<b>16,504,022</b>

**TOWN OF SCARBOROUGH, MAINE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis)**  
**For the year ended June 30, 2015**  
**(with comparative totals for June 30, 2014)**

	2014 carryforward	2015		Actual	Variance positive (negative)	2014 Actual
		Budget	Total Available			
<b>Revenues:</b>						
<b>Taxes:</b>						
Property taxes	\$ -	55,524,971	55,524,971	55,456,493	(68,478)	53,825,885
Change in deferred property tax revenue	-	-	-	165,443	165,443	(161,068)
Excise taxes	-	4,416,000	4,416,000	5,053,559	637,559	4,651,211
Cable franchise tax	-	196,956	196,956	191,317	(5,639)	191,220
Interest and costs on taxes	-	94,100	94,100	105,060	10,960	98,390
<b>Total taxes</b>	-	<b>60,232,027</b>	<b>60,232,027</b>	<b>60,971,872</b>	<b>739,845</b>	<b>58,605,638</b>
<b>Licenses and permits:</b>						
Plumbing fees	-	35,000	35,000	28,935	(6,065)	30,603
Fees and Permits	-	142,730	142,730	169,052	26,322	158,363
Building permits	-	355,000	355,000	400,719	45,719	292,646
Electrical permits	-	46,000	46,000	44,102	(1,898)	47,814
Zoning Board of Appeals	-	9,000	9,000	5,000	(4,000)	5,825
License plate fees	-	58,685	58,685	58,989	304	59,408
Subdivision fees	-	22,500	22,500	49,384	26,884	66,894
<b>Total licenses and permits</b>	-	<b>668,915</b>	<b>668,915</b>	<b>756,181</b>	<b>87,266</b>	<b>661,553</b>
<b>Intergovernmental:</b>						
Education state subsidies	-	4,778,384	4,778,384	4,747,923	(30,461)	4,241,404
FEMA reimbursement	-	-	-	62,621	62,621	-
Federal HIDTA revenues	-	120,000	120,000	116,002	(3,998)	122,230
State Revenue Sharing	-	736,158	736,158	771,051	34,893	791,820
Homestead exemption	-	346,020	346,020	346,020	-	83,001
Business equipment tax exemption	-	315,769	315,769	316,079	310	268,811
LRAP (Local Road Assistance Program)	-	315,000	315,000	321,192	6,192	350,248
ecomaine payment in lieu of taxes	-	71,450	71,450	71,450	-	71,450
General assistance reimbursement	-	1,500	1,500	4,658	3,158	1,600
Adult education State subsidies	-	36,000	36,000	30,954	(5,046)	35,798
Medicaid	-	25,000	25,000	42,551	17,551	44,418
Other Federal and State revenues - School	-	150,000	150,000	158,425	8,425	202,817
Other Federal and State revenues - Town	-	151,912	151,912	167,418	15,506	131,136
<b>Total intergovernmental</b>	-	<b>7,047,193</b>	<b>7,047,193</b>	<b>7,156,344</b>	<b>109,151</b>	<b>6,344,733</b>
Interest earned	-	15,000	15,000	390,260	375,260	108,862
<b>Unclassified:</b>						
School Department miscellaneous	-	322,586	322,586	290,023	(32,563)	297,491
Adult education	-	41,000	41,000	38,956	(2,044)	54,772
Community services	-	1,779,039	1,779,039	1,937,447	158,408	1,901,883
Insurance reimbursements	-	33,000	33,000	115,260	82,260	94,531
Public Violations	-	53,500	53,500	79,502	26,002	72,450
Special duty police/fire	-	77,000	77,000	89,161	12,161	78,793
Inspection/review fees	-	77,300	77,300	184,560	107,260	100,350
Rescue donations	-	747,500	747,500	747,500	-	747,500
Rental income	-	49,514	49,514	49,514	-	48,212
Sale of Town-owned property	-	59,000	59,000	54,304	(4,696)	159,089
Salary reimbursement	-	1,023,421	1,023,421	1,111,439	88,018	822,429
Vehicle fuel reimbursement	-	544,573	544,573	556,107	11,534	554,144
Vehicle maintenance reimbursement	-	476,750	476,750	520,646	43,896	555,194
Lease revenue	-	94,330	94,330	-	(94,330)	-
Miscellaneous	-	180,307	180,307	307,468	127,161	77,535
<b>Total unclassified</b>	-	<b>5,558,820</b>	<b>5,558,820</b>	<b>6,081,887</b>	<b>523,067</b>	<b>5,564,373</b>
<b>Total revenues</b>	-	<b>73,521,955</b>	<b>73,521,955</b>	<b>75,356,544</b>	<b>1,834,589</b>	<b>71,285,159</b>

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

	2014 carryforward	2015			Variance positive (negative)	2014 Actual
		Budget	Total available	Actual		
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Town Council	\$ -	11,573	11,573	11,778	(205)	12,486
Administration	-	248,477	248,477	257,553	(9,076)	235,584
Town Clerk	-	182,761	182,761	171,705	11,056	170,975
Human resources	3,974	271,036	275,010	269,064	5,946	264,491
Personnel benefits	-	200,852	200,852	268,330	(67,478)	266,674
Finance	3,015	351,309	354,324	337,934	16,390	341,317
Purchasing	295	66,477	66,772	63,191	3,581	61,755
Taxation/Treasury	5,000	341,711	346,711	320,731	25,980	319,351
Assessing	2,476	268,536	271,012	217,156	53,856	254,099
Management information systems	16,691	1,120,568	1,137,259	1,091,837	45,422	922,716
Planning	15,089	874,545	889,634	778,433	111,201	836,067
General government	-	97,563	97,563	111,499	(13,936)	109,002
Legal	-	80,000	80,000	182,205	(102,205)	239,347
Risk management	-	563,913	563,913	558,132	5,781	600,572
Public information	-	3,200	3,200	2,370	830	2,285
Engineering	-	48,000	48,000	127,898	(79,898)	86,222
Outside agencies	-	60,000	60,000	59,628	372	59,999
<b>Total general government</b>	<b>46,540</b>	<b>4,790,521</b>	<b>4,837,061</b>	<b>4,829,444</b>	<b>7,617</b>	<b>4,782,942</b>
<b>Public services:</b>						
Library	-	953,583	953,583	953,583	-	891,884
Public health and welfare	-	27,883	27,883	24,433	3,450	22,885
Tax Rebates (Credit Enhancement Agree)	-	704,900	704,900	704,900	-	685,314
Economic Development Corporation	24,629	205,257	229,886	224,652	5,234	178,873
Community services	38,452	2,613,806	2,652,258	2,704,672	(52,414)	2,643,841
<b>Total public services</b>	<b>63,081</b>	<b>4,505,429</b>	<b>4,568,510</b>	<b>4,612,240</b>	<b>(43,730)</b>	<b>4,422,797</b>
<b>Public safety:</b>						
Fire Department	21,613	2,387,414	2,409,027	2,401,232	7,795	2,244,833
Emergency Management	2,231	37,378	39,609	34,722	4,887	35,976
Emergency Medical Services	12,251	1,705,339	1,717,590	1,667,333	50,257	1,505,537
Marine resources	7,077	95,671	102,748	91,296	11,452	89,189
Police Department	70,778	5,348,803	5,419,581	5,319,525	100,056	5,003,487
<b>Total public safety</b>	<b>113,950</b>	<b>9,574,605</b>	<b>9,688,555</b>	<b>9,514,108</b>	<b>174,447</b>	<b>8,879,022</b>
<b>Public works:</b>						
Public Works Department	40,043	2,718,763	2,758,806	2,809,508	(50,702)	2,556,279
Vehicle maintenance	1,000	1,701,696	1,702,696	1,769,195	(66,499)	1,786,398
Water charges	-	205,920	205,920	203,612	2,308	191,919
Street lighting	-	144,500	144,500	183,719	(39,219)	169,534
Traffic signals	-	107,100	107,100	94,332	12,768	99,615
Cemetery care	-	17,700	17,700	20,907	(3,207)	17,130
Memorials	-	7,977	7,977	7,994	(17)	7,875
Shade trees	-	8,000	8,000	3,245	4,755	3,232
GIS/Engineering services	-	107,312	107,312	86,001	21,311	75,090
Solid waste program	-	1,340,528	1,340,528	1,327,926	12,602	1,595,546
<b>Total public works</b>	<b>41,043</b>	<b>6,359,496</b>	<b>6,400,539</b>	<b>6,506,439</b>	<b>(105,900)</b>	<b>6,502,618</b>
<b>Education:</b>						
Adult education	-	174,691	174,691	164,920	9,771	170,853
Regular instruction	-	24,694,385	24,694,385	24,598,533	95,852	23,462,817
Improvement of instruction	-	923,835	923,835	884,752	39,083	831,395
Special services	-	3,355,307	3,355,307	3,292,229	63,078	2,951,150
General & special administration	-	216,590	216,590	209,422	7,168	221,631
Board of education	-	35,010	35,010	31,682	3,328	30,102
Office of the superintendent	-	654,796	654,796	651,128	3,668	621,907
Business administration	-	1,873,218	1,873,218	1,868,638	4,580	1,783,513
Transportation	-	1,666,040	1,666,040	1,586,199	79,841	1,606,252
Operation and maintenance of plant	-	3,719,951	3,719,951	3,602,868	117,083	3,248,830
Debt service	-	4,776,492	4,776,492	4,605,947	170,545	4,150,113
<b>Total education</b>	<b>-</b>	<b>42,090,315</b>	<b>42,090,315</b>	<b>41,496,318</b>	<b>593,997</b>	<b>39,078,563</b>

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

	2015					2014 Actual
	2014 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Current, continued:						
County tax	\$ -	2,355,415	2,355,415	2,355,415	-	2,193,813
Debt service (excluding education):						
Principal	-	3,279,484	3,279,484	3,279,484	-	3,110,196
Interest and other costs	-	1,362,173	1,362,173	1,326,016	36,157	1,360,754
Total debt service	-	4,641,657	4,641,657	4,605,500	36,157	4,470,950
Capital improvements	138,979	1,879,364	2,018,343	1,192,358	825,985	1,146,088
Total expenditures	403,593	76,196,802	76,600,395	75,111,822	1,488,573	71,476,793
Excess (deficiency) of revenues over expenditures	(403,593)	(2,674,847)	(3,078,440)	244,722	3,323,162	(191,634)
Other financing sources (uses):						
Transfers in	-	697,827	697,827	594,836	(102,991)	561,290
Transfers out	-	(275,887)	(275,887)	(320,823)	(44,936)	(315,652)
General obligation bonds	-	1,611,000	1,611,000	1,501,880	(109,120)	471,424
Overlay	-	(328,093)	(328,093)	(6,765)	321,328	-
Total other financing sources (uses)	-	1,704,847	1,704,847	1,769,128	64,281	717,062
Net change in fund balances - budgetary basis	(403,593)	(970,000)	(1,373,593)	2,013,850	3,387,443	525,428
Utilization of prior year surplus and carrying balances	403,593	970,000	1,373,593	-	(1,373,593)	-
Total Utilization of Fund Balance and Carry forwards	-	-	-	2,013,850	2,013,850	525,428
Reconciliation to GAAP basis:						
Current portion of accrued compensated absences				80,240		25,414
Fund balances, beginning of year				9,608,488		9,057,646
<b>Fund balances, end of year</b>				<b>11,702,578</b>		<b>9,608,488</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 473,410	-	-	473,410
Investments	5,115,727	2,038,715	222,196	7,376,638
Intergovernmental receivable	116,612	-	-	116,612
Accounts receivable	130,516	500,000	-	630,516
Interfund loans	173,260	245,624	11,440	430,324
Inventory	26,122	-	-	26,122
Notes receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 6,035,647</b>	<b>2,784,339</b>	<b>233,636</b>	<b>9,053,622</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	363,084	794,491	-	1,157,575
Interfund loans	658,560	102,047	272	760,879
<b>Total liabilities</b>	<b>1,021,644</b>	<b>896,538</b>	<b>272</b>	<b>1,918,454</b>
Fund balances (deficit):				
Nonspendable trust principal	-	-	147,218	147,218
Nonspendable inventory	26,122	-	-	26,122
Restricted for Town	356,023	2,454,384	86,146	2,896,553
Restricted for Education	267,729	-	-	267,729
Committed for Town	4,429,860	-	-	4,429,860
Committed for Education	9,123	-	-	9,123
Unassigned for Town	(74,854)	(566,583)	-	(641,437)
<b>Total fund balances (deficit)</b>	<b>5,014,003</b>	<b>1,887,801</b>	<b>233,364</b>	<b>7,135,168</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,035,647</b>	<b>2,784,339</b>	<b>233,636</b>	<b>9,053,622</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2015**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,784,490	716,400	-	2,500,890
Contributions	45,956	-	-	45,956
Taxes		182,500		182,500
Assessments and impact fees	2,163,775	-	-	2,163,775
Sale of lots	-	-	11,440	11,440
Other revenue	1,694,119	251,671	-	1,945,790
Interest revenue	41,315	2,043	1,767	45,125
Total revenues	5,729,655	1,152,614	13,207	6,895,476
Expenditures:				
Current:				
Capital expenditures	1,278,022	6,803,092	-	8,081,114
Education	2,505,043	-	-	2,505,043
Other	1,920,888	-	201	1,921,089
Total expenditures	5,703,953	6,803,092	201	12,507,246
Excess (deficiency) of revenues over expenditures	25,702	(5,650,478)	13,006	(5,611,770)
Other financing sources (uses):				
Transfers in	271,943	108,013	-	379,956
Transfers out	(340,558)	(40,108)	-	(380,666)
General Obligation Bonds	-	4,583,120	-	4,583,120
Total other financing sources (uses)	(68,615)	4,651,025	-	4,582,410
Net change in fund balances	(42,913)	(999,453)	13,006	(1,029,360)
Fund balances, beginning of year	5,056,916	2,887,254	220,358	8,164,528
<b>Fund balances, end of year</b>	<b>\$ 5,014,003</b>	<b>1,887,801</b>	<b>233,364</b>	<b>7,135,168</b>



OTHER GOVERNMENTAL FUNDS.

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# 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 and 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.

## **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. This project was closed in F/Y 2015.

## **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.

## **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.

# NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

## 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 revenue non-lapsing accounts dedicated for funding 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 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.

## Departmental Grants and Programs

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

## 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.

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2015**

		<b>Recrea- tional Develop- ment</b>	<b>Credit Enhancement Agreements</b>	<b>Boat Launch Facility</b>	<b>Rte 1 Sawyer Road Improve</b>	<b>Prouts Landing Conserva- tion</b>	<b>Payne Road Improvements</b>	<b>Payne Road Impact Fees</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$	-	-	-	-	-	-	260,717
Investments		-	42,990	-	66,679	24,873	70,741	2,006,311
Intergovernmental receivable		-	-	-	-	-	-	-
Due from State of Maine		-	-	-	-	-	-	-
Accounts receivable		-	-	-	-	-	-	672
Interfund loans receivable		22,060	-	-	-	-	-	2,277
Inventory		-	-	-	-	-	-	-
Notes receivable		-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$</b>	<b>22,060</b>	<b>42,990</b>	<b>-</b>	<b>66,679</b>	<b>24,873</b>	<b>70,741</b>	<b>2,269,977</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable		-	-	-	-	-	-	260,717
Interfund loans payable		-	-	48,732	66,679	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>48,732</b>	<b>66,679</b>	<b>-</b>	<b>-</b>	<b>260,717</b>
Fund balances:								
Nonspendable							-	-
Restricted		-	42,990	-	-	-	-	-
Committed		22,060	-	-	-	24,873	70,741	2,009,260
Unassigned		-	-	(48,732)	-	-	-	-
<b>Total fund balances (deficit)</b>		<b>22,060</b>	<b>42,990</b>	<b>(48,732)</b>	<b>-</b>	<b>24,873</b>	<b>70,741</b>	<b>2,009,260</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>22,060</b>	<b>42,990</b>	<b>-</b>	<b>66,679</b>	<b>24,873</b>	<b>70,741</b>	<b>2,269,977</b>

Exhibit C-1, Continued

Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
-	-	-	-	50,857	161,836	-	473,410
1,436,702	174,028	155,198	24,696	1,113,509	-	-	5,115,727
-	-	-	-	-	116,612	-	116,612
-	-	32,185	-	59,381	19,287	18,991	130,516
116,798	-	32,125	-	-	-	-	173,260
-	-	-	-	-	-	26,122	26,122
-	-	-	-	-	-	-	-
<b>1,553,500</b>	<b>174,028</b>	<b>219,508</b>	<b>24,696</b>	<b>1,223,747</b>	<b>297,735</b>	<b>45,113</b>	<b>6,035,647</b>
							(361,903)
-	-	28,537	-	7,834	20,883	45,113	363,084
314,376	40,441	-	-	188,332	-	-	658,560
314,376	40,441	28,537	-	196,166	20,883	45,113	1,021,644
						26,122	26,122
-	133,587		24,696	154,750	267,729		623,752
1,239,124		190,971	-	872,831	9,123	-	4,438,983
						(26,122)	(74,854)
1,239,124	133,587	190,971	24,696	1,027,581	276,852	-	5,014,003
<b>1,553,500</b>	<b>174,028</b>	<b>219,508</b>	<b>24,696</b>	<b>1,223,747</b>	<b>297,735</b>	<b>45,113</b>	<b>6,035,647</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2015**

	Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Rte 1 Sawyer Road Improve	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
Revenues:							
Intergovernmental	\$ -	-	-	-	-	-	-
Interest earned	-	(34)	-	533	199	565	16,877
Contributions	-	-	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	54,427
Assessments and impact fees	15,655	593,700	-	-	-	-	-
Total revenues	15,655	593,666	-	533	199	565	71,304
Expenditures:							
Construction and acquisitions	-	-	8,744	65,972	-	-	156,711
Education	-	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	-
Other	-	593,700	-	-	-	-	-
Total expenditures	-	593,700	8,744	65,972	-	-	156,711
Excess (deficiency) of revenues over expenditures	15,655	(34)	(8,744)	(65,439)	199	565	(85,407)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-
Transfers out	-	-	-	(707)	-	-	-
Total other financing sources (uses)	-	-	-	(707)	-	-	-
Net change in fund balances	15,655	(34)	(8,744)	(66,146)	199	565	(85,407)
Fund balances (deficit), beginning of year	6,405	43,024	(39,988)	66,146	24,674	70,176	2,094,667
<b>Fund balances (deficit), end of year</b>	<b>\$ 22,060</b>	<b>42,990</b>	<b>(48,732)</b>	<b>-</b>	<b>24,873</b>	<b>70,741</b>	<b>2,009,260</b>

	Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
Revenues:								
Intergovernmental	-	110,549	-	-	416,375	986,205	271,361	1,784,490
Interest earned	11,101	1,427	912	250	9,485	-	-	41,315
Contributions	-	-	-	2,770	-	43,186	-	45,956
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-
Other	476,397	-	-	-	192,500	8,100	962,695	1,694,119
Assessments and impact fees	-	-	1,514,519	-	39,901	-	-	2,163,775
<b>Total revenues</b>	<b>487,498</b>	<b>111,976</b>	<b>1,515,431</b>	<b>3,020</b>	<b>658,261</b>	<b>1,037,491</b>	<b>1,234,056</b>	<b>5,729,655</b>
Expenditures:								
Construction and acquisitions	21,662	99,736	-	18,050	907,147	-	-	1,278,022
Education	-	-	-	-	-	1,052,189	1,452,854	2,505,043
Benefits paid	-	-	-	-	-	-	-	-
Other	-	-	1,327,188	-	-	-	-	1,920,888
<b>Total expenditures</b>	<b>21,662</b>	<b>99,736</b>	<b>1,327,188</b>	<b>18,050</b>	<b>907,147</b>	<b>1,052,189</b>	<b>1,452,854</b>	<b>5,703,953</b>
Excess (deficiency) of revenues over expenditures	465,836	12,240	188,243	(15,030)	(248,886)	(14,698)	(218,798)	25,702
Other financing sources (uses):								
Transfers in	-	-	-	-	53,145	-	218,798	271,943
Bond Proceeds	-	-	-	-	-	-	-	-
Transfers out	(290,516)	(40,000)	-	-	(9,335)	-	-	(340,558)
<b>Total other financing sources (uses)</b>	<b>(290,516)</b>	<b>(40,000)</b>	<b>-</b>	<b>-</b>	<b>43,810</b>	<b>-</b>	<b>218,798</b>	<b>(68,615)</b>
Net change in fund balances	175,320	(27,760)	188,243	(15,030)	(205,076)	(14,698)	-	(42,913)
Fund balances (deficit), beginning of year	1,063,804	161,347	2,728	39,726	1,232,657	291,550	-	5,056,916
<b>Fund balances (deficit), end of year</b>	<b>1,239,124</b>	<b>133,587</b>	<b>190,971</b>	<b>24,696</b>	<b>1,027,581</b>	<b>276,852</b>	<b>-</b>	<b>5,014,003</b>



**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, 2015**

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ -	195,151	-	195,151	-
NCLB/Title IIA	749	60,743	-	61,492	-
Title III	-	3,819	-	3,819	-
NCLB/Title VA	-	-	-	-	-
Local Entitlement	-	690,603	-	690,603	-
Preschool handicapped	-	2,601	-	2,601	-
Education Jobs Fund	-	-	-	-	-
Scarborough Education Foundation	15,000	14,810	-	17,393	12,417
Finberg Trust	219,671	-	-	15,542	204,129
WW Brick Sales & Other Donations	26,152	-	28,376	45,901	8,627
Proficiency Based Graduation	29,465	-	33,288	11,598	51,155
CC Admin Certification	513	-	8,100	8,089	524
Total federal education grant programs	291,550	967,727	69,764	1,052,189	276,852
Other State grant programs:					
Professional Development Grant	-	-	-	-	-
Total other state grant programs	-	-	-	-	-
<b>Total school categorical programs</b>	<b>\$ 291,550</b>	<b>967,727</b>	<b>69,764</b>	<b>1,052,189</b>	<b>276,852</b>

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## **NONMAJOR CAPITAL PROJECT FUNDS**

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

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

### **General School Improvements**

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

### **General Town Improvements**

To account for money appropriated by the Town Council for capital improvements to town buildings and infrastructure.

### **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, 2015**

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	-		-
Investments	145,356	1,893,359		2,038,715
Accounts Receivable	-	500,000		500,000
Interfund loans receivable	-	245,624	-	245,624
<b>Total assets</b>	<b>\$ 145,356</b>	<b>2,638,983</b>	<b>-</b>	<b>2,784,339</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	609,892	184,599	-	794,491
Interfund loans payable	-	-	102,047	102,047
<b>Total liabilities</b>	<b>609,892</b>	<b>184,599</b>	<b>102,047</b>	<b>896,538</b>
Fund balance (deficit):				
Restricted	-	2,454,384	-	2,454,384
Unassigned	(464,536)	-	(102,047)	(566,583)
<b>Total fund balance (deficit)</b>	<b>(464,536)</b>	<b>2,454,384</b>	<b>(102,047)</b>	<b>1,887,801</b>
<b>Total liabilities and fund balance</b>	<b>\$ 145,356</b>	<b>2,638,983</b>	<b>-</b>	<b>2,784,339</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Capital Project Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2015**

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
Revenues:				
Intergovernmental	\$ -	716,400	-	716,400
Taxes	155,000	27,500	-	182,500
Interest earned	370	1,673	-	2,043
Other	-	251,671	-	251,671
Total revenues	155,370	997,244	-	1,152,614
Expenditures:				
Capital Improvements	1,637,294	5,165,798	-	6,803,092
Total expenditures	1,637,294	5,165,798	-	6,803,092
Excess (deficiency) of revenues over expenditures	(1,481,924)	(4,168,554)	-	(5,650,478)
Other financing sources (uses):				
Transfers in	8	3,815	104,190	108,013
Transfers out	(3,819)	(36,289)	-	(40,108)
Proceeds of general obligation bonds	776,300	3,806,820	-	4,583,120
Total other financing sources (uses)	772,489	3,774,346	104,190	4,651,025
Net change in fund balances	(709,435)	(394,208)	104,190	(999,453)
Fund balances (deficit), beginning of year	244,899	2,848,592	(206,237)	2,887,254
<b>Fund balances (deficit), end of year</b>	<b>\$ (464,536)</b>	<b>2,454,384</b>	<b>(102,047)</b>	<b>1,887,801</b>

## **NONMAJOR PERMANENT FUNDS**

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

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

### **Scarborough Memorial Cemetery**

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

### **Dunstan Perpetual Care**

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

### **Mary A. Tucker Fund**

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

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**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2015**

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
<b>ASSETS</b>				
Investments	\$ 194,194	25,097	2,905	222,196
Interfund loans receivable	11,440	-	-	11,440
<b>Total assets</b>	<b>\$ 205,634</b>	<b>25,097</b>	<b>2,905</b>	<b>233,636</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund loans payable	-	272	-	272
<b>Total liabilities</b>	<b>-</b>	<b>272</b>	<b>-</b>	<b>272</b>
Fund balances:				
Nonspendable Principal	133,351	13,367	500	147,218
Restricted Expendable Income	72,283	11,458	2,405	86,146
<b>Total fund balances</b>	<b>205,634</b>	<b>24,825</b>	<b>2,905</b>	<b>233,364</b>
<b>Total liabilities and fund balances</b>	<b>\$ 205,634</b>	<b>25,097</b>	<b>2,905</b>	<b>233,636</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2015**

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 1,542	201	24	1,767
Sale of lots/perpetual care deposits	11,440	-	-	11,440
Total revenues	12,982	201	24	13,207
Expenditures:				
Earnings retained by General Fund	-	201	-	201
Other	-	-	-	-
Total expenditures	-	201	-	201
Net change in fund balances	12,982	-	24	13,006
Fund balances, beginning of year	192,652	24,825	2,881	220,358
<b>Fund balances, end of year</b>	<b>\$ 205,634</b>	<b>24,825</b>	<b>2,905</b>	<b>233,364</b>

## **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 Position**  
**June 30, 2015**

	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
<b>ASSETS</b>													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 1,000	91,950	102,153	179	12	1,092	16,148	312	2,566	11,170	1,228	2,952	230,762
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,000</b>	<b>91,950</b>	<b>102,153</b>	<b>179</b>	<b>12</b>	<b>1,092</b>	<b>16,148</b>	<b>312</b>	<b>2,566</b>	<b>11,170</b>	<b>1,228</b>	<b>2,952</b>	<b>230,762</b>
<b>LIABILITIES AND NET ASSETS</b>													
<b>Liabilities:</b>													
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>													
Nonspendable Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Restricted Interest	(240)	4,270	2,153	179	12	1,092	16,148	(188)	540	7,670	1,228	(858)	32,006
<b>Total net position</b>	<b>1,000</b>	<b>91,950</b>	<b>102,153</b>	<b>179</b>	<b>12</b>	<b>1,092</b>	<b>16,148</b>	<b>312</b>	<b>2,566</b>	<b>11,170</b>	<b>1,228</b>	<b>2,952</b>	<b>230,762</b>
<b>Total liabilities and net position</b>	<b>\$ 1,000</b>	<b>91,950</b>	<b>102,153</b>	<b>179</b>	<b>12</b>	<b>1,092</b>	<b>16,148</b>	<b>312</b>	<b>2,566</b>	<b>11,170</b>	<b>1,228</b>	<b>2,952</b>	<b>230,762</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Private-purpose Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the year ended June 30, 2015**

	<b>Shirley Grover Fund</b>	<b>Mary Campbell Pederson Fund</b>	<b>Edith Warga Art Scholarship</b>	<b>Packy McFarland Scholarship Fund</b>	<b>Roy Nelson Scholarship Fund</b>	<b>Daniel Tranchemontagne Scholarship Fund</b>	<b>Virginia Jackson Scholarship Fund</b>	<b>Evelyn J. Chaddon Mem. Scholarship Fund</b>	<b>S. Dwight Howard Mem. Scholarship Fund</b>	<b>Bertha Libby-Lary Scholarship Fund</b>	<b>Academic Decathlon Scholarship Fund</b>	<b>Kathy Pearson Scholarship Fund</b>	<b>Totals</b>
<b>Additions</b>													
Donations	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	8	742	821	1	-	10	141	3	20	90	11	24	1,871
<b>Total additions</b>	<b>8</b>	<b>742</b>	<b>821</b>	<b>1</b>	<b>-</b>	<b>10</b>	<b>141</b>	<b>3</b>	<b>20</b>	<b>90</b>	<b>11</b>	<b>24</b>	<b>1,871</b>
<b>Deductions:</b>													
School scholarships	-	2,000	1,500	-	-	-	1,500	-	-	250	-	-	5,250
<b>Total deductions</b>	<b>-</b>	<b>2,000</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>5,250</b>
Changes in net assets	8	(1,258)	(679)	1	-	10	(1,359)	3	20	(160)	11	24	(3,379)
<b>Net position, beginning of year</b>	<b>992</b>	<b>93,208</b>	<b>102,832</b>	<b>178</b>	<b>12</b>	<b>1,082</b>	<b>17,507</b>	<b>309</b>	<b>2,546</b>	<b>11,330</b>	<b>1,217</b>	<b>2,928</b>	<b>234,141</b>
<b>Net position, end of year</b>	<b>\$ 1,000</b>	<b>91,950</b>	<b>102,153</b>	<b>179</b>	<b>12</b>	<b>1,092</b>	<b>16,148</b>	<b>312</b>	<b>2,566</b>	<b>11,170</b>	<b>1,228</b>	<b>2,952</b>	<b>230,762</b>

**TOWN OF SCARBOROUGH, MAINE**  
**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>STUDENT ACTIVITIES:</b>				
<b>ASSETS</b>				
Cash	\$ 230,478	476,156	426,148	280,486
<b>LIABILITIES</b>				
Payable to student groups	\$ 230,478	476,156	426,148	280,486

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# TOWN OF SCARBOROUGH MAINE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



### GENERAL LONG TERM DEBT

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**TOWN OF SCARBOROUGH, MAINE**  
**Statement of Changes in Long-term Debt**  
**For the year ended June 30, 2015**

	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>							
1994 Capital Improvements	6.20%	2015	\$ 230,000 to 2015	230,000		230,000	-
1995 Capital Improvements	5.00%	2016	265,000 to 2016	530,000		265,000	265,000
1997 Capital Improvements	5.60%	2017	110,000 to 2017	330,000		110,000	220,000
2004 Capital Improvements	4.40%	2015	215,000 in 2015	215,000	-	215,000	-
2005 Capital Improvements	4.00%		315,000 in 2015				
	4.00%		250,000 in 2016	565,000		315,000	250,000
2006 Capital Improvements	4.00%	2016	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	2,035,000	-	530,000	1,505,000
2007 Capital Improvements	4.00%	2023	225,000 to 2017				
	4.00%		25,000 to 2022	800,000	-	225,000	575,000
2008 Capital Improvements	3.25%	2028	580,000 in 2015				
	3.25%		570,000 to 2017				
	3.35%		575,000 in 2018				
	Varies		185,000 to 2028	4,145,000	-	580,000	3,565,000
2009 Capital Improvements	2.13%	2029	400,000 in 2015				
	2.25%		315,000 in 2016				
	Varies		310,000 to 2019				
	3.00%		110,000 in 2020				
	Varies		100,000 to 2029	2,655,000	-	400,000	2,255,000
2009 Bond Refunding	3.00%	2020	185,000 to 2019				
	3.00%		115,000 in 2020	1,040,000	-	185,000	855,000
2010 Capital Improvements	2.50%	2031	470,000 to 2016				
	Varies		345,000 to 2021				
	Varies		280,000 to 2026				
	4.00%		100,000 to 2031	4,565,000	-	470,000	4,095,000
2011 Capital Improvements	2.00%	2031	540,000 to 2015				
	2.00%		525,000 in 2016				
	2.00%		360,000 to 2018				
	Varies		355,000 to 2021				
	Varies		115,000 to 2026				
	Varies		110,000 to 2031	3,975,000	-	540,000	3,435,000

**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>							
2012 Capital Improvements	3.00%	2042	\$ 575,000 in 2015				
	3.00%		1,065,000 in 2016				
	4.00%		1,690,000 in 2017				
	4.00%		2,400,000 in 2018				
	4.00%		2,825,000 in 2019				
	4.00%		3,210,000 in 2020				
	5.00%		3,475,000 in 2021				
	3.00%		3,685,000 in 2022				
	3.00%		3,520,000 in 2023				
	4.00%		2,170,000 in 2024				
	4.00%		1,870,000 in 2025				
	4.00%		1,585,000 in 2026				
	4.00%		1,335,000 in 2027				
	4.00%		1,310,000 in 2028				
	4.00%		1,330,000 in 2029				
	4.00%		1,355,000 in 2030				
	4.00%		1,775,000 in 2031				
	4.00%		1,815,000 in 2032				
	4.00%		1,800,000 in 2033				
	Varies		685,000 to 2042	44,955,000.00	-	575,000	44,380,000
2013 Capital Improvements	2.00%	2043	350,000 in 2015				
	2.00%		575,000 in 2016				
	3.00%		1,145,000 in 2017				
	3.00%		915,000 in 2018				
	3.00%		765,000 in 2019				
	4.00%		770,000 in 2020				
	Varies		765,000 to 2023				
	5.00%		715,000 in 2024				
	4.00%		720,000 in 2025				
	5.00%		1,045,000 in 2026				
	5.00%		1,430,000 in 2027				
	3.00%		1,465,000 in 2028				
	4.00%		1,405,000 in 2029				
	3.25%		1,435,000 in 2030				
	3.25%		1,065,000 in 2031				
	3.25%		1,075,000 in 2032				
	4.00%		1,090,000 in 2033				
	4.00%		1,525,000 in 2034				
	4.00%		1,045,000 in 2035				
	Varies		565,000 to 2043	25,350,000.00	-	350,000	25,000,000
2014 Capital Improvements	2.00%	2034	490,000 in 2015				
	2.00%		760,000 to 2017				
	2.00%		735,000 in 2018				
	2.00%		700,000 in 2019				
	2.00%		325,000 to 2021				
	2.00%		310,000 in 2022				
	3.00%		300,000 to 2024				
	3.00%		250,000 to 2029				
	4.00%		50,000 to 2034	6,505,000.00	-	490,000	6,015,000
2015 Capital Improvements	2.00%	2035	500,000 in 2016				
	3.00%		495,000 in 2017				
	4.00%		485,000 in 2018				
	4.00%		430,000 to 2020				
	Varies		335,000 to 2023				
	4.00%		320,000 to 2025				
	Varies		265,000 to 2029				
	3.00%		245,000 in 2030				
	3.00%		165,000 in 2031				
	3.00%		160,000 to 2034				
	3.00%		150,000 in 2035		6,085,000		6,085,000
Total bonds				97,895,000	6,085,000	5,480,000	98,500,000
<b>Total long-term debt</b>			<b>\$</b>	<b>97,895,000</b>	<b>6,085,000</b>	<b>5,480,000</b>	<b>98,500,000</b>

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# TOWN OF SCARBOROUGH MAINE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



## STATISTICAL SECTION

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## 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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**TOWN OF SCARBOROUGH, MAINE**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015</u>
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 36,322,875	44,077,001	35,652,357	41,821,008	\$ 47,588,145	\$ 53,031,962	\$ 54,339,258	\$ 49,823,697	\$ 53,887,278	\$ 57,103,811
Restricted	4,210,087	3,053,818	5,111,460	1,289,495	2,199,233	1,642,063	1,111,295	3,555,142	4,049,315	4,009,022
Unrestricted	13,952,097	8,971,362	5,178,473	5,441,922	2,916,603	(702,917)	2,127,242	6,347,111	(226,762)	(1,363,245)
<b>Total governmental activities net position</b>	<b>\$ 54,485,059</b>	<b>56,102,181</b>	<b>45,942,290</b>	<b>48,552,425</b>	<b>\$ 52,703,981</b>	<b>\$ 53,971,108</b>	<b>\$ 57,577,795</b>	<b>\$ 59,725,950</b>	<b>\$ 57,709,831</b>	<b>\$ 59,749,588</b>

Notes:

(1) Total Net Position as restated for the fiscal year ended June 30, 2014. The Restatement resulted from implementation of GASB Statement No. 68.

Table 2

**TOWN OF SCARBOROUGH, MAINE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
<b>Program revenues:</b>										
Charges for services										
General government	\$ 2,314,440	\$ 1,631,751	\$ 1,620,897	\$ 1,177,707	\$ 1,986,246	\$ 1,851,983	\$ 1,386,497	\$ 1,525,062	\$ 1,868,477	\$ 3,170,678
Public services	1,424,780	1,506,211	1,589,909	1,584,529	1,719,617	1,680,722	1,791,859	2,363,475	2,481,387	2,531,113
Public safety	1,374,106	1,667,291	1,648,995	1,760,683	1,629,561	1,632,627	2,069,487	2,449,062	2,156,498	2,731,150
Public works	655,416	1,754,971	2,023,638	1,515,042	1,665,084	1,542,707	1,843,317	1,405,040	1,590,382	1,692,802
Education	1,255,770	1,198,104	1,211,208	1,195,167	1,217,302	1,252,673	1,248,055	1,191,085	1,282,369	1,299,774
Interest on debt services	-	-	-	-	-	-	-	-	-	-
Operating grants and activities	10,705,583	11,402,628	12,374,645	15,486,627	12,269,970	11,719,082	11,093,321	9,912,515	9,983,992	8,586,603
Capital grants and contributions	4,680,951	(559,458)	112,751	112,090	122,376	170,480	174,652	97,351	159,089	54,304
<b>General revenues:</b>										
Property and excise taxes, levies for general purposes	41,406,244	42,771,603	44,691,242	46,620,992	47,029,220	49,050,813	50,571,377	54,442,643	58,838,156	60,877,879
Grants and contributions not restricted to specific programs	2,061,431	1,931,165	3,834,629	339,302	1,947,274	1,904,938	2,473,014	2,656,313	1,352,303	1,908,036
Unrestricted investment earnings	260,661	404,622	344,371	137,533	141,496	42,024	66,255	42,573	108,862	390,260
<b>Total revenues</b>	<b>66,139,382</b>	<b>63,708,888</b>	<b>69,452,285</b>	<b>69,929,672</b>	<b>69,728,146</b>	<b>70,848,049</b>	<b>72,717,834</b>	<b>76,085,119</b>	<b>79,821,515</b>	<b>83,242,599</b>
<b>Expenses:</b>										
General government	8,783,621	12,640,776	12,739,673	11,408,399	10,656,413	12,022,846	11,537,424	11,413,745	11,346,043	14,077,217
Public services	2,871,026	3,091,670	3,133,250	3,742,174	3,831,908	5,041,659	3,868,072	3,851,672	4,188,079	4,658,690
Public safety	6,552,131	7,080,161	7,424,751	7,812,611	8,265,739	7,331,259	8,691,510	8,555,020	9,362,899	9,716,227
Public works	6,276,324	6,425,408	7,493,947	7,156,188	9,479,984	7,245,892	7,805,045	7,874,408	7,617,844	7,713,975
Education	33,491,029	31,531,309	32,951,412	34,363,377	34,546,380	35,275,130	34,346,445	39,167,124	41,772,944	41,617,985
Interest on debt service	1,068,767	1,141,343	2,737,229	2,826,821	2,693,682	2,664,136	2,862,650	3,074,995	3,415,482	3,418,748
<b>Total expenses</b>	<b>59,042,898</b>	<b>61,910,667</b>	<b>66,480,262</b>	<b>67,309,570</b>	<b>69,474,106</b>	<b>69,580,922</b>	<b>69,111,146</b>	<b>73,936,964</b>	<b>77,703,291</b>	<b>81,202,842</b>
<b>Net (expense)/revenue:</b>	7,096,484	1,798,221	2,972,023	2,620,102	254,040	1,267,127	3,606,688	2,148,155	2,118,224	2,039,757
<b>Change in Net Position</b>	<b>\$ 7,096,484</b>	<b>\$ 1,798,221</b>	<b>\$ 2,972,023</b>	<b>\$ 2,620,102</b>	<b>\$ 254,040</b>	<b>\$ 1,267,127</b>	<b>\$ 3,606,688</b>	<b>\$ 2,148,155</b>	<b>\$ 2,118,224</b>	<b>\$ 2,039,757</b>

Table 3

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

	2006	2007	2008*	2009	2010 <sup>1</sup>	2011 <sup>2</sup>	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	\$ 771	\$ 674	\$ 618	\$ 630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable Inventory							34	34	48	43
Restricted for Town					2,482	2,685	2,993	3,861	2,838	2,898
Restricted for Education					1,056	496	440	977	509	540
Committed - General Fund					634	630 <sup>3</sup>	688 <sup>3</sup>	374 <sup>3</sup>	452 <sup>3</sup>	519
Assigned - General Fund					1,469	2,223	1,606	1,825	1,584	2,305
Assigned - Education						-	200	200	800	425
Unassigned - General Fund					2,231	955	2,093	1,787	3,377	4,973
Unreserved	7,455	8,019	8,357	8,174	-	-				
<b>Total general fund</b>	<b>\$ 8,226</b>	<b>\$ 8,693</b>	<b>\$ 8,975</b>	<b>\$ 8,804</b>	<b>\$ 7,872</b>	<b>\$ 6,989</b>	<b>\$ 8,054</b>	<b>\$ 9,058</b>	<b>\$ 9,608</b>	<b>\$ 11,703</b>
<b>All Other Governmental Funds</b>										
Nonspendable Permanent Fund Principal					125	126	129	132	135	147
Nonspendable Inventory					26	21	27	27	14	26
Restricted Special Revenues					1,621	852	473	463	651	624
Restricted Capital Projects					2,483	1,941	20,027	22,904	9,495	5,409
Restricted Permanent Fund Interest					84	84	84	84	85	86
Committed - Special Revenues					4,820	4,292	4,309	4,362	4,446	4,439
Unassigned - Special Revenues					(129)	(115)	(262)	(683)	(1,083)	(1,365)
Unassigned - Capital Projects					(493)	(434)	(378)	(308)	(206)	(567)
Reserved	125	127	3,047	3,062	-	-				
Unreserved, reported in:										
Special revenue funds	8,180	7,523	4,589	5,039	-	-				
Capital projects funds	4,085	2,926	4,912	1,084	-	-				
Permanent funds	73	78								
<b>Total all other governmental funds</b>	<b>\$ 12,463</b>	<b>\$ 10,654</b>	<b>\$ 12,548</b>	<b>\$ 9,185</b>	<b>\$ 8,537</b>	<b>\$ 6,767</b>	<b>\$ 24,409</b>	<b>\$ 26,981</b>	<b>\$ 13,537</b>	<b>\$ 8,799</b>
<b>Total Governmental Funds Fund Balances:</b>					<b>\$ 16,409</b>	<b>\$ 13,756</b>	<b>\$ 32,463</b>	<b>\$ 36,039</b>	<b>\$ 23,145</b>	<b>\$ 20,502</b>

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

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

<sup>2</sup> Fiscal Year 2011 is the initial year of implementation of GASB Statement No. 54.

Table 4

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 41,377	\$ 42,712	\$ 44,581	\$ 46,401	\$ 46,880	\$ 48,957	\$ 50,428	\$ 54,393	\$ 58,826	\$ 61,154
Licenses and permits	611	753	818	482	573	480	494	554	662	756
Intergovernmental	12,604	13,204	14,042	17,357	14,106	13,701	13,136	12,024	10,976	12,879
Interest earned	644	805	684	324	242	125	153	178	230	449
Other	10,921	6,247	9,288	7,545	7,849	7,549	8,420	8,883	8,966	10,376
<b>Total revenues</b>	<b>66,157</b>	<b>63,721</b>	<b>69,413</b>	<b>72,109</b>	<b>69,650</b>	<b>70,812</b>	<b>72,631</b>	<b>76,032</b>	<b>79,660</b>	<b>85,614</b>
<b>Expenditures</b>										
General government	4,340	4,401	4,483	4,615	4,742	6,144	4,403	4,957	5,201	4,829
Public services	2,849	3,070	3,103	4,033	3,766	4,831	3,841	3,931	4,146	4,612
Public safety	6,180	6,642	6,986	7,735	7,355	7,318	8,242	8,578	8,879	9,344
Public works	5,702	5,846	6,765	6,532	8,027	5,353	4,598	7,398	6,503	6,506
Education (Excludes School Debt)	28,064	29,194	31,695	33,105	33,127	33,364	33,220	37,295	40,149	45,614
Education Debt (Prin & Int)	4,728	4,458	4,419	4,475	4,174	4,142	3,758	3,653	4,150	4,606
County tax	1,584	1,615	1,735	1,837	1,886	1,923	1,976	2,075	2,194	2,355
Debt service (Principal-Town Only) (1)	2,957	3,219	3,232	3,204	3,044	2,961	5,417	4,942	3,353	3,506
Debt service (Interest-Town Only)	1,108	1,177	1,488	1,867	1,911	1,810	1,151	1,109	1,118	1,100
Capital Outlay	11,467	7,999	9,305	10,196	5,167	6,037	6,347	16,988	21,840	9,942
Other	2,816	2,641	3,188	3,415	4,085	4,014	4,948	1,817	1,775	1,928
<b>Total expenditures</b>	<b>71,795</b>	<b>70,262</b>	<b>76,399</b>	<b>81,014</b>	<b>77,284</b>	<b>77,897</b>	<b>77,901</b>	<b>92,743</b>	<b>99,308</b>	<b>94,342</b>
Excess (deficiency) of revenues over (under) expenditures	(5,638)	(6,541)	(6,986)	(8,905)	(7,634)	(7,085)	(5,270)	(16,711)	(19,648)	(8,728)
<b>Other financing sources (uses)</b>										
Transfers in	2,780	2,794	3,695	3,453	1,982	1,477	2,061	1,845	1,371	1,071
Transfers out	(2,780)	(2,794)	(3,695)	(3,453)	(1,982)	(1,477)	(2,061)	(1,845)	(1,371)	(1,071)
Capital Lease proceeds	-	1,200	1,010	820	52	-	-	365	249	-
Refunding bond issued	-	-	-	-	-	1,155	24,605	7,065	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	(1,155)	(27,125)	(7,347)	-	-
Premium paid on refunded debt	-	-	-	-	-	(12)	2,642	322	-	-
Premium paid on issued debt	-	-	-	-	-	-	1,913	1,263	-	-
General obligation bonds and capital leases	7,014	4,000	8,513	4,560	6,002	4,445	21,940	18,620	6,505	6,085
<b>Total other financing sources (uses)</b>	<b>7,014</b>	<b>5,200</b>	<b>9,523</b>	<b>5,380</b>	<b>6,054</b>	<b>4,433</b>	<b>23,975</b>	<b>20,288</b>	<b>6,754</b>	<b>6,085</b>
<b>Net change in fund balances</b>	<b>\$ 1,376</b>	<b>(1,341)</b>	<b>2,537</b>	<b>(3,525)</b>	<b>(1,580)</b>	<b>(2,652)</b>	<b>18,705</b>	<b>3,577</b>	<b>(12,894)</b>	<b>(2,643)</b>
<b>Debt Service as a percentage of non-capital expenditures</b>	<b>6.74%</b>	<b>7.06%</b>	<b>7.03%</b>	<b>7.16%</b>	<b>6.87%</b>	<b>6.64%</b>	<b>9.18%</b>	<b>7.99%</b>	<b>5.77%</b>	<b>5.46%</b>

Notes:

(1) The calculation of debt Service as a percentage of non-capital expenditures excludes school debt.

Table 5

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

<b>Years ended</b>	<b>General government</b>	<b>Public service</b>	<b>Public safety</b>	<b>Public works</b>	<b>Education</b>	<b>County tax</b>	<b>Debt service</b>	<b>Capital expenditures</b>	<b>Total</b>
2006	4,340,348	2,849,393	6,179,751	5,702,033	30,348,883	1,584,344	4,065,377	1,114,864	56,184,993
2007	4,400,675	3,070,038	6,641,973	5,846,056	31,100,666	1,614,651	4,396,007	1,419,445	58,489,511
2008	4,482,678	3,102,548	6,986,430	6,765,228	32,865,105	1,735,302	4,720,620	2,665,445	63,323,356
2009	4,533,475	3,703,541	7,399,328	6,259,412	34,245,663	1,836,509	5,070,061	1,358,211	64,406,200
2010	4,701,884	3,730,927	7,720,965	6,224,169	34,084,528	1,885,984	4,956,091	1,210,474	64,515,022
2011	4,677,260	3,787,489	7,967,270	6,040,273	34,588,320	1,922,952	4,782,598	833,353	64,599,515
2012	4,401,899	3,841,168	8,241,916	6,598,823	34,018,975	1,975,585	5,416,558	924,372	65,419,296
2013	4,591,897	3,931,386	8,577,811	6,681,399	36,110,973	2,075,183	4,942,403	1,257,490	68,168,542
2014	5,059,198	4,146,541	8,879,022	6,502,618	39,078,563	2,193,813	4,470,950	1,146,088	71,476,793
2015	4,829,444	4,612,240	9,514,108	6,506,439	41,496,318	2,355,415	4,605,500	1,192,358	75,111,822

*Note: The Table above includes only those expenditures 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)**

<b>Fiscal Year</b>	<b>Property tax</b>	<b>Interest and Costs on taxes</b>	<b>Vehicle Excise tax</b>	<b>Boat Excise tax</b>	<b>Franchise tax fees</b>	<b>Total</b>
2006	36,682,277	61,243	4,409,955	28,379	144,809	41,326,663
2007	38,021,985	79,599	4,415,817	26,754	155,998	42,700,153
2008	40,038,475	90,105	4,291,697	26,723	172,545	44,619,545
2009	41,999,340	99,053	4,099,738	27,079	175,980	46,401,190
2010	42,661,026	96,988	3,909,332	27,818	184,756	46,879,920
2011	44,662,371	103,811	3,955,357	26,095	195,247	48,942,881
2012	46,132,181	87,811	3,965,932	29,331	198,132	50,413,387
2013	49,774,317	93,691	4,222,208	32,945	194,771	54,317,932
2014	53,664,817	98,390	4,620,362	30,849	191,220	58,605,638
2015	55,621,936	105,060	5,026,029	27,530	191,317	60,971,872

Table 7

**TOWN OF SCARBOROUGH, MAINE**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real property</b>	<b>Personal property</b>	<b>Totals</b>		<b>Direct Tax Rate</b>	<b>Ratio of total assessed value to total estimated actual value</b>
	<b>Assessed property</b>	<b>Assessed property</b>	<b>Assessed property</b>	<b>Estimated actual value</b>		
2006	3,143,853,300	112,988,600	3,256,841,900	3,256,841,900	11.30	100%
2007	3,207,720,100	109,777,700	3,317,497,800	3,317,497,800	11.48	100%
2008	3,272,788,500	124,441,700	3,397,230,200	3,397,230,200	11.80	100%
2009	3,365,226,600	121,778,900	3,487,005,500	3,487,005,500	12.15	100%
2010	3,399,998,300	124,773,300	3,524,771,600	3,524,771,600	12.15	100%
2011	3,433,857,700	122,694,200	3,556,551,900	3,556,551,900	12.63	100%
2012	3,455,067,200	116,129,100	3,571,196,300	3,571,196,300	13.03	100%
2013	3,511,580,900	120,094,400	3,631,675,300	3,631,675,300	13.80	100%
2014	3,544,777,800	115,527,900	3,660,305,700	3,660,305,700	14.77	100%
2015	3,587,500,600	112,987,600	3,700,488,200	3,700,488,200	15.10	100%

Source: Town of Scarborough Assessor's Office.

Table 8

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

<u>Fiscal Year</u>	<u>Town</u>	<u>School</u>	<u>County Tax</u>	<u>Tax Increment Financing District</u>	<u>Overlay</u>	<u>State Revenue Sharing (1)</u>	<u>Total Property Tax Rates by Year</u>
2006	3.682	7.366	0.486	0.181	0.113	(0.529)	11.30
2007	3.912	7.392	0.487	0.192	0.031	(0.533)	11.48
2008	3.915	7.643	0.511	0.206	0.029	(0.504)	11.80
2009	4.096	7.754	0.527	0.245	0.021	(0.492)	12.15
2010	4.240	7.595	0.535	0.186	0.078	(0.483)	12.15
2011	4.353	7.894	0.541	0.203	0.028	(0.390)	12.63
2012	4.432	8.166	0.553	0.211	0.059	(0.391)	13.03
2013	4.452	8.849	0.571	0.220	0.100	(0.392)	13.80
2014	4.663	9.479	0.599	0.240	0.095	(0.306)	14.77
2015	4.649	9.774	0.637	0.245	0.089	(0.292)	15.10

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)**

<b>2006</b>				<b>2015</b>			
<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>
Maine Life Care Retirement \$	61,629,500	1	1.89%	Maine Life Care Retirement \$	64,297,800	1	1.74%
Hannaford Brothers	30,414,300	2	0.93%	Wal-Mart/Sam's Club	37,927,000	2	1.02%
Wal-Mart/Sam's Club	26,416,900	3	0.81%	New England Expedition	35,201,100	3	0.95%
Black Point Inn	16,406,400	4	0.50%	Central Maine Power	25,831,400	4	0.70%
MMC Realty Maine Health	14,471,500	5	0.44%	Hannaford Brothers	24,601,200	5	0.66%
Gavin Ruotolo	12,641,500	6	0.39%	Scarborough Gallery	20,049,800	6	0.54%
ERP Operating L.P.	11,922,600	7	0.37%	MMC Realty Maine Health	19,850,100	7	0.54%
Shaw's Supermarket	9,458,900	8	0.29%	Gavin Ruotolo	18,941,000	8	0.51%
Davric Maine Corp	9,447,500	9	0.29%	RRE Foxcroft/Coach Lantern	13,247,600	9	0.36%
Central Maine Power	8,622,800	10	0.26%	Shaw's Supermarket	12,630,600	10	0.34%
<b>Total Principal Taxpayers</b>	<b>201,431,900</b>		<b>6.18%</b>		<b>272,577,600</b>		<b>7.36%</b>
<b>Total Assessed Value:</b>	<b>\$ 3,256,841,900</b>				<b>\$ 3,700,488,200</b>		

Source: Town of Scarborough, Maine Assessor

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collections Within Year of Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	36,824,648	36,527,411	99.2%	294,720	36,822,131	100.0%
2007	38,139,961	37,852,666	99.2%	282,843	38,135,509	100.0%
2008	40,183,201	39,784,997	99.0%	385,955	40,170,952	100.0%
2009	42,397,139	41,890,825	98.8%	485,915	42,376,740	100.0%
2010	42,877,989	42,370,914	98.8%	488,004	42,858,918	100.0%
2011	44,928,747	44,325,013	98.7%	582,511	44,907,524	100.0%
2012	46,684,211	46,102,831	98.8%	561,249	46,664,080	100.0%
2013	50,125,493	49,483,773	98.7%	600,705	50,084,478	99.9%
2014	54,062,720	53,305,613	98.6%	529,793	53,835,406	99.6%
2015	55,877,372	55,321,988	99.0%	-	55,321,988	99.0%

Source: Town of Scarborough Tax Collector's Office

**Table 11**

**TOWN OF SCARBOROUGH, MAINE**  
**Assessed Valuations and Tax Levies**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Estate Valuation</b>	<b>Personal Property Valuation</b>	<b>Total Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>
2006	3,143,853,300	112,988,600	3,256,841,900	11.30	36,824,648
2007	3,207,720,100	109,777,700	3,317,497,800	11.48	38,139,961
2008	3,272,788,500	124,441,700	3,397,230,200	11.80	40,183,201
2009	3,365,226,600	121,778,900	3,487,005,500	12.15	42,397,708
2010	3,399,998,300	124,773,300	3,524,771,600	12.15	42,877,989
2011	3,433,857,700	122,694,200	3,556,551,900	12.63	44,928,747
2012	3,455,067,200	116,129,100	3,571,196,300	13.03	46,684,211
2013	3,511,580,900	120,094,400	3,631,675,300	13.80	50,125,493
2014	3,544,777,800	115,527,900	3,660,305,700	14.77	54,062,720
2015	3,587,500,600	112,987,600	3,700,488,200	15.10	55,877,372

Source: Town of Scarborough Assessor's Office

Table 12

**TOWN OF SCARBOROUGH, MAINE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Other Bond Adjustments</b>	<b>Capital Leases</b>	<b>Total Outstanding Debt</b>	<b>Population*</b>	<b>Percentage of personal income</b>	<b>Debt Per Capita</b>
2006	68,844,000		72,541	68,916,541	18,812	13.90%	3,663
2007	66,845,000		1,370,408	68,215,408	18,812	13.50%	3,626
2008	69,328,000		2,025,032	71,353,032	18,812	13.95%	3,793
2009	67,785,000		2,223,239	70,008,239	18,812	13.52%	3,721
2010	68,042,000		1,640,531	69,682,531	19,239	13.44%	3,622
2011	66,767,000		1,105,143	67,872,143	18,919	9.30%	3,588
2012	82,250,000	2,428,572	687,335	85,365,907	18,786	10.80%	4,544
2013	96,180,000	5,715,066	622,334	102,517,400	18,941	12.41%	5,412
2014	97,895,000	5,474,486	597,722	103,967,208	19,343	12.37%	5,375
2015	98,500,000	5,233,907	395,578	104,129,485	19,524	12.68%	5,333

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 12A

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Other Bond Adjustments</b>	<b>Total</b>	<b>Assessed Value</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Population*</b>	<b>Percentage of personal income</b>	<b>Debt Per Capita</b>
2006	68,844,000		68,844,000	3,256,841,900	2.11%	18,812	13.90%	3,660
2007	66,845,000		66,845,000	3,317,497,800	2.01%	18,812	13.50%	3,553
2008	69,328,000		69,328,000	3,397,230,200	2.04%	18,812	13.95%	3,685
2009	67,785,000		67,785,000	3,487,005,500	1.94%	18,812	13.52%	3,603
2010	68,042,000		68,042,000	3,524,771,600	1.93%	19,239	13.44%	3,537
2011	66,767,000		66,767,000	3,556,551,900	1.88%	18,919	9.30%	3,529
2012	82,250,000	2,428,572	84,678,572	3,571,196,300	2.30%	18,786	10.80%	4,378
2013	96,180,000	5,715,066	101,895,066	3,631,675,300	2.65%	18,941	12.41%	5,078
2014	97,895,000	5,474,486	103,369,486	3,660,305,700	2.67%	19,343	12.37%	5,061
2015	98,500,000	5,233,907	103,733,907	3,700,488,200	2.66%	19,524	12.68%	5,045

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**

<b>Fiscal year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total debt service</b>	<b>Total general fund expenditures</b>	<b>Ratio of debt service to general fund expenditures</b>
2006	5,907,434	2,846,370	8,753,804	56,184,993	15.58%
2007	5,999,000	2,820,923	8,819,923	58,489,511	15.08%
2008	6,030,000	2,738,869	8,768,869	63,323,356	13.85%
2009	6,103,000	2,750,561	8,853,561	64,406,200	13.75%
2010	5,745,000	2,653,085	8,398,085	64,515,022	13.02%
2011	5,720,000	2,584,375	8,304,375	64,599,515	12.86%
2012	5,972,000	2,432,682	8,404,682	65,419,296	12.85%
2013	5,135,000	2,815,370	7,950,370	68,168,542	11.66%
2014	4,790,000	3,588,569	8,378,569	71,476,793	11.72%
2015	5,480,000	3,505,753	8,985,753	75,111,822	11.96%

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)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 430,980	\$ 488,370	\$ 529,673	\$ 534,488	\$ 543,068	\$ 534,623	\$ 533,513	\$ 522,375	\$ 536,918	\$ 451,595
Total net debt applicable to limit	68,844	66,845	69,328	67,785	68,042	66,767	84,679	101,895	103,369	103,734
Legal debt margin	362,136	421,525	460,345	466,703	475,026	467,856	448,834	420,480	433,549	347,861
Total net debt applicable to the limit as a percentage of debt limit	15.97%	13.69%	13.09%	12.68%	12.53%	12.49%	15.87%	19.51%	19.25%	22.97%

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

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

Table 14A

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

<u>Fiscal Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Town of Scarborough:										
General Obligation Bonds	66,844	66,845	69,328	67,785	68,042	66,767	82,250	96,180	97,895	98,500
Other Bond Adjustments							2,429	5,715	5,474	5,234
Capital Leases	-	-	2,025	2,223	1,641	1,105	687	623	598	396
<b>Total Direct Debt</b>	<b>66,844</b>	<b>66,845</b>	<b>71,353</b>	<b>70,008</b>	<b>69,683</b>	<b>67,872</b>	<b>85,366</b>	<b>102,518</b>	<b>103,967</b>	<b>104,130</b>
Cumberland County	883	685	535	481	327	126	3,352	3,254	3,458	3,457
Portland Water District	2,665	2,557	3,486	4,099	4,210	3,845	3,933	3,483	5,994	6,454
<b>Total Overlapping Debt</b>	<b>3,548</b>	<b>3,242</b>	<b>4,021</b>	<b>4,580</b>	<b>4,537</b>	<b>3,971</b>	<b>7,285</b>	<b>6,737</b>	<b>9,452</b>	<b>9,911</b>
ecomaine Waste Systems:										
Resource recovery system	3,573	3,016	2,393	1,601	792	231	-	-	-	-
Material recovery facility	317	278	231	182	125	120	-	-	-	-
Landfill closure/postclosure	1,682	1,697	1,956	1,242	1,266	1,302	1,371	1,405	1,436	1,467
<b>Total Contingent Debt</b>	<b>5,572</b>	<b>4,991</b>	<b>4,580</b>	<b>3,025</b>	<b>2,183</b>	<b>1,653</b>	<b>1,371</b>	<b>1,405</b>	<b>1,436</b>	<b>1,467</b>
<b>Total Direct, Overlapping/Contingent</b>	<b>75,964</b>	<b>75,078</b>	<b>79,954</b>	<b>77,613</b>	<b>76,403</b>	<b>73,496</b>	<b>94,022</b>	<b>110,660</b>	<b>114,855</b>	<b>115,508</b>

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

Note: Overlapping debt is calculated from the total outstanding debt of the government, multiplied by the Town's percentage share.

Calculations for the Overlapping and Contingent Debt are provided by the Cumberland County Treasurer's Office, the Portland Water District and ecomaine.

Please see additional information in the Notes to the Financial Statements



Table 15

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

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Personal Income (b)</b>	<b>Per Capita Personal Income (a)</b>	<b>Median Age (a)</b>	<b>School Enrollment (c)</b>	<b>Unemployment Rate (d)</b>
2006	18,812	495,150,652	26,321	39	3,324	3.00%
2007	18,812	495,150,652	26,321	39	3,361	2.90%
2008	18,880	496,940,480	26,321	39	3,347	3.30%
2009	19,054	501,520,334	26,321	39	3,343	5.60%
2010	19,239	506,389,719	26,321	39	3,363	5.40%
2011	18,919	718,146,321	37,959	44	3,269	5.40%
2012	18,786	761,359,008	40,528	44	3,205	5.00%
2013	18,941	775,103,302	40,922	45	3,157	5.00%
2014	19,343	791,554,246	40,922	45	3,112	3.50%
2015	19,524	776,703,768	39,782	45	3,117	3.30%

- (a) U.S. Department of Commerce, Bureau of Census.  
American Community Survey (ACS) 2014 1-Year Population Estimates  
2015 Represents the Latest Available Estimate (July 2014)  
Per Capita Income is B based on Latest ACS 5-Year Estimates 2009-2013
- (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,  
unemployment based on June 2012 data

Table 16

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

<b>2006</b>			<b>2015</b>			<b>Percentage of total Town Employment</b>
<b><u>Employer</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Employer</u></b>	<b><u>Employees *</u></b>	<b><u>Rank</u></b>	
Town of Scarborough	1,365	1	Town of Scarborough	1,367	1	<b>9.4%</b>
Hannaford Brothers	1,157	2	Hannaford Brothers	1,052	2	<b>7.2%</b>
NorDX	262	3	US Postal Service	589	3	<b>4.0%</b>
Wal-Mart	249	4	Maine Medical Center	389	4	<b>2.7%</b>
Shaw's Supermarket	183	5	Wal-Mart	349	5	<b>2.4%</b>
RC Moore Trucking	150	6	Cabela's	250	6	<b>1.7%</b>
Sam's Wholesale Club	146	7	NorDX	216	7	<b>1.5%</b>
Rich Tool & Die Co.	111	8	Piper Shores	209	8	<b>1.4%</b>
Inverness Medical Innovatio	109	9	Alere	200	9	<b>1.4%</b>
RTS Packaging	98	10	Sam's Wholesale Club	188	10	<b>1.3%</b>

\* Source: Scarborough Economic Development Corporation (SEDCO)

Total Payroll Employment: 14,564 in 2014, the latest data available. (Excludes Self Employed)

Employment includes, Full, part time and some seasonal

Table 17

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

Fiscal Year ending June 30,	Portland Metropolitan Statistical Area (PMSA)*	State of Maine	Town of Scarborough
2006	3.5%	4.6%	3.2%
2007	3.5%	4.5%	3.0%
2008	4.1%	5.0%	3.5%
2009	6.9%	8.2%	5.9%
2010	6.6%	7.8%	5.6%
2011	6.3%	7.6%	5.7%
2012	5.9%	7.1%	5.0%
2013	5.5%	6.6%	4.8%
2014	4.1%	5.1%	3.5%
2015	3.7%	4.6%	3.3%

Data Source: The Maine Department of Labor

Scarborough is within the Portland-South Portland-Biddeford Metropolitan Statistical Area (PMSA).

Data is for June of each year.

Table 18

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

Function:	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Govt:										
Town Clerk										
Certified Copies	1,462	1,187	2,098	4,887	4,988	5,820	5,068	4,624	5,596	5,577
Licenses	296	365	432	436	440	545	585	572	861	839
Permits						919	905	889	930	1,065
Passports Applications	548	882	792	586	665	534	-	-	-	-
Tax Office										
Beach Passes	2,003	2,192	3,436	3,487	2,358	2,443	2,701	2,934	2,763	2,665
Licenses &Permits	1,643	1,298	1,166	1,168	991	817	782	791	670	662
Tax Bill Issued					9,389	9,809	9,516	9,594	9,623	9,623
Excise Registrations					25,570	25,384	25,637	30,477	29,566	27,728
Planning:										
Permits	1,561	1,438	1,346	1,091	558	554	553	621	609	651
Certificates of Occupancy	353	242	207	204	222	176	173	174	217	198
Public Safety:										
Police:										
Physical arrests	822	719	817	1,152	619	989	1,026	898	826	895
Traffic violations	1,337	975	792	741	1,404	819	1,069	1,126	1,007	977
Fire:										
Number of calls answered	1,275	1,228	1,303	1,615	1,598	1,718	1,733	1,610	1,744	1,832
Number of Inspections	642	884	1,825	3,351	3,537	3,394	3,583	3,455	3,378	3,192
Rescue:										
Number of calls answered	1,787	2,055	2,069	2,088	1,946	2,125	2,141	2,116	1,950	2,359
Public Works:										
Street resurfacing (miles)	6.03	7.32	3.90	6.31	8.62	6.37	6.45	3.62	5.31	5.90
Pot holes repaired (qty used in tons)	71	61	42	35	24	24	24	13	29	12
No. times plows dispatched	53	15	33	27	24	26	30	60	35	28

Source: Town of Scarborough various departments

Note:

FY2012 Scarborough Public Library Processed Passport Applications

Table 19

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

Function:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Govt:							
Planning Vehicles	4	4	5	4	4	4	4
Technology Vehicles	3	3	3	3	3	4	4
Public Service:							
Community Services							
Vehicles	5	5	5	5	6	7	7
Parks	4	4	4	5	6	6	6
Public Safety:							
Police:							
Vehicles - Patrol Cars	8	8	8	12	12	12	12
Facilities	1	1	1	1	1	1	1
Fire:							
Vehicles - Response Trucks	10	10	10	11	12	12	12
Marine	2	2	2	2	2	2	2
Facilities	6	6	6	6	6	6	6
Rescue:							
Vehicles - Response Trucks	3	3	3	3	3	3	3
Public Works:							
Streets (miles)	111.40	117.28	121.92	175.56	174.20	174.92	175.44
Traffic Signals	35	35	35	35	37	37	43
Generators	10	10	10	10	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**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government:										
Full time	35	37	37	39	35	37	35	34	32	35
Part Time	58	19	59	53	72	55	57	61	52	64
Public Services:										
Full time	14	14	15	15	17	23	15	15	15	15
Part Time	99	103	130	159	134	146	148	160	139	125
Public Safety:										
Police										
Full time	48	51	52	52	50	52	53	55	53	53
Part Time	33	27	27	34	35	38	28	30	33	28
Fire										
Full time	4	4	4	4	4	5	5	5	8	8
Part Time	144	152	167	164	148	150	153	151	150	160
Rescue										
Full time	9	12	12	12	16	20	20	20	21	23
Part Time	18	15	14	15	10	11	11	10	0	0
Public Works:										
Full time	32	33	36	35	31	31	31	31	31	32
Part Time	2	2	3	3	4	1	1	3	1	1
Education:										
Full time	766	733	750	761	503	460	452	449	443	494
Part Time					268	262	302	296	246	327
Total:	1262	1202	1306	1346	1327	1291	1311	1320	1224	1365

Source: Town of Scarborough

Comments: School part time employee data available from 2010.  
As of 2014, Fire/Rescue Part Time are all cross trained.

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

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

Source: Town of Scarborough

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**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINION**

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**Bernstein, Shur,  
Sawyer & Nelson, P.A.**  
100 Middle Street  
PO Box 9729  
Portland, ME 04104-5029

T (207) 774 - 1200  
F (207) 774 - 1127

May 12, 2016

Raymond James & Associates, Inc.  
535 Madison Avenue, 9<sup>th</sup> Floor  
New York, New York 10022

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$7,540,000 aggregate principal amount of 2016 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 12, 2016. Principal of the Bonds will be payable on each of the dates on which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on November 1 and May 1 in each year, commencing on November 1, 2016, at the respective rates per annum, as follows:

<b>Nov. 1</b>		<b>Interest</b>	<b>Nov. 1</b>		<b>Interest</b>
<b>Year of</b>			<b>Year of</b>		
<b><u>Maturity</u></b>	<b><u>Amount</u></b>	<b><u>Rate %</u></b>	<b><u>Maturity</u></b>	<b><u>Amount</u></b>	<b><u>Rate %</u></b>
2016	\$665,000	2.000	2023	\$430,000	2.500
2017	860,000	2.000	2024	395,000	3.000
2018	1,035,000	2.000	2025	395,000	3.000
2019	785,000	2.000	2026	340,000	3.000
2020	780,000	2.000	2027	335,000	4.000
2021	465,000	2.000	2028	165,000	4.000
2022	435,000	2.000	2035	455,000	3.000

The Bond maturing November 1, 2035 is subject to mandatory redemption, plus accrued interest to the date of redemption thereof, as follows:

Nov 1, 2029	\$65,000
Nov 1, 2030	\$65,000
Nov 1, 2031	\$65,000
Nov 1, 2032	\$65,000
Nov 1, 2033	\$65,000
Nov 1, 2034	\$65,000
Nov 1, 2035	\$65,000
(2035 is year of final maturity)	

Bonds maturing on and before November 1, 2025 are not subject to redemption prior to their dates of maturity. The Bonds maturing on and after November 1, 2026 are subject to redemption prior to maturity at the option of the Town on and after November 1, 2025.

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, Certificate of Treasurer and Certificate Regarding Bank Qualified and Designated Status (collectively, 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.

Page 5

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

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**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE CERTIFICATE**

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

In connection with the issuance by the Town of Scarborough, Maine (the “Issuer”) of its \$7,540,000 2016 General Obligation Bonds, dated as of May 12, 2016 (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 27, 2016 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, 2017, 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, PO Box 360, Scarborough, ME 04070-0360; Telephone: (207) 730-4081.

TOWN OF SCARBOROUGH, MAINE

Dated: \_\_\_\_\_, 2016

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

Its: Treasurer

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