



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

NEW ISSUE

Moody's: Aa3
S&P: AA+

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Portland, Maine, Bond Counsel ("Bond Counsel") and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Bonds (as defined below) is excludable from the gross income of the owners thereof 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 the purpose 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 certain corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid 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
\$2,755,000

2017 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>
2018	\$360,000	2.00%	0.80	2022	\$190,000	5.00%	1.30
2019	360,000	3.00	0.90	2023	185,000	5.00	1.45
2020	360,000	4.00	1.00	2024	185,000	5.00	1.60
2021	295,000	5.00	1.15	2025	185,000	5.00	1.75
				2026	185,000	5.00	1.90

\$275,000^(†) 3.00% Term Bond due November 1, 2031, @ 103.314 to Yield 2.60%/Call

\$175,000^(†) 3.00% Term Bond due November 1, 2036, @ 100.000 to Yield 3.00%

The Town of Scarborough, Maine 2017 General Obligation Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on November 1, 2017 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 original 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). The Treasurer has certified that the Town has no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality. 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, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on and before November 1, 2026 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after November 1, 2027 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2026 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein). Term Bonds maturing on November 1, 2031 and November 1, 2036 are subject to mandatory redemption or mature on and after November 1, 2027 and November 1, 2032, respectively, as more fully set forth herein (see "THE BONDS—MANDATORY SINKING FUND REDEMPTION" herein).

The Bonds are offered when, as and if issued, subject to the approval of legality by Bernstein, Shur, Sawyer & Nelson, P.A., of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about June 8, 2017.

Roosevelt & Cross, Incorporated And Associates

NOTE: ^(†) The Term Bonds are subject to mandatory sinking fund redemption.

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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, 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.

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. Neither the Town nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The Town is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

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

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

To the best of the knowledge and belief of the Treasurer of the Town 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, the Treasurer 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
\$2,755,000
2017 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 2017 General Obligation Bonds (the “Bonds” or the “2017 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds 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 be dated June 8, 2017 and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months), payable on November 1, 2017, and semi-annually thereafter on May 1 and November 1 of each year until maturity, or redemption prior to maturity. It is expected that the Bonds will be available for delivery at DTC on or about June 8, 2017. The Bonds will mature as follows:

<u>Amount</u>	<u>Nov. 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Nov. 1,</u>	<u>CUSIP</u>
\$360,000	2018	806075D38	\$190,000	2022	806075D79
360,000	2019	806075D46	185,000	2023	806075D87
360,000	2020	806075D53	185,000	2024	806075D95
295,000	2021	806075D61	185,000	2025	806075E29
			185,000	2026	806075E37

\$275,000^(†) Term Bond due November 1, 2031 (CUSIP: 806075E45)

\$175,000^(†) Term Bond due November 1, 2036 (CUSIP: 806075E52)

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, 2026 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2027 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2026, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

NOTE: ^(†) The Term Bonds are subject to mandatory sinking fund redemption. See also “THE BONDS - MANDATORY SINKING FUND REDEMPTION” herein.

MANDATORY SINKING FUND REDEMPTION

Term Bonds maturing on November 1, 2031 and November 1, 2036, respectively, are also subject to mandatory sinking fund redemption or mature on and after November 1, 2027 and November 1, 2032, respectively, at a price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption thereof, and shall be redeemed on November 1 in the following years and principal amounts:

<u>Term Bond due 2031</u>		<u>Term Bond due 2036</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$55,000	2032	\$35,000
2028	55,000	2033	35,000
2029	55,000	2034	35,000
2030	55,000	2035	35,000
2031 ^(*)	55,000	2036 ^(*)	35,000

NOTE: ^(*) Year of final maturity.

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

In the case of every redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner. Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed. The Town shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

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

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

Cancellation

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

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected 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 the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the 15th day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

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

Bond Order 17-037, adopted by the Town Council at its meeting held on May 3, 2017, authorized issuing the Bonds to provide funds to finance the projects (the "Projects") as shown in the table below. The Section 901.3 override period expires on May 23, 2017.

Town of Scarborough, Maine

2017 CIP

		<u>Purpose</u>	<u>Authorized</u>	<u>Yrs</u>	<u>Municipal</u>		<u>School</u>		<u>To Bond</u>	<u>Bond</u>		
					<u>Equip</u>	<u>Project</u>	<u>Equip</u>	<u>Project</u>		<u>Bonds</u>	<u>Premium</u>	<u>Proceeds</u>
2015 / 2016	Muni Eq	FD Extrication Tool	\$13,803	4	\$13,803				\$13,803	13,429.95	373.05	13,803.00
2014 / 2015	Muni Proj	Town-wide Direction Sign	22,000	4		\$22,000			22,000	21,405.41	594.59	22,000.00
2014 / 2015	Sch Eq	DW Tech Equip Repl	135,000	4			\$135,000		135,000	131,351.35	3,648.65	135,000.00
2014 / 2015	Sch Eq	Bus Purchase	22,501	4			22,501		<u>22,501</u>	<u>21,892.87</u>	<u>608.13</u>	<u>22,501.00</u>
<i>Total 4 years</i>									<i>193,304</i>	<i>188,079.57</i>	<i>5,224.43</i>	<i>193,304.00</i>
2015 / 2016	Muni Eq	FD Tank 3 Re-chassis	33,925	5	33,925				33,925	32,959.26	965.74	33,925.00
2015 / 2016	Muni Eq	FD Muni Holding Tank	25,000	5	25,000				25,000	24,288.33	711.67	25,000.00
2015 / 2016	Muni Eq	SWAT Eqpt Repl	39,800	5	39,800				39,800	38,667.01	1,132.99	39,800.00
2015 / 2016	Muni Proj	Gorham Rd Engineering	35,000	5		35,000			35,000	34,003.66	996.34	35,000.00
2015 / 2016	Muni Proj	Fuel Sta Eng & Permitting	25,000	5		25,000			25,000	24,288.33	711.67	25,000.00
2016 / 2017	Sch Eq	HS Athletics Eqpt	50,000	5			50,000		50,000	48,576.65	1,423.35	50,000.00
2016 / 2017	Sch Proj	K-2 Tech Refresh	194,275	5				\$194,275	194,275	188,744.58	5,530.42	194,275.00
2016 / 2017	Sch Proj	Energy Efficiency Upgrades	60,000	5				41,700	<u>41,700</u>	<u>40,512.93</u>	<u>1,187.07</u>	<u>41,700.00</u>
<i>Total 5 years</i>									<i>444,700</i>	<i>432,040.73</i>	<i>12,659.27</i>	<i>444,700.00</i>
2016 / 2017	Muni Eq	Loader/ Backhoe #4042	89,680	10	89,680				89,680	86,003.16	3,676.84	89,680.00
2016 / 2017	Muni Eq	Blower for Loader	95,370	10	95,370				95,370	91,459.87	3,910.13	95,370.00
2016 / 2017	Muni Eq	PW Floor Sweeper #4157	55,580	10	55,580				55,580	53,301.24	2,278.76	55,580.00
2016 / 2017	Muni Proj	PW HVAC Upgrades	82,000	10		82,000			82,000	78,638.04	3,361.96	82,000.00
2016 / 2017	Muni Proj	PW Drainage Assess	118,750	10		118,750			118,750	113,881.30	4,868.70	118,750.00
2016 / 2017	Muni Proj	PW Gorham Rd Plans	70,000	10		70,000			70,000	67,130.03	2,869.97	70,000.00
2016 / 2017	Muni Proj	PW Pine Point Road Plans	150,000	10		150,000			150,000	143,850.06	6,149.94	150,000.00
2016 / 2017	Sch Eq	School Bus Repl	310,830	10			310,830		310,830	298,086.10	12,743.90	310,830.00
2016 / 2017	Sch Proj	Bldg Envelope	125,000	10				125,000	125,000	119,875.05	5,124.95	125,000.00
2016 / 2017	Sch Proj	HVAC Repairs MS & K2	100,000	10				50,000	<u>50,000</u>	<u>47,950.02</u>	<u>2,049.98</u>	<u>50,000.00</u>
<i>Total 10 years</i>									<i>1,147,210</i>	<i>1,100,174.88</i>	<i>47,035.12</i>	<i>1,147,210.00</i>
2016 / 2017	Muni Eq	Plow Truck # 4025	169,286	15	169,286				169,286	155,522.73	13,763.27	169,286.00
2014 / 2015	Muni Proj	Gorham Rd Pedest	110,000	15		110,000			<u>110,000</u>	<u>101,056.79</u>	<u>8,943.21</u>	<u>110,000.00</u>
<i>Total 15 years</i>									<i>279,286</i>	<i>256,579.52</i>	<i>22,706.48</i>	<i>279,286.00</i>
2016 / 2017	Muni Proj	Sr Rec Area	100,000	20		100,000			100,000	88,373.12	11,626.88	100,000.00
2016 / 2017	Muni Proj	PW Road Rehab	543,000	20		543,000			543,000	479,866.03	63,133.97	543,000.00
2016 / 2017	Sch Proj	Roof Restoration	237,500	20				237,500	<u>237,500</u>	<u>209,886.15</u>	<u>27,613.85</u>	<u>237,500.00</u>
<i>Total 20 years</i>									<i>880,500</i>	<i>778,125.30</i>	<i>102,374.70</i>	<i>880,500.00</i>
The Bonds					\$522,444	\$1,255,750	\$518,331	\$648,475	\$2,945,000	\$2,755,000	\$190,000	\$2,945,000

NOTE: Par amount of Bonds, in the amount of \$2,755,000, plus allocable net Original Issue Premium, in the amount of \$190,000.00, provided Bond Proceeds to provide funds to finance the Projects.

AMORTIZATION OF THE BONDS

<u>Nov 1,</u>	<u>4 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>15 Yr</u>	<u>20 Yr</u>	<u>Totals</u>	<u>Muni</u>	<u>School</u>	<u>Bonds</u>
2018	62,693	108,170	124,023	19,410	45,704	360,000	174,673	185,327	360,000
2019	62,693	108,170	124,023	19,410	45,704	360,000	174,673	185,327	360,000
2020	62,693	108,170	124,023	19,410	45,704	360,000	174,673	185,327	360,000
2021	0	107,530	123,289	19,295	44,887	295,000	161,549	133,451	295,000
2022	0	0	121,094	18,952	49,954	190,000	126,843	63,157	190,000
2023	0	0	120,931	18,926	45,143	185,000	121,928	63,072	185,000
2024	0	0	120,931	18,926	45,143	185,000	121,928	63,072	185,000
2025	0	0	120,931	18,926	45,143	185,000	121,928	63,072	185,000
2026	0	0	120,931	18,926	45,143	185,000	121,929	63,071	185,000
2027	0	0	0	16,880	38,120	55,000	44,423	10,577	55,000
2028	0	0	0	16,880	38,120	55,000	44,423	10,577	55,000
2029	0	0	0	16,880	38,120	55,000	44,423	10,577	55,000
2030	0	0	0	16,880	38,120	55,000	44,423	10,577	55,000
2031	0	0	0	16,880	38,120	55,000	44,423	10,577	55,000
2032	0	0	0	0	35,000	35,000	25,278	9,722	35,000
2033	0	0	0	0	35,000	35,000	25,278	9,722	35,000
2034	0	0	0	0	35,000	35,000	25,278	9,722	35,000
2035	0	0	0	0	35,000	35,000	25,278	9,722	35,000
2036	0	0	0	0	35,000	35,000	25,278	9,722	35,000
Totals	188,079	432,040	1,100,176	256,581	778,125	2,755,000	1,663,472	1,091,528	2,755,000

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. Municipalities in the State of Maine (the “State”) have the right to tax their inhabitants to pay municipal indebtedness. 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 the Town has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENT 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 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 no tax base sharing agreement now exists. 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 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 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. There has been no judicial determination as to whether statutory remedies available against towns are applicable to cities and Bond Counsel expresses no opinion thereon.

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

Limitation on Municipal Property Tax Levy

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

The growth limitation factor is the average personal income growth as defined by Title 5, Section 1531 of the Maine Revised Statutes, as amended, plus the property growth factor. The property growth factor is a percentage equivalent to a fraction established by a municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed value of any real or personal property in the municipality that become subject to taxation for the first time, or taxes as a separate parcel for the first time for the most recent property tax year for which information is available, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property. For municipalities that qualify as a result of a relatively larger percentage of personal property, personal property can be incorporated into the property growth factor calculation. In addition, a municipality is required to lower its Property Tax Levy in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The Town may increase the Property Tax Levy Limit by a majority vote of the 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 Board's vote. However, the opportunity for the voters to petition for a referendum vote on the Board's decision is not provided if the municipal charter "prohibits a petition and referendum process."

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.

TAX MATTERS

The Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance 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. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Failure of the Town to comply with such requirements may cause interest on the Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs or is ascertained.

The Town will make certain representations with respect to the use of the proceeds of the Bonds and the 2017 CIP Projects and will covenant (i) to comply with the provisions and procedures of the Code applicable to the Bonds and (ii) not to take any action or permit any action that would cause the interest paid on the Bonds to be included in gross income for purposes of federal income taxation pursuant to section 103 of the Code.

In the opinion of 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 Code. Interest on the Bonds is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations, however, interest on the Bonds is taken into account in the computation of certain taxes that may be imposed with respect to certain corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax. In rendering its opinion, Bond Counsel will rely upon the Town's representations made with respect to the use of the proceeds of the Bonds and the Projects and the Town's covenant that it will comply with the Code.

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

In the opinion of Bond Counsel, interest paid 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.

Designated as 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

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2017 Bonds under federal or state law or otherwise prevent beneficial owners of the 2017 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2017 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.

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 at the time such rating is assigned 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 its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Except as set forth in the Continuing Disclosure Agreement 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

Undertaking and Obligation

In order to assist the underwriter of the Bonds in complying with the Securities Exchange Commission's ("SEC") Rule 15c2-12 (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material, which material events are more specifically described in the Agreement. Pursuant to the Rule, such filings will be made with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA"). The covenants will be contained in a "Continuing Disclosure Agreement" (the "Agreement"), the proposed form of which is

provided in APPENDIX C. The Agreement will be executed by the Treasurer of the Town, 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:

<u>Financial Statements</u> <u>FY ended June 30,</u>	<u>Date</u> <u>Filed</u>	<u>Days after</u> <u>Fiscal Period end</u>
2016	01/03/2017	187
2015	02/29/2016	244
2014	03/02/2015	245
2013	02/28/2014	243
2012	01/30/2013	214

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 30th 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.

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 official, 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 Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds in 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 any 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

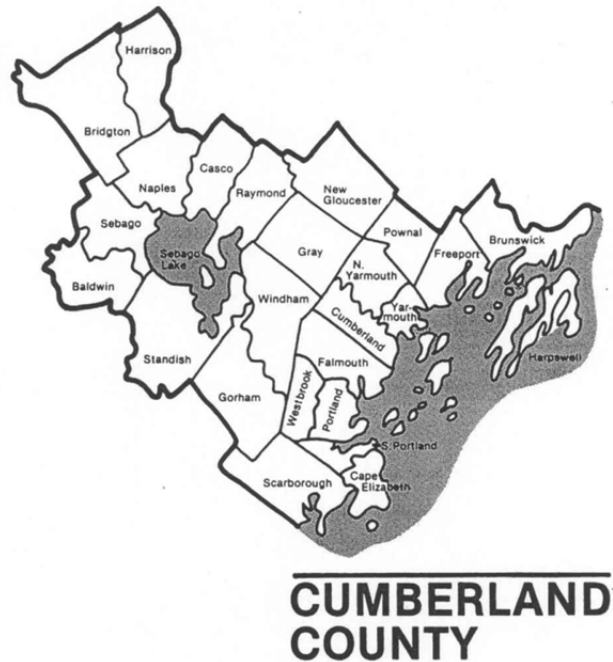
GENERAL

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 southwest 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 21 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, one full-time Captain of Code/Fire Prevention, four career Paramedic Captains, four career Paramedic Lieutenants, 20 career Firefighter/EMTs and 157 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. A *GIS Division* consists of a Project & Data Coordinator who manages a town-wide GIS program, data integration and storm water programs documentation. The *Operations Division* is comprised of a Supervisor and 17 crew members. Core maintenance responsibilities include all Town-owned roads including drainage features, sidewalks, signs, beaches, boat landings, cemeteries, trees and for waste collection and recycling. The *Vehicle Maintenance Division* consists of a Supervisor, a Stock Room Manager, one welder-fabricator 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 vehicles and equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment. The town-wide fuel distribution program is maintained by the Public Works Department. In addition, the department has assumed the added responsibility for maintenance on fire and rescue vehicles and equipment for a number of surrounding municipalities. The *Traffic/Electrical Division* is manned by one person who oversees the town-wide alarm system, traffic signals and associated equipment

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 \$409,134; 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 282 other professional and non-professional staff.

Schools

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	198
Eight Corners School	K-2	240 ⁽¹⁾	231
Pleasant Hill School	K-2	180 ⁽¹⁾	174
Wentworth School	3-5	800	675
Scarborough Middle	6-8	800 ⁽¹⁾	717
Scarborough High	9-12	1,200	989

NOTE: ⁽¹⁾ Includes Portable Classrooms. ⁽²⁾ “Current Year Pupils” April 1, 2017.

Enrollment Trends

Oct. 1	Grades					Attending Enrollment ⁽¹⁾
	K-2	3-5	6-8	9-12	Tuition	
2016	585	670	715	994	2	2,966
2015	581	639	746	1,021	2	2,989
2014	617	696	799	998	2	3,112
2013	628	703	783	1,028	2	3,144
2012	624	742	805	1,053	1	3,225
2011	632	776	779	1,065	1	3,253
2010	671	770	786	1,082	1	3,310
2009	726	755	798	1,088	1	3,368
2008	753	730	807	1,065	0	3,355
2007	724	774	829	1,041	0	3,368

NOTE: ⁽¹⁾ **Attending Enrollment** is an attending student count, or a head count of students, based on where the students are educated. Public school district attending counts include: (1) students from the local school district attending schools in the local school district, plus (2) students from outside the school district who are tuitioned from other school districts.

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, 2013 through 2014, being 19.0 FTE students from Scarborough of the 476.5 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, plus 1260 E-books and 72 audio titles for downloading. The Library averages 2,550 visitors per week and circulates approximately 205,400 items per year, with a Library Director who oversees a staff of six full-time and 15 part-time employees and various volunteers.

LABOR RELATIONS

The Town employs approximately 429 full-time and various part-time personnel, and approximately 711 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union ⁽¹⁾	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	35	July 1, 2015	June 30, 2018
SPA	Dispatchers	14	July 1, 2015	June 30, 2018
SPA	Paramedics	28	July 1, 2014	June 30, 2017
SEA	Teachers	310	Sept. 1, 2016	Aug. 31, 2019
SAA	School Administrators	11	July 1, 2015	June 30, 2018
SESPA	School Staff and Teacher's Aids	124	July 1, 2014	June 30, 2017
SEA	School Custodians	30	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: ⁽¹⁾ "SPBA" indicates the Scarborough Police Benevolent Association; "SPA" includes Scarborough Paramedics Association and the Scarborough Public Safety Dispatchers Association, affiliated with the International Association of Firefighters ("IAFF") affiliate of the American Federation of Labor & Congress of Industrial Organizations ("AFL/CIO"), as separate bargaining units; "SEA" indicates the Scarborough Educators Association; "SAA" indicates the Scarborough Administrators Association; "SESPA" indicates the Scarborough Educational Support Professionals Association, of which the various components are affiliated with the Maine Teachers Associations ("MEA"), as separate bargaining units.

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
2016	13	\$27,255.0	93	\$128,167.5	92	\$136,710.7	508	\$113,252.7	706	\$405,385.9
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

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	1,288	8.7%
Hannaford Bros.	Supermarket - Corp Office	1,052	7.1
US Postal Service	USPO Distribution Center	589	4.0
Maine Med Center	Hospital	389	2.6
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, 2016, 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
Total	11,618	100.00%	Total	9,736	100.00%

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
2016	55,240	54,604	39,875	217,975	88,425	42,417	81,314	579,849	524,609
2015	58,094	51,084	30,295	169,451	85,946	40,547	76,929	512,347	454,253
2014	51,089	47,798	27,617	165,709	85,224	33,621	72,371	483,429	432,340
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

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

ECONOMIC CHARACTERISTICS

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

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

Population Characteristics	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
2016	2.7%	2.9%	3.9%	4.9%
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

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,

EXPENDITURES	2013	2014	2015	2016	2017
General government	\$4,556,921	\$4,817,259	\$4,790,521	\$4,849,887	\$5,118,871
Public services	3,853,161	4,075,921	4,505,429	4,651,686	4,865,609
Public safety	8,695,056	9,036,324	9,574,605	9,965,139	11,117,946
Public works	6,477,260	6,294,820	6,359,496	6,718,059	6,755,141
Education	37,370,562	39,399,516	42,165,315	43,725,308	46,037,872
County Tax	2,075,183	2,193,813	2,355,415	2,493,342	2,568,852
Debt service	4,732,060	4,508,353	4,641,657	4,906,499	4,840,496
CIP	1,406,500	923,700	1,879,364	892,030	1,148,470
TOTAL EXPENDITURES	69,166,703	71,249,706	76,271,802	78,201,950	82,453,257
REVENUES					
Taxes	54,257,619	58,209,370	60,225,927	63,093,568	65,330,508
Licenses and permits	855,880	925,396	543,130	1,170,144.00	1,226,965
Intergovernmental	7,194,622	6,405,140	7,012,731	7,017,032.16	7,942,179
Interest earned	20,000	15,000	15,000	15,000	15,000
Other	5,308,196	4,782,892	5,905,837	5,461,302	5,889,913
TOTAL REVENUES	67,636,317	70,337,798	73,702,625	76,757,046	80,404,565
OTHER SOURCES					
Operating transfers	672,493	569,767	486,270	822,978	769,405
Prior year fund balance	200,000	200,000	800,000	425,000	747,633
Overlay	(362,107)	(346,359)	(328,093)	(496,074)	(173,207)
Bond and note proceeds	1,020,000	488,500	1,611,000	693,000	704,861
TOTAL OTHER	1,530,386	911,908	2,569,177	1,444,904	2,048,692
TOTAL BUDGET	\$69,166,703	\$71,249,706	\$76,271,802	\$78,201,950	\$82,453,257

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>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
State Personal Income Factor:	1.43%	1.05%	1.09%	0.86%	2.67%
Town Prop Growth Factor:	<u>0.17</u>	<u>0.78</u>	<u>1.09</u>	<u>1.22</u>	<u>0.82</u>
Growth Limitation Factor:	1.60%	1.83%	2.18%	2.08%	3.49%
Property Tax Levy Limit:	\$14,359,273	\$15,158,240	\$15,534,744	\$16,660,322	\$17,580,237
Property Tax Levy:	<u>14,432,024</u>	<u>16,091,860</u>	<u>16,275,733</u>	<u>17,005,804</u>	<u>17,667,684</u>
Over/(below) Levy Limit:	\$72,751	\$933,620	\$740,989	\$345,482	\$87,447

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

The Town established, and follows, a formal policy that recognizes the importance of maintaining an appropriate level of unassigned fund balance. On November 2, 2016 the Town Council repealed the January 20, 2010 policy Town amended Fund Balance Policy, previously adopted on September 17, 1997, to comply with Governmental Accounting Standards Board (“GASB”) Statement 54 (“GASB 54”) and replaced it with a November 2, 2016 adopted document. 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 unassigned fund balance in an amount equal to 10% of the Town’s Operating Budget for the prior fiscal year and not to fall below 8.3% (or 1/12th) of its operating budget. Once the Town achieves an unassigned fund balance equal to 10% of the Town’s Operating Budget, any excess above 12.0% is to be assigned by any combination to one of the following:

- a) Retained in non-spendable and restricted accounts that offset unfunded liabilities, and/or
- b) Retained in assigned accounts that may be used in future budget cycles as a property tax rate stabilization; available for use during a catastrophic event, and/or
- c) Funding future capital expenditures and/or projects, and/or
- d) The retirement of debt, and/or
- e) A taxpayer refund.

In the event that the balance drops below the established minimum level, the Town Council will develop a plan to replenish the fund balance to the established minimum level within two years.

Annually the Town Manager shall report to the Town Council’s Finance Committee the Statement of Activity of all fund balances that will include the beginning year’s balances, gross adjustments in and out of each account during the reporting period and final report period ending balances. Such report shall occur following receipt of the audited financial statements. Also, 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.

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Assigned & Unassigned General Fund Balance	\$3,899,522	\$3,811,453	\$5,761,131	\$7,702,662	\$8,674,267
Total Revenues (Current Year)	66,904,627	70,898,619	74,396,159	78,578,544	80,145,388
Fund Bal as % Revenues	5.83%	5.38%	7.74%	9.80%	10.82%
Unassigned General Fund Balance	\$2,093,626	\$1,786,533	\$3,376,747	\$4,973,289	\$6,107,559
Budgeted Expenses (Current Year)	65,861,295	69,733,628	71,863,298	76,800,782	78,176,950
Fund Balance as % Revenues ⁽¹⁾	3.18%	2.56%	4.70%	6.48%	7.81%

NOTE: ⁽¹⁾ Re-stated pursuant to the Town’s Fund Balance Policy dated November 2, 2016.

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 30th following the end of the municipal year of the subject audit”.

The Town’s fiscal year 2016 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, 2015. This is the 11th 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,)

	2016	2015	2014	2013	2012
ASSETS					
Cash and cash equivalents	\$16,634,125	\$12,015,992	\$10,878,727	\$9,948,470	\$1,257,920
Investments	751,414	1,962,632	376,822	752,899	8,748,556
Receivables:					
Accounts receivable	778,066	1,249,773	735,264	1,110,371	828,253
Intergovernmental	170,666	48,527	198,794	124,122	191,841
Taxes receivable	188,545	148,389	143,405	137,001	172,971
Tax liens	866,101	808,236	983,581	844,343	757,577
Inter-fund receivable	2,570,631	3,077,866	3,132,347	2,683,412	3,004,027
Tax acquired property	7,231	7,231	7,231	7,231	7,231
Inventory	31,301	42,532	47,851	34,010	34,010
TOTAL ASSETS	21,998,080	19,361,178	16,504,022	15,641,859	15,002,386
LIABILITIES					
Accounts payable	2,044,181	2,037,776	1,680,911	1,685,130	2,402,854
Accrued payroll	4,774,805	4,499,022	4,114,853	3,922,340	3,656,473
Accrued absences	98,807	265,895	94,915	120,329	62,853
Unearned revenues	42,210	49,428	32,933	45,560	68,580
TOTAL LIABILITIES	6,960,003	6,852,121	5,923,612	5,773,359	6,190,760
DEFERRED TAX REVENUE	863,100	806,479	971,922	810,854	757,593
EQUITY					
Fund balances:					
Non-spendable	31,301	42,532	47,851	34,010	34,010
Restricted	4,966,646	3,438,341	3,347,355	3,777,260 ⁽¹⁾	3,432,898
Committed	502,763	519,043	452,151	374,000	687,603
Assigned	2,566,708	2,729,373	2,384,384	2,024,920	1,805,896
Unassigned	6,107,559	4,973,289	3,376,747	2,847,456 ⁽¹⁾	2,093,626
TOTAL EQUITY	14,174,977	11,702,578	9,608,488	9,057,646	8,054,033
TOTAL LIABILITIES AND EQUITY	\$21,998,080	\$19,361,178	\$16,504,022	\$15,641,859	\$15,002,386

Prepared from Audited Financial Statements.

NOTE: ⁽¹⁾ 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,)

	2016	2015	2014	2013	2012
REVENUES					
Taxes	\$63,400,933	\$60,971,872	\$58,605,638	\$54,317,932	\$50,413,387
Licenses and permits	816,628	756,181	661,553	553,504	494,439
Intergovernmental	9,821,341	10,378,344	9,455,733	10,462,944	10,541,991
Interest earned	84,783	390,260	108,862	42,573	66,255
Other	6,021,643	6,081,887	5,564,373	5,521,666	5,388,555
TOTAL REVENUES	80,145,328	78,578,544	74,396,159	70,898,619	66,904,627
EXPENDITURES					
General government	4,951,353	4,829,444	5,059,198	4,956,930	4,401,899
Public services	4,690,296	4,612,240	4,146,541	3,931,386	3,841,168
Public safety	10,125,943	9,514,108	8,879,022	8,577,811	8,241,916
Public works	6,677,609	6,506,439	6,502,618	6,681,399	6,598,823
Education	43,983,487	44,638,078	42,413,258	39,344,449	37,085,827
County tax	2,493,342	2,355,415	2,193,813	2,075,183	1,975,585
Debt service	4,923,898	4,605,500	4,470,950	4,942,403	5,416,558
Capital improvements	1,037,678	1,192,358	1,146,088	1,257,490	924,372
Other		6,765			
TOTAL EXPENDITURES	78,883,606	78,260,347	74,811,488	71,767,051	68,486,148
EXCESS OF REVENUES OVER EXPENDITURES	1,261,722	318,197	(415,329)	(868,432)	(1,581,521)
OTHER FINANCING SOURCES:					
Operating transfers in	876,717	594,836	561,290	1,015,621	1,723,391
Operating transfers out	(295,839)	(320,823)	(315,652)	(683,335)	(144,986)
Refunding bonds	3,785,000		-	7,065,000	24,605,000
Premium	220,512		-	321,961	2,998,094
Refunding escrow	(3,972,329)		-	(7,347,335)	(27,124,969)
Proceeds from Capital Lease	0		249,109	365,033	0
Bond or note proceeds	596,556	1,501,880	471,424	1,135,100	589,750
TOTAL OTHER FINANCING:	1,210,617	1,775,893	966,171	1,872,045	2,646,280
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	2,472,339	2,094,090	550,842	1,003,613	1,064,758
FUND BALANCE, BEGINNING OF YEAR	11,702,578	9,608,488	9,057,646	8,054,033	6,989,275
FUND BALANCE, END OF YEAR	\$14,174,917	\$11,702,578	\$9,608,488	\$9,057,646	\$8,054,033

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 2016/2017 due dates are October 17, 2016 and March 15, 2017. 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 3/31/17
2017	\$3,899,350	\$3,776,363	\$15.92	\$60,120	---- In Process ----		
2016	3,791,950	3,745,548	15.49	58,019	\$57,940	99.86%	99.95%
2015	3,667,300	3,700,488	15.10	55,877	55,322	99.01	99.94
2014	3,579,450	3,660,306	14.77	54,063	53,470	98.60	99.98
2013	3,482,500	3,631,675	13.80	50,117	49,484	98.72	99.98
2012	3,556,750	3,571,196	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	99.98
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

LARGEST TAXPAYERS

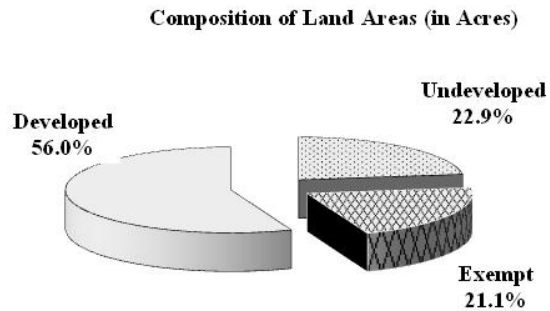
Taxpayer	Business	As of April 1, 2016				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$63,459,800	\$1,028,400	\$64,488,200	\$1,026,652	1.71%
Wal-mart/Sam's Club	Wholesale/Retail	33,674,000	3,627,800	37,301,800	593,845	0.99%
Central Maine Power	Utility	31,947,600	7,700	31,955,300	508,728	0.85%
New England Exped.	Retail/Restaurants	30,303,600	0	30,303,600	482,433	0.80%
Hannaford Bros.	Corporate	16,252,400	7,281,300	23,533,700	374,657	0.62%
Scarborough Gallery	Retail/Restaurants	20,401,000	0	20,401,000	324,784	0.54%
Gavin Ruotolo	Commercial	18,778,800	170,100	18,948,900	301,666	0.50%
MMC Realty	Maine Health	14,036,200	2,979,000	17,015,200	270,882	0.45%
Foxcroft & Coach Lantern	Apartments	13,012,500	114,400	13,126,900	208,980	0.35%
Waterstone Scar. LLC	Shopping Center	12,592,200	0	<u>12,592,200</u>	<u>200,468</u>	<u>0.33%</u>
Top Ten Taxpayers as a % of Total				\$269,666,800	\$4,293,095	7.14%

NOTE: Total tax commitment for fiscal year 2016/2017 is \$60,119,691. See "TOWN FINANCES – TAX LEVY AND COLLECTIONS" herein.

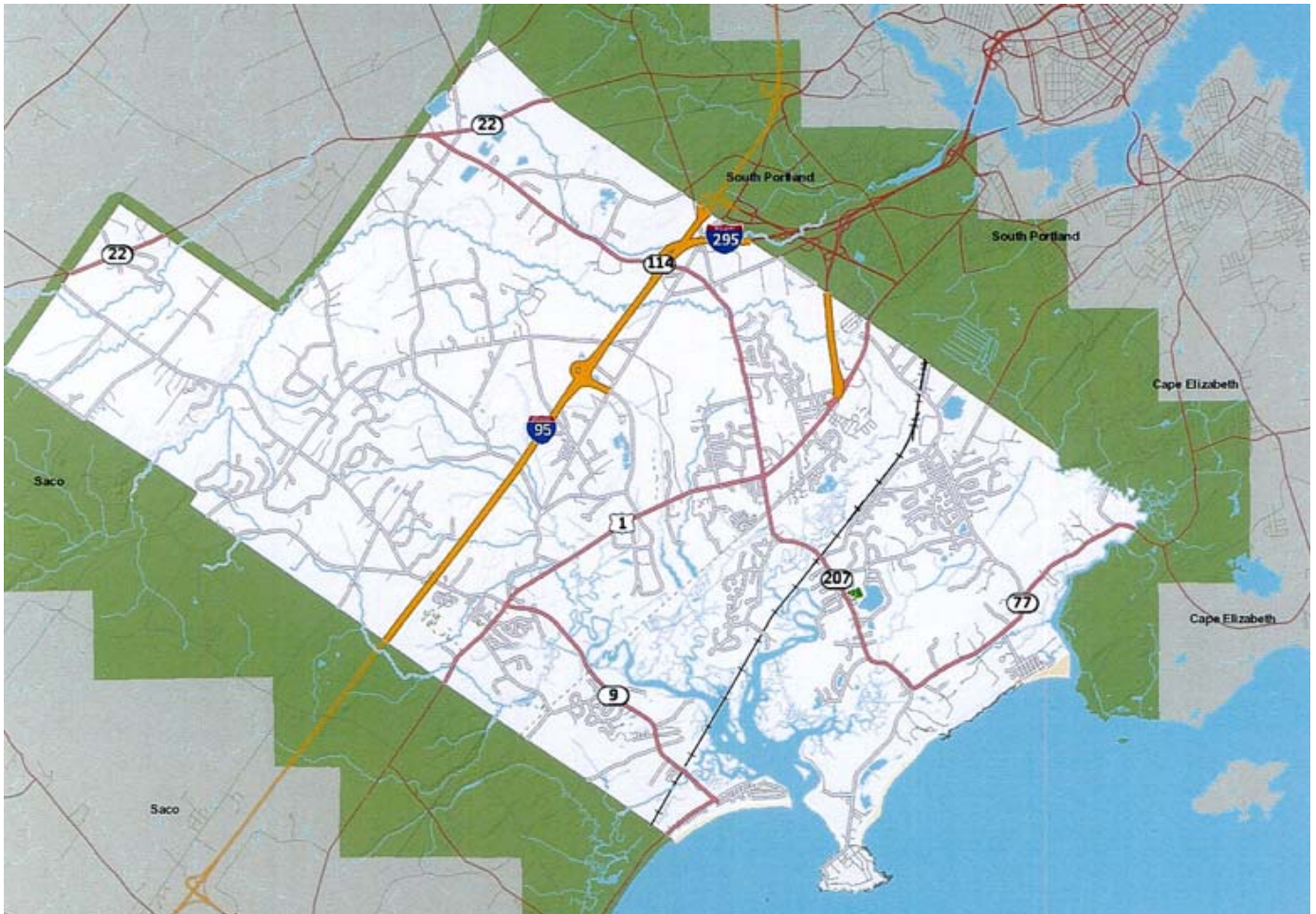
CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 28,178 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>	
Undeveloped ⁽¹⁾	6,456
Exempt	5,954
Developed	<u>15,768</u>
Total	28,178



NOTE: ⁽¹⁾ May include an undetermined amount of land that cannot be developed and/or green space.



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 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones, transit-oriented TIF districts or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3 of the Maine Revised Statutes, as amended.

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

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

REVENUES FROM THE STATE

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

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. 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		
2016	\$838,395	\$4,601,471	\$354,367	\$6,386	\$333,868	\$363,628	\$6,498,115
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

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, 2017 the Town’s equalized state valuation (“Equalized State Valuation” or “ESV”) was \$3,899,350,000. The 15% debt limit is \$584,902,500. On June 30, 2016 the Town’s long-term debt was \$95,920,000 or 2.46% of the 2017 Equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

DEBT SUMMARY

The Town's long-term debt payable at June 30, 2016 (audited) and projected for June 30, 2017 (unaudited), are comprised of the following issues:

<u>Series</u>	<u>Date of Issue</u>	<u>Issue Amount</u>	<u>Date of Final Mat</u>	<u>As of 6/30/2016</u>	<u>Payments</u>	<u>Projected 6/30/2017</u>
1997	4/15/1997	4,230,000	11/1/2016	110,000	(110,000)	0
2006	5/15/2006	7,014,000	11/1/2020	185,000	(185,000)	0
2007	5/15/2007	4,000,000	11/1/2021	225,000	(225,000)	0
2008	6/1/2008	8,513,000	11/1/2027	1,145,000	(570,000)	575,000
2009	5/1/2009	4,560,000	11/1/2028	930,000	(310,000)	620,000
2009	10/1/2009	1,780,000	11/1/2019	670,000	(185,000)	485,000
2010	4/15/2010	6,002,000	11/1/2030	3,625,000	(345,000)	3,280,000
2011	6/15/2011	5,600,000	11/1/2030	2,910,000	(360,000)	2,550,000
2012	5/8/2012	46,545,000	11/1/2041	43,315,000	(1,690,000)	41,625,000
2013	4/1/2013	25,685,000	11/1/2042	24,425,000	(1,145,000)	23,280,000
2014	5/15/2014	6,505,000	11/1/2033	5,255,000	(760,000)	4,495,000
2015	5/1/2015	6,085,000	11/1/2034	5,585,000	(495,000)	5,090,000
2016	5/12/2016	7,540,000	11/1/2035	7,540,000	(665,000)	6,875,000
Sub-totals				95,920,000	(7,045,000)	88,875,000
2017	6/8/2017	2,755,000	11/1/2036			2,755,000
Totals				95,920,000	(7,045,000)	91,630,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited				
	2012	2013	2014	2015	2016
Total Current Year Debt Service:	\$8,224,935	\$7,950,370	\$8,378,569	\$8,980,337	\$9,838,805
Budgeted Operating Expense:	65,506,405	69,166,703	71,249,706	76,271,802	78,201,950
Debt Service as % Oper. Expense:	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
2016	19,691	\$3,791,950	\$3,745,548	\$95,920,000	2.53%	\$4,871.26
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	3,571,196	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

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total Debt	
2017	\$7,045,000	\$3,348,228	\$10,538,105	\$0	\$0	\$0	\$10,538,105
2018	7,170,000	3,131,769	10,408,721	0	96,137	96,137	10,504,859
2019	6,950,000	2,907,138	9,894,438	360,000	103,550	463,550	10,357,988
2020	6,335,000	2,684,256	9,019,256	360,000	94,550	454,550	9,473,806
2021	6,380,000	2,444,831	8,824,831	360,000	81,950	441,950	9,266,781
2022	5,955,000	2,230,825	8,185,825	295,000	67,375	362,375	8,548,200
2023	5,750,000	2,049,944	7,799,944	190,000	55,250	245,250	8,045,194
2024	4,330,000	1,870,269	6,200,269	185,000	45,875	230,875	6,431,144
2025	3,950,000	1,710,050	5,660,050	185,000	36,625	221,625	5,881,675
2026	3,935,000	1,556,944	5,491,944	185,000	27,375	212,375	5,704,319
2027	3,830,000	1,401,072	5,231,072	185,000	18,125	203,125	5,434,197
2028	3,835,000	1,257,294	5,092,294	55,000	12,675	67,675	5,159,969
2029	3,625,000	1,121,700	4,746,700	55,000	11,025	66,025	4,812,725
2030	3,360,000	991,506	4,351,506	55,000	9,375	64,375	4,415,881
2031	3,330,000	869,781	4,199,781	55,000	7,725	62,725	4,262,506
2032	3,165,000	750,181	3,915,181	55,000	6,075	61,075	3,976,256
2033	3,165,000	629,863	3,794,863	35,000	4,725	39,725	3,834,588
2034	2,485,000	515,688	3,000,688	35,000	3,675	38,675	3,039,363
2035	1,945,000	422,438	2,367,438	35,000	2,625	37,625	2,405,063
2036	1,315,000	351,788	1,666,788	35,000	1,575	36,575	1,703,363
2037	1,250,000	293,963	1,543,963	35,000	525	35,525	1,579,488
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
TOTAL	\$95,920,000	\$33,264,107	\$129,473,236	\$2,755,000	\$686,812	\$3,441,812	\$132,915,048

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

Yr. End June 30,	2008	2009	2009	2010	2011	2012	2013	2014	2015	2016	2016	2017	Total
2018	575	310	185	345	360	2,400	915	735	485	625	235	0	7,170
2019		310	185	345	355	2,825	765	700	430	615	420	360	7,310
2020			115	345	355	3,210	770	325	430	250	535	360	6,695
2021				345	355	3,475	765	325	335	245	535	360	6,740
2022				280	115	3,685	765	310	335	155	310	295	6,250
2023				280	115	3,520	765	300	335	155	280	190	5,940
2024				280	115	2,170	715	300	320	150	280	185	4,515
2025				280	115	1,870	720	250	320	125	270	185	4,135
2026				280	115	1,585	1,045	250	265	125	270	185	4,120
2027				100	110	1,335	1,430	250	265	70	270	185	4,015
2028				100	110	1,310	1,465	250	265	70	265	55	3,890
2029				100	110	1,330	1,405	250	265	70	95	55	3,680
2030				100	110	1,355	1,435	50	245	65	0	55	3,415
2031				100	110	1,775	1,065	50	165	65	0	55	3,385
2032						1,815	1,075	50	160	65	0	55	3,220
2033						1,800	1,090	50	160	65	0	35	3,200
2034						685	1,525	50	160	65	0	35	2,520
2035						685	1,045		150	65	0	35	1,980
2036						685	565			65	0	35	1,350
2037						685	565					35	1,285
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
6/30/2017	575	620	485	3,280	2,550	41,625	23,280	4,495	5,090	3,110	3,765	2,755	91,630

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, 2017 the Town's equalized State Valuation of \$3,899,350,000 is 9.25% of the County's equalized State Valuation of \$42,139,850,000. The Town's share is 9.25%, or \$3,186,855, of the County's \$34,440,000 (unaudited) long-term debt projected outstanding as of December 31, 2016.

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, 2016 the Town was contingently responsible for approximately 14.37%, or \$6,386,585 of the PWD’s \$44,455,829 (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, 2016, 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 \$16,746,994 at June 30, 2016 (the most current information available). The Town’s proportionate share of these estimated landfill closure and post-closure care costs is 8.98% or \$1,504,077.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	<u>Direct Debt</u>	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Scarborough	\$95,920,000			\$95,920,000
County of Cumberland		\$3,186,855		3,186,855
Portland Water District			\$6,386,585	6,386,585
ecomaine (RRS)			0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			1,504,077	1,504,077
Total A/O June 30, 2016	\$95,920,000	\$3,186,855	\$7,890,662	\$106,997,517
Debt as % 2017 ESV	2.46%	0.08%	0.20%	2.74%
Debt per Capita	\$4,871.26	\$161.84	\$400.72	\$5,433.83

FUTURE FINANCING

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

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>2017 bonds</u>	<u>Authorized Unissued</u>
2005/2006	06-018	Fire Dept Training Bldg	\$150,000	-		\$150,000
2007/2008	08-008	Dunstan Sidewalk	550,000	(375,340)		174,660
2008/2009	08-122	Broadturn Road	61,700	-		61,700
2008/2009	08-123	Auditorium Wall & Stage	25,000	-		25,000
2008/2009	08/123	HS Café Air Conditioner	125,000	(100,000)		25,000
2008/2009	08/123	WI Asbestos Abatement	25,000	-		25,000
2009/2010	09-105	Land Bonds	1,000,000	(865,730)		134,270
2009/2010	10-011	Running Hill Sewer	1,450,000	-		1,450,000
		Martin Ave/Broadturn Rd				
2010/2011	11-030	Culvert	115,000	(60,000)		55,000
2010/2011	11-030	Haigis Parkway/Rte One	2,235,000	(2,141,500)		93,500
2012/2013	13-007	PW Mid-level Road	483,000	(353,960)		129,040
2012/2013	13-007	PW Fogg Road Study	230,000	-		230,000
2016/2017	17-037	Eastern Trail	216,700	-		216,700
2016/2017	17-037	Cummings Rd Reconstruct	250,000	-		250,000
2016/2017	17-037	Sch Furnishings	50,000	-		50,000
2016/2017	17-037	Energy Upgrades	60,000	-	(60,000)	0
2016/2017	17-037	HVAC Repairs MS&K2	100,000	-	(50,000)	50,000
			<u>\$7,126,400</u>	<u>(\$3,896,530)</u>	<u>(\$110,000)</u>	<u>\$3,119,870</u>

Public Works Fuel Station Project

Additionally, the Town contemplates State mandated removal and replacement of its Public Works Fuel Station. The project is expected to cost approximately \$687,482. Pursuant to Article IX, Section 907 of the Town's Charter voter referendum is required for approval of bond issues of \$400,000 or more for a single capital improvement or capital equipment. The Town Council has placing the question for approval to the Town's voters for its June 18, 2017 referendum. If approved, the Town expects to finance this project with bonds.

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 “SET 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 SET Plan covers 240 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 291 participating employers.

Employee membership data related to the Plans, as of June 30, 2015 was as follows:

	<u>Teachers</u>	<u>PLD</u>
Current participants: Vested and non-vested	40,016	10,870
Terminated participants: Vested	7,511	2,112
Terminated participants: Inactive, due refunds	36,810	6,341
Retirees and beneficiaries receiving benefits	<u>33,260</u>	<u>8,581</u>
	17,597	27,904

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 SET 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, 2016, the Town's total payroll for all employees was \$39,312,205. Total covered payroll was \$22,450,059 for the SET Plan and \$6,444,728 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 SET Plan members are defined by law or the Plan's Board. SET Plan members of the Town's School Department are required to contribute 7.65% of covered compensation to the SET Plan. The School Department employee's contributions are deducted from the employee's wages or salary and remitted by the School Department to the SET 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, 2016, was 3.36% of annual teacher payroll, plus 13.10% 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 SET Plan for the year ended June 30, 2016 were \$649,178.

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, 2016, was 7.5% of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2016 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, 2016 were \$694,798.

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

SET Plan

At June 30, 2016, 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:	\$565,672
State's proportionate share of the net pension liability:	<u>24,964,846</u>
Total:	\$25,530,518

The net pension liability was measured as of June 30, 2015, 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, 2015, the School Department's proportion was 0.042 %, which was an increase of 0.007% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the School Department recognized pension expense of \$773,144 and revenue of \$2,861,000 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	-	\$3,927
Changes of Assumptions:	\$15,587	-
Net difference between projected and actual earnings on pension investments:	119,696	145,275
Changes in proportion and differences between contributions and proportionate share of contributions:	246,128	46,985
The Town's contributions subsequent to the measurement date:	<u>649,178</u>	-
Total:	\$1,030,589	\$196,187

The \$649,178 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:

<u>Year ended June 30,</u>	<u>PLD Plan</u>
2017	\$160,720
2018	13,080
2019	(18,504)
2020	<u>29,928</u>
Total	\$185,224

PLD Plan

At June 30, 2016, the Town and the School Department reported a liability of \$4,875,343 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Town and the School Department's proportion was 1.53%, which was an increase of 0.03% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town and the School Department recognized pension expense of \$1,349,946. At June 30, 2016, the Town and the 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 experience:	\$196,848	\$626,156
Changes of Assumptions:	430,850	-
Net difference between projected and actual earnings on pension investments:	1,504,710	1,873,045
Changes in proportion and differences between contributions and proportionate share of contributions:	92,912	-
The Town's contributions subsequent to the measurement date:	694,798	-
Total:	\$2,920,118	\$2,499,201

The \$694,798 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, 2016. 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>
2017	(\$178,366)
2018	(178,366)
2019	(293,179)
2020	<u>376,179</u>
Total	(\$273,881)

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, 2016", pages 69 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 \$317,328 which was 6% of the participating employees and 17% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,027,731, while the Town's total payroll was \$12,567,049. Employee's required contributions amounted to \$293,121, 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, 2015. 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>(50,724)</u>
Increase in Net OPEB obligation:	198,489
Net OPEB – beginning of year:	<u>1,556,926</u>
Net OPEB – end of year:	\$1,755,415

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

Fiscal Year Ended			
<u>June 30,</u>	<u>Cost</u>	<u>Contributed</u>	<u>Obligation</u>
2016	\$249,213	20%	\$1,755,415
2015	249,213	18%	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, 2016 was:

Actuarial accrued liability:	\$2,728,097
Plan assets:	<u>0</u>
Unfunded actuarial accrued liability:	2,728,097
Covered payroll:	10,324,055
Unfunded actuarial accrued liability as % of covered payroll	26%

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

Except as discussed below, 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.

On remand from a Maine Supreme Judicial Court decision, the Town of Scarborough Board of Assessment Review decided on May 10, 2017 to resolve numerous property tax appeals involving a partial land revaluation of water and water-influenced properties by awarding the roughly fifty property owners involved a property tax abatement of 8% of the total value of the property owners' land valuation with respect to tax years 2012-13 through 2015-16, plus 7% interest. The Town estimates that the decision results in a required total payment by the Town of approximately \$475,000. The property owners may appeal this decision before June 9, 2017.

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APPENDIX A

**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2016**

(With Report of Independent Auditors' Thereon)

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TOWN OF SCARBOROUGH



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR

ENDING

06/30/2016

TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



Prepared By:

Town of Scarborough
Finance Department

For Fiscal Year Ending:
06/30/2016

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2016

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2016

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TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



Wiley Field

INTRODUCTION

**For Fiscal Year Ending
06/30/2016**

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December 28, 2016

Shawn Babine, 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, 2016.

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, 2015. This is the eleventh-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 Cape Elizabeth, South Portland, Old Orchard Beach, Saco, Buxton, Gorham and Westbrook.

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 the members of its own board; however, the Town of Scarborough provides most of their funding.

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)

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 OUTLOOK

Maine Economy. The Maine Consensus Economic Forecasting Commission reported that Maine and the nation have generally improved since January 2016, but the Maine economy is not as robust as many other areas of the country. Wage and Salary income, the largest component of personal income, grew by 4.9% from mid-2015 to mid-2016.

Single-family home sales increased by 6.1% from September 2015 to September 2016. Mortgage delinquency rates continue to decline. The foreclosure rate in Maine was .49% in the second quarter of the 2016.

Maine unemployment in recent years has tracked below national rates. Unemployment rates in the three southernmost communities are below the state average. Employment continued to rise in 2016, with the health care and social assistance sector claiming one sixth of all jobs in the state. This category continues to exhibit strong job growth. Other sectors adding jobs include leisure and hospitality, financial activities and transportation, warehousing and utilities. With unemployment at 4% statewide and little or no population growth, the labor force is stagnant, with few workers to fill jobs. The Commission's current forecast has Maine employment increasing by half a percent in 2017, and virtually no growth from 2019 to 2021. Income is projected to grow by modest increases of 3 to 4%. However the forecasts are expected to change due to the referendum questions on the Maine November ballot approvals resulting in the change in minimum wages and a 3% surtax on incomes over \$200,000,

Local Economy. Statewide numbers mask the divergent regional economies in Maine. Southern Maine continues to rise from the Great Recession faster and more robustly than the balance of the state. The Portland Labor Market area is down to a 3.0% unemployment rate in mid-2016, nearly 2 points below the National average. Looking at annual averages, Cumberland County surpassed pre-recession employment numbers in 2015, while State employment still lags behind the 2008 peak by over 7,000 jobs. Locally, Scarborough excelled in fiscal 2016. Businesses created 200 net new jobs in Scarborough in 2015; retail sales increased by \$31 million in 2015 and by \$37 million in the first six months of 2016. Unemployment was 3.0% in 2015 and under 3% as we round out 2016. Population continues to increase, proving the desirability of Scarborough's neighborhoods and the quality of our schools.

As Scarborough closes in on 20,000 in population, we have seen residential building permits increase to levels not seen in ten years. As we head into 2017, we see the potential for a significant number of new multi-family and market-rate rental units. The pressure from the City of Portland's shortage of rental units is affecting the communities within commuting distance. Providing rental housing in the region will be a key factor in our ability to attract workers to the region and, given the current unemployment rates, attraction of workers is critical.

Health Care represents the largest economic sector within Scarborough – representing approximately 20% of jobs. Maine Health, a major player in the health care market, fuels this sector. Maine Health has both its research institute and its financial center located in town. A new player in the Scarborough market is Martin’s Point Health Care, which will open a brand new 18,000 sq. ft. medical facility in January 2017. The building will also host some community space, beginning a productive relationship between the Town of Scarborough and the company.

Another significant opening in fiscal 2016 included new retail space at Scarborough Gallery, across from the existing Lowes. Waterstone Retail brought HomeGoods, Marshalls, Bob’s Furniture and Pet Smart to Scarborough, creating a meaningful shift in retail development toward the Scarborough side of the Maine Mall. The project includes over 100,000 sq. ft. of new retail space. The project has room for an additional in-line store as well as a separate store footprint towards the back of the parking lot. Sun Life Financial continues to settle in to their new home on Ashely Road and have added approximately 100 employees with an additional 100 employees anticipated to be added.

While there is much to celebrate on the economic front in Scarborough, national and international forces are affecting two major companies in town. Scarborough is home to the Hannaford corporate offices as well as a large retail store. In the summer of 2015, Royal Ahold, a Dutch supermarket chain and Hannaford’s parent company Delhaize announced plans to merge. The merger of the two supermarket giants is not expected to affect many stores, since there is little overlap in territories; however, there is a possibility that corporate headquarters may be impacted. While the merger is proceeding, there is no indication of any immediate changes here in Scarborough. The second chain to experience a sale is Cabela’s, recently purchased by Bass Pro Shops. We have been in contact with the store and the owner of the shopping center. Based on these conversations we have reasonable expectations that the Cabela’s store in Scarborough will remain an active part of our community.

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 2016, the committee continued this tireless effort.

Created a “Complete Streets” Policy – The Town created a new “Complete Streets.” “Complete Streets” emphasizes Scarborough’s commitment to sidewalks, bike paths, lanes, and future transit service to help promote an active lifestyle.

Facilitated Future Affordable Housing – In 2016, a Town partnership project with Habitat for Humanity began after years of planning. The Town secured grant funding and then construction oversight of the sewer line extension. The development will result in 13 affordable single-family homes and an attractive neighborhood layout with common space. At the historic Southgate House on Route One, we assisted in approvals to preserve this historic building, add a multi-family building to the rear of the site, and deliver much needed affordable, rental units.

Watershed Planning and Restoration – Scarborough has been focused on taking steps to address the Town’s two “urban impaired” streams – Red Brook and Phillips Brook.

Long Range Municipal Facilities Planning – Scarborough’s growth is putting increased demands on municipal buildings and their capacity. In order to plan for facility needs and potential expansions, a Long Range Municipal Facilities Plan was formulated.

Major Initiatives:

For the year. Over the course of fiscal year 2016, 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. Overall development activity is brisk with over 700 building permits; over 90 new single-family home starts; and close to \$70 Million worth of new construction occurring in FY 2016.

Piloted a Higgins Beach “Character” Code – The Higgins Beach neighborhood, plagued with incompatible zoning, made additions, renovations and new construction either illegal or very cumbersome. To address this, we have facilitated a new character-based code customized for the unique lot sizes, look and feel of Higgins Beach.

Expansion of Our Electric Vehicle Fleet – Scarborough continues to invest in both all electric and hybrid vehicles. These vehicles have proved to be ideal for daily travel around town and have significantly reduced fuel budgets while lowering our carbon footprint.

Enhancements to Our Webpage, Electronic Permitting and Information Sharing - The Town has been enhancing its webpage and its content so customers can access more information remotely and electronically. Continued improvements to Scarborough’s website will afford easier information access and greater efficiency for customers and the general public.

Tri-Gen - Capital improvement projects completed this year include the tri-generational (Tri-Gen) natural gas-fired generator for the municipal building. This will reduce the electricity costs of up to ten municipal buildings, over time and we will be able to sell back excess capacity.

Memorial Park Improvements – The move and installation of the historic Danish Village Archway to Memorial Park, and the planting of a permanent tree at Memorial Park for the Annual Tree Lighting and Santa in the Park ceremonies.

School Department - The primary focus of school leaders is to ensure continuous improvement of teaching and learning for the students of Scarborough. Articulating a commitment to student-centered learning has led to changes across the district intended to support student voice and choice, goal-setting, and clear, individualized pathways to proficiency.

One-to-one computer access for students and staff at Scarborough High School. The Scarborough High School Lenovo laptop computers have programs and software aligned to academic courses.

Increased the quality of communication and outreach to the community through a collaborative budget development process of both the School Board and Town Council Finance Committees. School leaders implemented the new budget format adopted by the Town. Targeted communications for parents, students and the community were created, and the new district website and social media platforms were leveraged to allow easy access to information about the schools.

Community Partnerships were expanded for career internships for High School and Middle School students, welcoming seniors into the Wentworth School for school-day programs, developing relationships with local farmers through our School Nutrition program, and engaging with other community leaders through groups like the SEDCO Visionary Committee and the Health Safety & Security Advisory Team (HSSAT).

Fire Department - Insurance Services Office (ISO) is a firm that analyzes and ranks fire departments nationwide. Their focus is entirely on structural firefighting capabilities and reducing property losses from structural fires. The insurance industry use these ratings to establish fire insurance rates. Scarborough's last evaluation was conducted in 2011 resulting in a 3/4 rating (the lower the number the better the score). That 3/4 is known as a split rating where the 3 represents the area of town with public water mains and hydrants, and the 4 represents the rural area where there is no public pressurized water supply. This most recent evaluation our score improved to a Class 3 town-wide. Scarborough is only a very few points away from a Class 2 rating which may be obtainable in the next evaluation. In order to put Scarborough's new rating in perspective it is important to note that out of over 400 Maine fire departments, there is only one Class 1, two Class 2, and 11 other Class 3 departments. Residents north of the Maine Turnpike should realize a fire insurance premium savings at their next renewal due to the improved ISO rating.

The Fire Department obtained three grants. One is the Emergency Management Performance Grant (EMPG) that funds 50% of eligible costs for emergency management activities. The second are grants from FEMA's Homeland Security Grant Program (HSGP) and the Assistance to Firefighters Grant Program (AFG).

The Fire Department received voter approval for funding to replace the 26-year-old fire engine serving at Pleasant Hill station. The new pumper will be assigned to the Oak Hill station at Engine 7. The current truck at Oak Hill, a 2006 E-One, will be reassigned to cover Pleasant Hill to assure it will be able to meet its anticipated service life at that slower volume station. We also received funding to replace our 20+ year-old extrication tools (also known as the Jaws of Life) that are critically important and allow us to cut through high-strength metals used in modern vehicle construction.

During this past fiscal year, we were pleased to participate in a firefighter exchange program that was funded by a US State Department grant.

Police Department - This past year The Police Department reevaluated what it means to serve and protect. The Heroin-Opiate crisis that is sweeping our nation has hit Maine with a vengeance. At the same time, funding and programs to treat substance abuse have been cut, many treatment centers closed and access to government-funded health care insurance have been reduced. In looking at Maine crime statistics, it was clear that people, who were suffering from substance use disorder, in particular heroin, were committing much of our shoplifting and motor vehicle burglary crimes. Against this backdrop, an idea for a successful innovative program that rely on three components: enforcement, education, and treatment was created. The Police Department launched *Operation HOPE* on October 1, 2015. The premise is simple; if you are caught in this horrific disease of substance use disorder, and you truly want help, the Police staff will do their best to assist you in finding recovery. Through *Operation HOPE*, a person who enters the Scarborough Police Department and requests help for substance use disorder is screened to determine eligibility to participate in a treatment program. If eligibility requirements are met, and show a true desire to make a change in their life, they are paired with an *Operation HOPE* volunteer “Angel”. The “Angel” walks them through the process toward detox and recovery to include accelerated placement in a rehabilitation and treatment program whenever possible. Treatment centers are extremely scarce in Maine and we reached beyond our geographical boundaries and found many treatment centers around the country willing to take people from Maine, even those uninsured. In order to get people to other states for treatment, however, funding was needed to pay travel expenses. With a small donation from the Police Assisted Addiction and Recovery Initiative and some asset forfeiture monies that had been seized by the courts from convicted drug dealers, we are able to make this work without putting the burden on taxpayers. Project G.R.A.C.E., a local 501c(3) nonprofit, has agreed to act as the fiduciary for *Project Hope* as future funding is obtained.

Public Works Department - The fiscal year ending June 30, 2016 provided its own unique challenges and opportunities for the Public Works Department.

- Issued 184 permits/licenses issued;
- Responded to 1,146 requests for service from residents and outside entities;
- Completed the first full year with CityWorks, an asset management program with full access to the Town’s GIS program, increased mobility, expanded inspection and record keeping functionality out in the field, and numerous data management enhancements;
- Vehicle maintenance converted to a paperless point-of-service data entry process
- Began discussions with Old Orchard Beach and the City of Westbrook about providing fleet maintenance, repair, record keeping and warranty services on their fire & rescue fleets;
- Engineering/planning phase for the relocation of the fleet fuel distribution center and, per a DEP permit, must be removed by 2018;
- Stormwater quality ponds and outfall were cleaned;
- Major reclamation and paving completed on 9 roads;
- Phase II of the Pleasant Hill Road Drainage & Road Improvement Project, started in 2014, and was completed in 2016. Pleasant Hill Road traffic averages 10,000 vehicles daily.
- Planning for Phase II of the Gorham Road Reconstruction Project has started and construction on Phase I is scheduled for FY2018;

- Through an effort to explore food waste disposal options, three organic material drop-off sites were created in Scarborough. The locations are Walmart, Bessey Dr. (in front of the Veteran's Home on US Route 1) and Pine Tree Waste. The waste brought to these sites diverted a little over 7 tons of waste out of the trash stream during the last two months of FY16.

For the Future.

School Department - The School Board Long-range Facilities Planning committee continues to review options for responsible school facilities management and investment based on the comprehensive report commissioned from Harriman Associates in 2014-15. In January 2016, updated school enrollment projections report was received. Because, of the unique nature of the Town of Scarborough, the firm, Planning Decisions, developed a new enrollment projection model to more accurately incorporate housing starts into enrollment calculations. This "New Housing Impact" model suggests that current enrollment numbers will continue to increase through 2025.

Public Works Department – Projects for the Public Works Department include:

- The fueling station will be relocated from Manson Libby Road to the Public Works Facility;
- The Gorham Rd Reconstruction Project goes into its final planning stages with Phase I (Wentworth Dr. – Maple Ave) construction to begin in FY2018;
- Planning future Pine Point infrastructure repair and enhancement is scheduled to start in FY17;
- Reconstruction of the traffic islands on US Route 1 from Willowdale Dr. to Sawyer Rd to accept and filter stormwater before it enters the subsurface drainage system under US Route 1. This work is part of a capital project to create a stormwater treatment facility for water entering into Mill Brook and make the US Route 1 corridor more visually appealing;
- Update GIS Aerial Imagery.

Community Services - The project, to complete the remaining segments of the Eastern Trail, is moving forward as planned. The fundraising campaign has generated \$3 million in matching funds from regional organizations including the Eastern Trail Alliance, the Eastern Trail Management District, the Portland Area Comprehensive Transportation System (PACTS), and the Maine Department of Transportation (MDOT), as well as individual donors. Fund raising efforts are continuing for the remaining balance of \$800,000 of necessary funding. The projected completion date is the spring of 2019.

Public Safety Building – As part of the Long Range Municipal Facilities Plan, the first facility for improvement/construction is the Public Safety Building. Plans are in place to create a Public Safety Building Committee. The committee will provide plans and cost estimates for the construction of a new public safety facility. The present facility has structural issues and the police department and fire department needs have outgrown the facility. The goal is to bring this request for construction to the voters in the fall of 2017.

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.

A new 4-year Subsurface Drainage Assessment Project has been added to on-going CIP Projects. Costs are scheduled to remain the same each year over the four year period and would include 1) Creating a *condition assessment* on approximately 70 miles of stormwater drainage pipe in Scarborough. The inspection will catalog the condition of the pipe and determine the *Likelihood of Failure*. 2) The *risk assessment* - create the *Consequence of Failure* matrix. The goal will be a complete report and inventory that will help make informed decisions on future CIP projects.

Metro Fire Chiefs & Managers Study - The Town/City Managers and Fire Chiefs of the Greater Portland Metro communities including Portland, South Portland, Scarborough, Cape Elizabeth, Westbrook, and Gorham, funded a consultant's study of fire/EMS services in an effort to identify opportunities for collaboration and cost savings during this past fiscal year. This project also included input from the Cumberland County Manager and assistance from the Greater Portland Council of Governments (GPCOG). Two study recommendations were approved. The first is to focus on working with ecomaine on the development of a regional multi-disciplinary training site on ecomaine property in North Scarborough. The second is to work on Community Risk Reduction efforts including region-wide fire prevention efforts to educate planning boards, councils, the public, and the development community on the importance of residential sprinklers and the development of model ordinances.

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 2016 value by \$45,059,900 from 2015. For the 2016 tax year, the valuation was \$3,745,548,100 compared to the 2015 valuation of \$3,700,488,200.

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, 2016</u>
\$581,380 in 2012	\$15,675
\$641,719 in 2013	\$23,465
\$749,380 in 2014	\$22,793
\$555,384 in 2015	\$202,257
\$686,766 in 2016	\$686,766

For 2016, the Town Council authorized \$425,000 from the School's fund balance to assist with their funding needs and once again, these funds were not utilized.

In November 2016, the Town's fund balance policy was amended. The Town Council approved Fund Balance Policy goal is to maintain the level of unassigned fund balance equal to 10.0% of Scarborough's Operating Budget for the prior fiscal year and to not fall below 8.33% (or 1/12) of Scarborough's Operating Budget. Once the Town achieves an unassigned fund balance equal to 10.0% of Scarborough's Operating Budget, any excess above 12% must be assigned by any combination to one of the following:

- a) Retained in nonspendable and restricted accounts that offset unfunded liabilities, and /or
- b) Retained in assigned accounts that may be used in future budget cycles as a property tax rate stabilization; available for use during a catastrophic event, and/or
- c) Funding future capital expenditures and/or projects, and/or
- d) The retirement of debt, and/or
- e) A taxpayer refund.

In the event that the balance drops below the established minimum level, the Town Council will develop a plan to replenish the fund balance to the established minimum level within two years.

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 Maine Fire Chief's Association (MFCA) elected Scarborough's Chief B. Michael Thurlow Maine's 2015 Fire Chief of the Year. This award is the highest honor the state association bestows.

The Greater Portland Council of Governments (GPCOG) recognized Scarborough for Scarborough's Student Live-in Collaborative with Southern Maine Community College (SMCC). Scarborough Fire hosted student interns who are actively enrolled in the Fire Science or Paramedic programs at SMCC. These students live in our fire stations and join our department. They receive extensive training and earn certifications through an intensive hands-on rookie school that we administer annually. This past year Scarborough Fire hosted 14 students and over the past 27 years, we have mentored over 250.

The Public Works Department received the "Rising Star of the Northeast" award for its efforts working with the Greater Portland Council of Government's Maine Cleaner Communities Program.

The Police Departments Operation HOPE has been widely recognized and been the recipient of several awards. The Program has been held up as a model for other agencies and have had the opportunity to speak at a number of places, including the White House.

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 2016. This audit is designed to meet the requirements of Government Auditing Standards and the Uniform Guidance.

Acknowledgements. Operation HOPE's success has only been possible through the many kind donations that individuals and businesses have provided. We are very proud of our Scarborough community for their support and all of our employees who have embraced this unique idea and worked in a way that is truly non-traditional for our profession.

The success of Operation HOPE would not have been achieved without the dedication of the staff and volunteers at Project G.R.A.C.E. (Granting Resources and Assistance through Community Effort).

The preparation of this report could not have been accomplished without the efficient and dedicated services of the accounting and revenue divisions. Special thanks to Gina Clukey, Deputy Finance Director and Lisa Saulle, Deputy Tax Collector/Treasurer for their dedication and loyalty, and countless hours contributed in preparation of this report and to all the staff in the finance department for their valuable assistance. I would like to thank the Town Manager and the Town Council and Finance Committee 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. 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

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Maine**

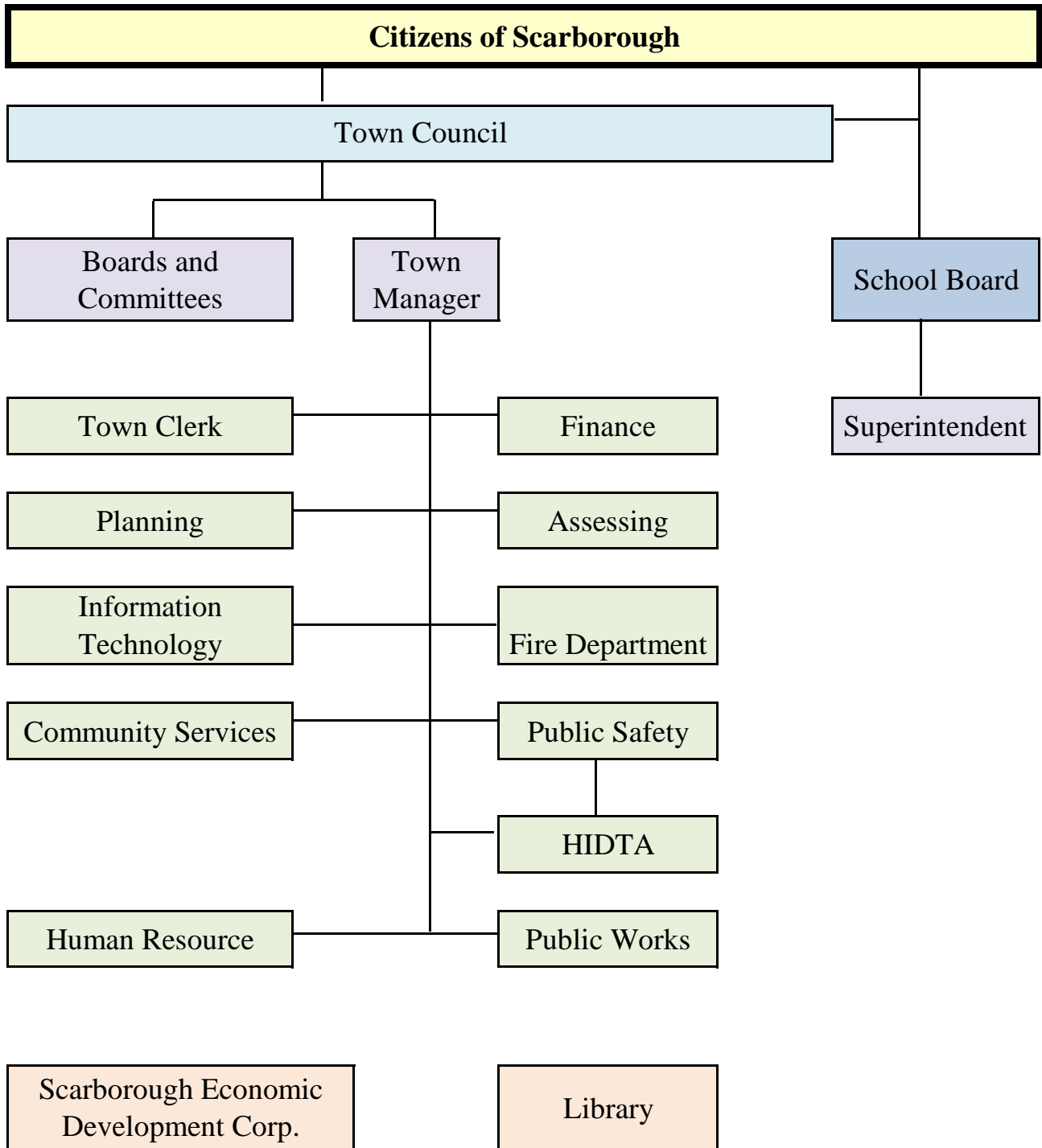
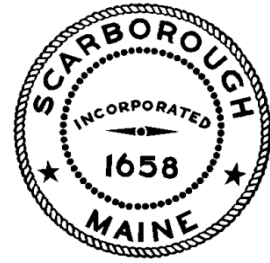
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Town of Scarborough, Maine

Organizational Chart



Principal Executive Officers 2015-2016

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	William Donovan, Council Chair	Elected - 3 Year Term	11/2016
	Shawn Babine	Elected - 3 Year Term	11/2017
	Christopher Caiazzo	Elected – 3 Year Term	11/2018
	Jean-Marie Caterina	Elected - 3 Year Term	11/2016
	Peter Hayes	Elected - 3 Year Term	11/2017
	William Rowan	Elected – 3 Year Term	11/2018
	Katherine St. Clair	Elected – 3 Year Term	11/2017

Municipal Employees:

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

School Board:

Members, Board of Education	Donna Beeley, Board Chair	Elected - 3 Year Term	11/2018
	Cari Lyford	Elected - 3 Year Term	11/2016
	Christine Massengill	Elected – 3 Year Term	11/2017
	Kate Mills	Elected – 3 Year Term	11/2018
	Kelly Noonan Murphy	Elected - 3 Year Term	11/2017
	Jacqueline Perry	Elected - 3 Year Term	11/2018
	Jodi Shea	Elected - 3 Year Term	11/2016
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	Peter Esposito	Appointed/Indefinite	N/A
Federal Project Administrators:	Monique Culbertson		
	Kate Bolton		

TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



Memorial Park

FINANCIAL SECTION

For Fiscal Year Ending
06/30/2016

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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, 2016, 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.



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, 2016 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.

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.

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.

To the Town Council
Town of Scarborough, Maine

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, 2015, 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, 2015 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, 2015 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, 2015 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 December 28, 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
December 28, 2016

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TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ending
06/30/2016

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TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2016

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, 2016. 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

The assets of the Town of Scarborough exceeded its liabilities at the close of this most recent fiscal year by \$62,397,727 (net position). Of this amount, (\$2,259,046) represents a deficit unrestricted net position, mostly as a result of the net pension liability, which increased by \$2,752,461 from the prior year.

- The Town's total net position increased \$2,608,984. This represents a 4.4% increase over last year's net position.
- As of June 30, 2016, the Town's governmental funds reported combined fund balances of \$22,138,941 an increase of \$1,597,534 compared with the prior year. Approximately 39.07% of this amount or \$8,650,665 is available for spending at the Town's discretion (*assigned and unassigned fund balance*).
- Total nonspendable fund balance increased by \$7,079 from \$215,872 to \$222,951. Restricted fund balance decreased by \$1,546,041 from \$9,556,817 to \$8,010,776. Total committed fund balance increased by \$296,523 from \$4,958,026 to \$5,254,549. Assigned fund balance decreased by \$162,665 from \$2,729,373 to \$2,566,708. Finally, the unassigned fund balance for the governmental funds increased by \$3,041,793 from \$3,042,164 to \$6,083,957.
- With respect to fund balances in the governmental funds, of the \$13,905,214 reported as committed (authorized by town council), assigned (authorized by town manager) and unassigned fund balance, \$3,200,819 are special revenue funds authorized for specific purposes and the remaining amount of \$10,704,395 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, 2016, unrestricted fund balance for the general fund was \$9,177,030 or 11.63% of the total general fund expenditures of \$78,883,606. 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". This is the first year since the recession that the Town has exceeded 10% and the excess is planned for capital purchases in the fiscal 2017 budget.
- General obligation bonds decreased by \$2,580,000 from the prior year. General obligation bonds retired was \$10,120,000. Included in general obligation bonds was \$3,800,000 in advance refundings. General obligation bonds issued was \$7,540,000.

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

The statement of net position presents information on all Town of Scarborough's assets, liabilities and deferred inflows/outflows of resources, with the difference between the three 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 government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Scarborough maintains 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 and the Haigis Parkway both of which are considered major funds. Data from the remaining 18 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.

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 final tax increment financing district payment was made in fiscal 2016.
- The General Town Improvements Account was established to account for grants, awards, and money appropriated by the Town Council or approved by voter referendum for major municipal capital projects.
- The General School Improvements Account was established to account for grants, awards and money appropriated by the Town Council or approved by voter referendum for major school capital projects.

The Municipal Building Fund, General Town Improvement and General School Improvement accounts are not major funds and are provided in the form of combining statements elsewhere in this report. The Wentworth School Construction Project was considered a major fund and is now complete. As of June 30, 2016, unspent bond proceeds from the Wentworth School Project will be used to offset debt for the Wentworth school.

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 \$62,397,727 as of June 30, 2016.

By far, the largest portion of the Town of Scarborough's Net Position (94.70%) 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>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current and other assets	\$ 29,609,861	\$ 28,224,238	\$ 31,424,076
Long term assets	1,228,365	1,457,623	1,590,789
Capital Assets	<u>147,643,039</u>	<u>148,281,938</u>	<u>143,599,908</u>
Total Assets	<u>178,481,265</u>	<u>177,963,799</u>	<u>176,614,773</u>
 Total deferred outflows of resources	 <u>6,290,616</u>	 <u>4,280,858</u>	 <u>2,418,684</u>
Total Deferred outflows	<u>6,290,616</u>	<u>4,280,858</u>	<u>2,418,684</u>
 Liabilities:			
Long term liabilities outstanding	111,374,028	111,086,443	107,797,074
Other liabilities	<u>8,304,738</u>	<u>8,661,369</u>	<u>9,392,207</u>
Total Liabilities	<u>119,678,766</u>	<u>119,747,812</u>	<u>117,189,281</u>
 Total deferred inflows of resources	 <u>2,695,388</u>	 <u>2,708,102</u>	 <u>-</u>
Total Deferred inflows	<u>2,695,388</u>	<u>2,708,102</u>	<u>-</u>
 Net assets:			
Net investment in capital assets	59,088,465	57,103,811	53,887,278
Restricted (restated)	5,568,308	4,048,177	4,049,315
Unrestricted (restated)	<u>(2,259,046)</u>	<u>(1,363,245)</u>	<u>(226,762)</u>
Total Net Position	<u>\$ 62,397,727</u>	<u>\$ 59,788,743</u>	<u>\$ 57,709,831</u>

\$5,568,308 (8.92%) 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 (\$2,259,046), as stated earlier, is the result of the new GASB pension standards.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

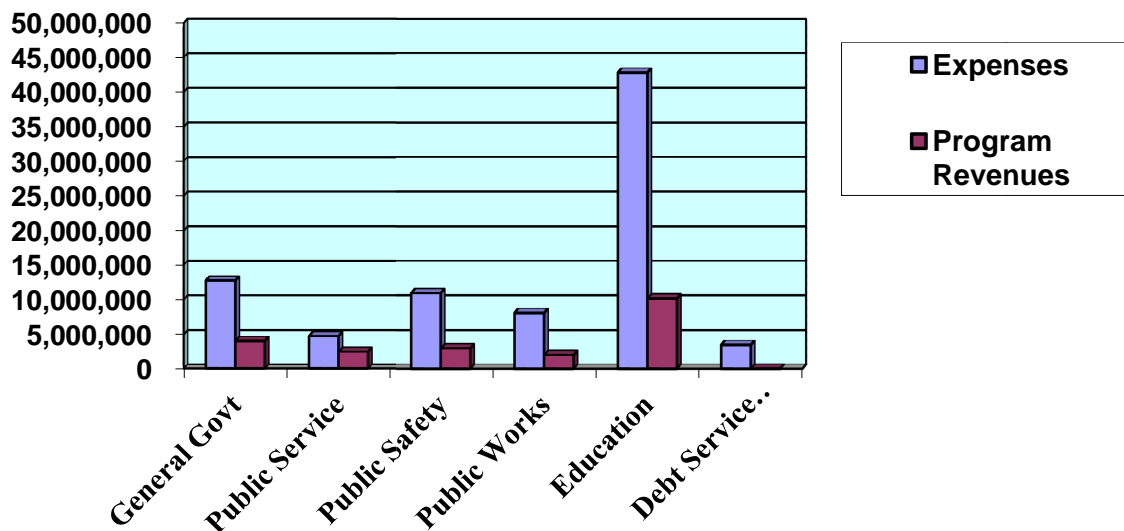
GOVERNMENTAL ACTIVITIES. The increase pertaining to the Town of Scarborough's net position of \$2,608,984 is due to the governmental activities of the Town. The Town of Scarborough's tax revenues increased by \$2,651,909. Actual vehicle excise tax collections increased by \$570,360 from the prior year. Increase in taxes is due in part to the favorable increase in the overall assessed valuation of the Town of \$45,058,400, up from \$3,700,489,700 to \$3,745,548,100. The increase in the town's property value allows the Town of Scarborough to receive more in property taxes without excessive increases in the tax rate.

Key components of this net position increase are shown below.

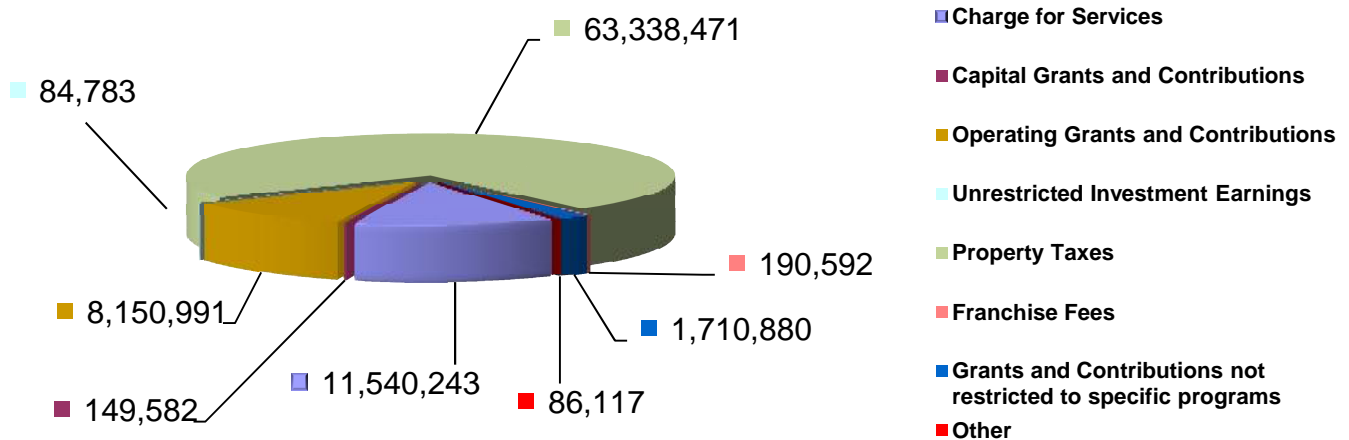
Town of Scarborough's Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 11,540,243	\$ 11,425,517
Operating grants and contributions	8,150,991	8,625,758
Capital grants and contributions	149,582	54,304
General Revenues:		
Property and excise taxes, levied for general purposes	63,338,471	60,686,562
Franchise Tax	190,592	191,317
Grants and contributions not restricted to specific programs	1,710,880	1,600,568
Unrestricted investment earnings	84,783	390,260
Other	86,117	307,468
Total revenues	85,251,659	83,281,754
Expenses:		
General government	12,728,572	14,077,217
Public Services	4,733,734	4,658,690
Public Safety	10,922,234	9,716,227
Public Works	8,048,143	7,713,975
Education	42,774,764	41,617,985
Interest on Debt Service	3,435,228	3,418,748
Total expenses	82,642,675	81,202,842
Increase in net position	2,608,984	2,078,912
Net position beginning (as restated)	59,788,743	57,709,831
Net position ending	\$ 62,397,727	\$ 59,788,743

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

At June 30, 2016, the Town of Scarborough's governmental funds reported combined fund balances of \$22,138,941. This is an increase of \$1,597,534 in comparison with the prior year. Approximately 27.48% of this amount or \$6,083,957 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 (\$222,951), 2) restricted for particular purposes (\$8,010,776), 3) committed for particular purposes (\$5,254,549) or 4) assigned for a particular purpose (\$2,566,708).

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 and development in the Haigis TIF district increases.

Governmental Fund Balance Comparison

	<u>2016</u>	<u>2015</u>
General Fund	\$ 14,174,977	\$ 11,702,578
Haigis Parkway	(1,514,495)	(1,289,688)
Other Governmental Funds	9,478,459	10,128,517
Total	\$ 22,138,941	\$ 20,541,407

As noted earlier, governmental funds reported combined fund balances of \$22,138,941, an increase of \$1,597,534 compared with the prior year fund balances of \$20,541,407, as restated. Of the \$13,905,214 reported as unrestricted fund balance (total of committed, assigned and unassigned), \$3,200,819 are for special revenue fund projects authorized for specific purposes; \$1,527,365 are for capital projects. \$9,177,030 is available for general fund committed and assigned purposes for which these funds are collected.

The remaining \$8,233,727 of fund balance is restricted to indicate that it is not available for new spending because it has already been allocated for the following:

\$ 2,742,860	Deficit Fund Balances in Special Revenue Funds
2,316,753	Town Capital Projects
356,810	Town Grants
244,706	Perpetual Care of Municipal Cemeteries
2,504,825	Education Funding
67,773	Food Service and Fuel Inventory
<u>\$ 8,233,727</u>	Total Governmental Fund Nonspendable and Restricted Fund Balance

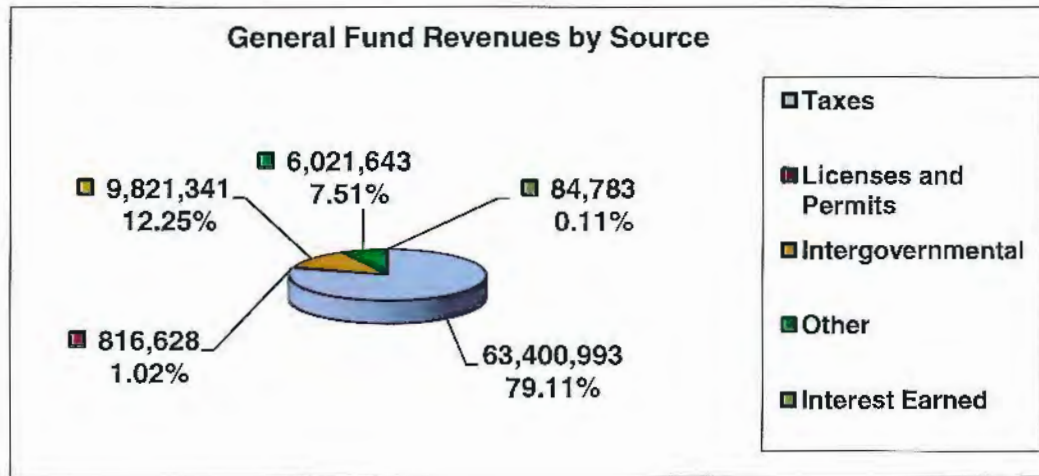
Capital Projects Fund Highlights

During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased \$997,877 from \$4,841,995 in 2015 to \$3,844,118 in 2016. Expenditures decreased \$5,504,728 from \$10,377,412 in 2015 to \$4,872,684 in 2016. These decreases in fund balance and expenditures are due to various projects nearing completion including the Pleasant Hill Road construction and the high school laptop program. Also in fiscal 2015, the Town of Scarborough purchased conservation land of both Comstock property (\$270,000) and Benjamin Farms (\$2,000,000).

General Fund Highlights

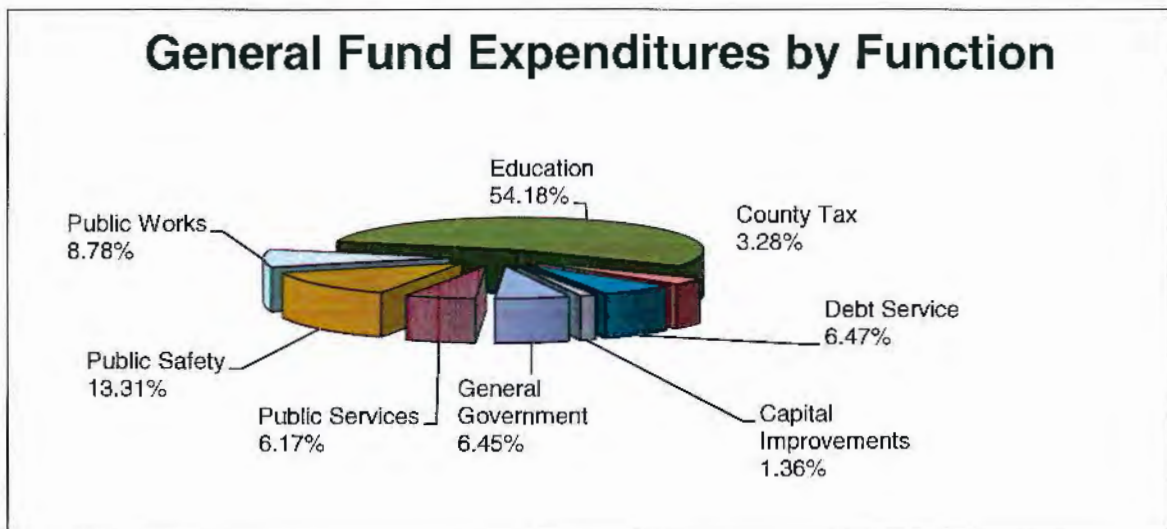
The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2016, total fund balance was \$14,174,977 reflecting an increase of \$2,472,399 compared to the prior year. Unassigned fund balance in the General Fund was \$6,107,559 compared to total fund balance of \$14,174,977. 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 7.74% of total general fund expenditures while total fund balance represents 17.97% of that same amount.

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



Property Tax revenues increased \$2,070,872 from 2015 to 2016 compared to the 2014 to 2015 increase of \$1,630,608. 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 exceeded estimates by \$936,149 while expenditures came in under budget by \$2,782,401.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

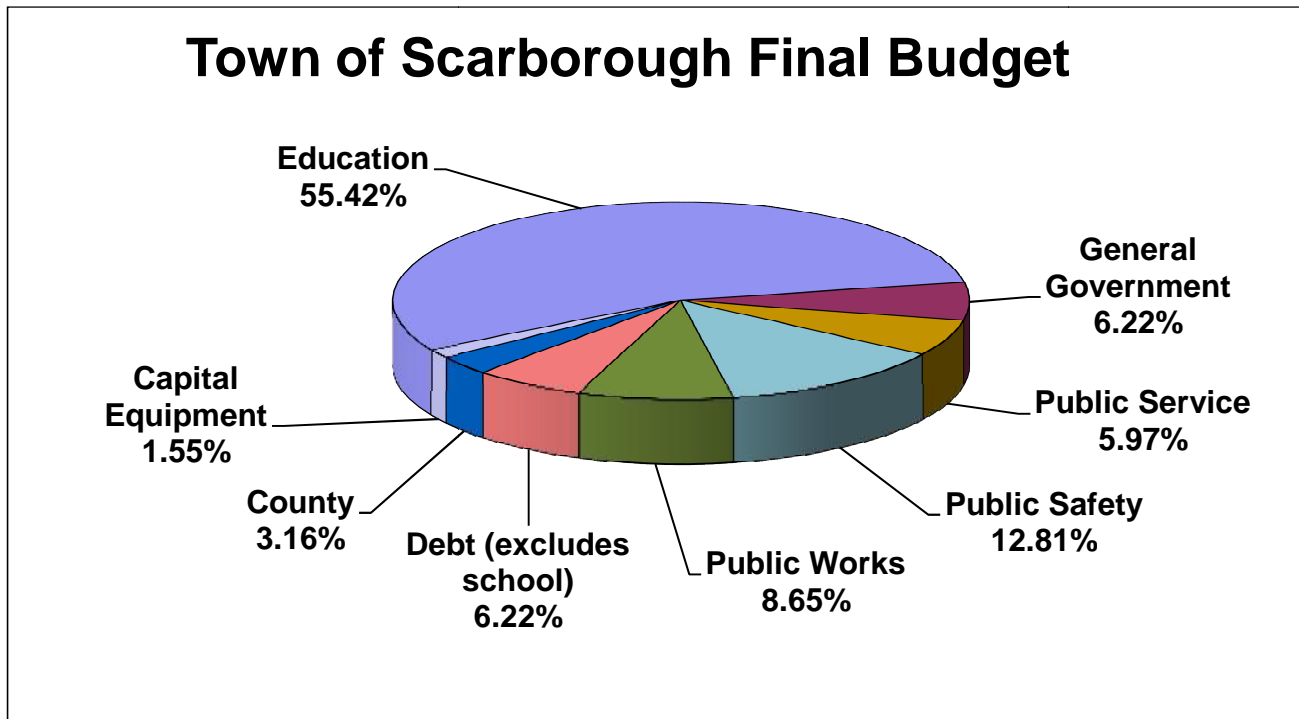
Total general fund expenditures increased \$960,137 or 1.28% compared to the prior year. The factors for this increase are:

- Public Safety increased 6.43% due to the increase in fire and police personnel and writing off rescue billing invoices deemed uncollectible,
- Education decreased .67% as a result using unspent bond funds to offset the Wentworth debt payments,
- County Tax increased 5.86% to help offset the costs of Cumberland County, and
- Town Debt (excludes school debt) increased 6.91% due to the new bond issue.

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 2016, a total of \$2,140,455 was set aside for prior year encumbrances and commitments. The Town Council amended the 2016 municipal budget by \$180,000 to help offset increases in the school's net budget due to loss of State educational funding. The final operating budget for fiscal year 2016 amounted to \$78,854,360 compared to \$76,600,395 for fiscal year 2015.

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



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2016, amounts to \$147,643,039 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, improvements, machinery, equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was -.43%.

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>2016</u>	<u>2015</u>
Land	\$ 7,159,182	\$ 7,159,182
Buildings	83,428,950	84,185,636
Vehicles	6,087,716	6,238,859
Equipment & Furniture	1,707,321	1,540,984
Infrastructure	46,838,938	45,915,861
Construction in Progress	2,420,932	3,241,416
Total	<u>\$ 147,643,039</u>	<u>\$ 148,281,938</u>

The Town's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34. Major capital asset events during the fiscal year ending June 30, 2016 related mostly to various road improvements and rehabilitation, major building improvements and the continued development of the Eastern Trail project.

Additional information on the Town of Scarborough's capital assets can be found in Notes to the Basic Financial Statements on page 57 of this report.

Long-term Debt. As of June 30, 2016, the Town had long-term bonds outstanding of \$95,920,000 compared to \$98,500,000 in the prior year resulting in a 2.62% decrease. This debt is backed by the full faith and credit of the Town of Scarborough.

During fiscal year ending June 30, 2016, the Town of Scarborough issued \$7,540,000 in bonds. This bond issue included advance refunding of \$3,785,000 for all or portions of the town's series 2006, 2007, 2008 and 2009 GO Bonds. The remaining \$3,755,000 was new money for various capital projects that includes equipment purchases and road rehabilitation and construction.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Additional information relating to the Town's long-term debt can be found in the Notes to Financial Statements on pages 59-62 of this report.

Outstanding Debt General Obligation Bonds			
	2016	2015	2014
Municipal	\$ 26,219,153	\$ 27,519,496	\$ 25,490,280
Education	61,763,700	63,043,357	64,467,573
Sewer	7,937,147	7,937,147	7,937,147
Total Debt	\$ 95,920,000	\$ 98,500,000	\$ 97,895,000

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 21, 2016, "The Aa3 rating reflects the town's moderately sized tax base with above average wealth levels, slightly improving financial position with satisfactory reserves, and manageable debt and pension liabilities." Additionally, Moody sights the Town's growing tax base with above average wealth levels 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 and ongoing general fund subsidy to cover TIF district debt.

Standard and Poor's Rating Services (S&P) has raised its rating from "AA" to "AA+". Additionally, S&P has assigned its "AA+" rating and stable outlook to the town's series 2016 GO bonds. S&P's upgrade reflects their opinion of the Town's:

- "Improved budgetary flexibility, with stable financial performances over the past few fiscal years, and improved debt and contingent liability profile.
- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under S&P's Financial Management Assessment methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2015;
- Strong budgetary flexibility, with an available fund balance in fiscal 2015 of 10% of operating expenditures;
- Very strong liquidity, with total government available cash at 16.8% of total governmental fund expenditures and 3x governmental debt service, and access to external liquidity considered strong;
- Strong debt and contingent liability position, with debt service carrying charges at 5.7% of expenditures and net direct debt that is 112.5% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value; 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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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 2017 were to have:

OUTCOMES:

- Pass budget on first School vote,
- Incremental improvement in service delivery,
- Responsible/realistic budgets,
- Sustainable tax rate increases,
- Have agreed-to metrics for budget performance,
- Favorable comparison with other communities as benchmarks,
- Ultimately, eliminate the need for the budget to go to a vote.

ACTIONS:

- Metrics to measure budget performance-Benchmarking and Best Practices,
- Budget presentation: Combine revenues and accurate projections of valuation, and
- Continue community budget forum with measurable response and feedback.

State educational revenues continue their downward spiral as the State continues to reduce its commitments to Maine communities to fund education. Maine municipalities only have taxing authority on property taxes. The State of Maine is the only governing body that can assess 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 Town of Scarborough implemented a new budget format for the f/y 2016 budget. This 2017 Town of Scarborough budget is the second year of the new budget format. We continue to provide organizational information on each department in an overview perspective. The 2017 proposed budget included funding for seven new municipal positions, all of which were funded as follows:

Assistant Town Manager;
Coastal Coordinator;
Two Firefighter/EMT positions;
Two Police Officers and
One new public work's mechanic position.

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

2017	\$3,776,362,500, an increase of \$30,814,400 over 2016,
2016	\$3,745,548,100, an increase of \$45,058,400 over 2015,
2015	\$3,700,489,700, an increase of \$40,184,000 over 2014
2014	\$3,660,305,700, an increase of \$28,630,400 over the 2013 value of \$3,631,675,300.

The 2017 property tax rate of \$15.92 is 2.78% higher than the 2016 tax rate of \$15.49.

The Town of Scarborough recognizes the importance of maintaining an appropriate level of fund balance. Below is a listing of the approved use of fund balance since 2014. While the School assigns a portion of their restricted fund balance for school needs, generally, the school has come in under budget and therefore the use of fund balance has not been needed.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Per the Town's Fund Balance policy, funds in excess of 10% may be used toward property tax stabilization or for capital needs. During the 2017 budget process, we estimated unrestricted fund balance (the total of committed, assigned and unassigned) would be 10.89% of the operating budget or \$8,613,552. Of the \$700,973 estimated fund balance in excess of the 10%, \$526,635 is for capital needs in fiscal 2017. The school also anticipates using \$426,253 for operational needs.

2017	\$ 952,888
2016	\$ 425,000
2015	\$ 800,000
2014	\$ 200,000

As stated earlier, the Town Council 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 2015, 2016 and 2017 budgets (excluding carryforwards).

	2017	2016	2015
Administration	\$ 1,925,694	\$ 1,808,421	\$ 1,724,875
Finance Department	1,027,043	992,910	1,028,033
Information Systems	1,188,613	1,163,646	1,120,568
Planning Department	977,521	918,035	917,045
Community Services	2,748,857	2,656,296	2,613,806
Library	1,099,898	1,022,538	953,583
Economic Development	224,694	215,180	205,257
General Assistance	29,656	29,156	27,883
Fire/Rescue/EMA Department	4,856,621	4,213,171	4,130,131
Public Safety Department	6,282,325	5,861,456	5,578,998
Public Works Department	6,755,141	6,718,059	6,359,496
Debt Service	4,840,496	4,906,499	4,641,657
Capital Equipment	1,148,470	892,030	1,879,364
Total Municipal Operating	33,105,029	31,397,397	31,180,696
Education	46,037,872	43,725,308	42,165,315
County Tax	2,568,852	2,493,342	2,355,415
Total Operating Budget	48,606,724	46,218,650	44,520,730
School Food Services	1,471,066	1,495,568	1,485,180
Capital Improvement-Municipal	2,113,632	2,657,750	2,240,460
Capital Improvement-School	1,380,830	1,297,451	1,786,153
TIFs and Overlay	1,081,403	1,448,286	1,233,880
Total Budget	\$ 87,758,684	\$ 84,515,102	\$ 82,447,099

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.us.

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TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



Salt Pump Climbing Co

BASIC FINANCIAL STATEMENTS

For Fiscal Year Ending
06/30/2016

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TOWN OF SCARBOROUGH, MAINE
Statement of Net Position
June 30, 2016

	Governmental Activities	Component Units Public Library	Economic Development
ASSETS			
Cash and cash equivalents	\$ 18,571,633	52,727	34,653
Investments	8,835,568	616,146	-
Receivables:			
Accounts, net	840,989	-	5,017
Intergovernmental	232,021	-	13,749
Taxes receivable	188,545	-	-
Tax liens	866,101	-	-
Tax acquired property	7,231	-	-
Inventory	67,773	1,459	-
Prepaid items	-	15,372	-
Notes receivable	1,228,365	-	-
Capital assets, not being depreciated	9,580,114	-	-
Capital assets, net	138,062,925	859,270	10,356
Total Assets	178,481,265	1,544,974	63,775
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,339,909	-	-
Deferred pension items	3,950,707	-	-
Total deferred outflows of resources	6,290,616	-	-
LIABILITIES			
Accounts payable and other current liabilities	2,920,363	10,058	4,646
Accrued payroll and other related liabilities	4,774,805	46,290	4,344
Unearned revenues	42,210	-	-
Accrued interest	567,360	-	-
Noncurrent liabilities:			
Due within one year	7,347,572	-	-
Due in more than one year	104,026,456	-	-
Total Liabilities	119,678,766	56,348	8,990
DEFERRED INFLOWS OF RESOURCES - PENSION			
	2,695,388	-	-
NET POSITION			
Net investment in capital assets	59,088,465	859,270	10,356
Restricted for:			
Nonexpendable trust principal	155,178	101,829	-
Expendable trust - income portion	89,528	-	-
Town grants and projects	2,673,563	-	-
Education	2,650,039	-	-
Unrestricted	(2,259,046)	527,527	44,429
Total Net Position	\$ 62,397,727	1,488,626	54,785

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2016

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	Component unit	Component unit
					Governmental activities	Public Library	Economic Development
Primary government:							
Governmental activities:							
General government	\$ 12,728,572	3,257,876	602,785	149,582	(8,718,329)	-	-
Public services	4,733,734	2,510,082	6,386	-	(2,217,266)	-	-
Public safety	10,922,234	2,780,266	159,132	-	(7,982,836)	-	-
Public works	8,048,143	1,635,542	325,668	-	(6,086,933)	-	-
Education	42,774,764	1,356,477	7,057,020	-	(34,361,267)	-	-
Interest on debt service	3,435,228	-	-	-	(3,435,228)	-	-
Total governmental activities	82,642,675	11,540,243	8,150,991	149,582	(62,801,859)	-	-
Total primary government	\$ 82,642,675	11,540,243	8,150,991	149,582	(62,801,859)	-	-
Component units:							
Scarborough Public Library	\$ 1,241,617	-	1,154,669	-	-	(86,948)	
Scarborough Economic Develop.	234,433	-	233,451	-	-		(982)
General revenues:							
Property taxes, levied for general purposes				\$ 57,527,364	-	-	
Excise taxes				5,626,533	-	-	
Payments in lieu of taxes				71,450	-	-	
Interest and costs on taxes				113,124	-	-	
Franchise Tax				190,592			
Grants and contributions not restricted to specific programs:							
Homestead exemption and business equipment exemption				688,235	-	-	
Other State aid				184,250	-	-	
State Revenue Sharing				838,395	-	-	
Unrestricted investment earnings				84,783	-	-	
Other				86,117	-	-	
Total general revenues				65,410,843	-	-	
Change in net position					2,608,984	(86,948)	(982)
Net position - beginning, as restated					59,788,743	1,575,574	55,767
Net position - ending					\$ 62,397,727	1,488,626	54,785

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE

Balance Sheet
Governmental Funds
June 30, 2016

	General	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,634,125	-	1,937,508	18,571,633
Investments	751,414	-	8,084,154	8,835,568
Receivables:				
Accounts, net	778,066	-	62,923	840,989
Intergovernmental	170,666	-	61,355	232,021
Taxes receivable	188,545	-	-	188,545
Tax liens	866,101	-	-	866,101
Interfund loans receivable	2,570,631	-	418,290	2,988,921
Tax acquired property	7,231	-	-	7,231
Inventory	31,301	-	36,472	67,773
Notes receivable	-	1,228,365	-	1,228,365
Total assets	\$ 21,998,080	1,228,365	10,600,702	33,827,147
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	2,044,181	-	567,290	2,611,471
Accrued payroll and other related liabilities	4,774,805	-	-	4,774,805
Accrued compensated absences	98,807	-	-	98,807
Interfund loans payable	-	2,742,860	246,061	2,988,921
Unearned revenues	42,210	-	-	42,210
Performance bond deposits	-	-	308,892	308,892
Total liabilities	6,960,003	2,742,860	1,122,243	10,825,106
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	863,100	-	-	863,100
Total deferred inflows of resources	863,100	-	-	863,100
Fund balances:				
Nonspendable Permanent Fund Principal			155,178	155,178
Nonspendable Inventory	31,301		36,472	67,773
Restricted for Town	2,742,860	-	2,763,091	5,505,951
Restricted for Education	2,223,786	-	281,039	2,504,825
Committed - General Fund	502,763	-	-	502,763
Committed - Education	-	-	105,116	105,116
Committed - Special Revenues	-	-	4,646,670	4,646,670
Assigned - General Fund	2,140,455	-	-	2,140,455
Assigned - Education	426,253	-	-	426,253
Unassigned Town	6,107,559	(1,514,495)	1,490,893	6,083,957
Total fund balances	14,174,977	(1,514,495)	9,478,459	22,138,941
Total liabilities, deferred inflows of resources and fund balances	\$ 21,998,080	1,228,365	10,600,702	

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.	147,643,039
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	863,100
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	(101,235,488)
Deferred charge on refunding	2,339,909
Capital leases	(199,715)
Accrued interest	(567,360)
Landfill liability	(409,134)
Other postemployment benefits liability	(1,755,415)
Net pension liability with related deferred inflows and outflows of resources	(4,185,696)
Accrued compensated absences	(2,234,454)

Net position of governmental activities **\$ 62,397,727**

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, 2016

	General	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 63,400,993	-	318,478	63,719,471
Licenses and permits	816,628	-	-	816,628
Intergovernmental	9,821,341	-	1,850,592	11,671,933
Interest earned	84,783	28,378	85,380	198,541
Donations	-	-	117,612	117,612
Sale of lots	-	-	7,960	7,960
Assessments and impact fees	-	-	2,449,017	2,449,017
Other	6,021,643	-	1,822,234	7,843,877
Total revenues	80,145,388	28,378	6,651,273	86,825,039
Expenditures:				
Current:				
General government	4,951,353	-	-	4,951,353
Public services	4,690,296	-	-	4,690,296
Public safety	10,125,943	-	-	10,125,943
Public works	6,677,609	-	-	6,677,609
Education	43,983,487	-	2,340,529	46,324,016
County tax	2,493,342	-	-	2,493,342
Debt service	4,923,898	-	-	4,923,898
Capital improvements	1,037,678	-	5,789,462	6,827,140
Other	-	-	2,054,019	2,054,019
Total expenditures	78,883,606	-	10,184,010	89,067,616
Excess (deficiency) of revenues over expenditures	1,261,782	28,378	(3,532,737)	(2,242,577)
Other financing sources (uses):				
Transfers in	876,717	116,815	416,089	1,409,621
Transfers out	(295,839)	(370,000)	(743,782)	(1,409,621)
Refunding bond issued	3,785,000	-	-	3,785,000
Premium received on refunded bonds, net of issuance costs	187,329	-	-	187,329
Premium received on issued bonds, net of issuance costs	33,183	-	51,928	85,111
Payment to refunding bond escrow agent	(3,972,329)	-	-	(3,972,329)
General obligation bonds	596,556	-	3,158,444	3,755,000
Total other financing sources (uses)	1,210,617	(253,185)	2,882,679	3,840,111
Net change in fund balances	2,472,399	(224,807)	(650,058)	1,597,534
Fund balances, beginning of year, as restated	11,702,578	(1,289,688)	10,128,517	20,541,407
Fund balances (deficit), end of year	\$ 14,174,977	(1,514,495)	9,478,459	22,138,941

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, 2016

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)	\$	1,597,534
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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	\$3,625,880	(638,898)
Depreciation expense	(4,043,017)	
Net book value of dispositions	(221,761)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	56,621
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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	25,928
Landfill	4,050
Compensated absences	(202,054)
Other postemployment benefits liability	(198,489)
Net pension liability with deferred outflows and inflows of resources	(776,774)

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.	195,863
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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	\$ (7,540,000)	
General obligation bond payments	10,120,000	
Bond premiums	(322,162)	
Amortization of bond premiums	240,580	
Deferred charge on refunding	172,329	
Amortization of deferred charge	(125,544)	2,545,203

Change in net position of governmental activities (see Statement 2)	\$	2,608,984
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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, 2016

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 62,952,441	62,772,441	63,400,993	628,552
Licenses and permits	678,105	678,105	816,628	138,523
Intergovernmental	7,029,631	7,029,631	7,056,341	26,710
Interest earned	15,000	15,000	84,783	69,783
Unclassified	5,949,062	5,949,062	6,021,643	72,581
Total revenues	76,624,239	76,444,239	77,380,388	936,149
Expenditures:				
Current:				
General government	4,949,516	4,901,532	4,904,706	(3,174)
Public services	4,735,276	4,705,673	4,690,296	15,377
Public safety	10,196,579	10,105,027	10,125,943	(20,916)
Public works	6,829,895	6,819,034	6,677,609	141,425
Education	43,700,308	43,700,308	41,218,487	2,481,821
County tax	2,493,342	2,493,342	2,493,342	-
Debt service	4,906,499	4,906,499	4,923,898	(17,399)
Capital improvements	1,222,945	1,222,945	1,037,678	185,267
Total expenditures	79,034,360	78,854,360	76,071,959	2,782,401
Excess (deficiency) of revenues over expenditures	(2,410,121)	(2,410,121)	1,308,429	3,718,550
Other financing sources (uses):				
Transfers in	981,264	981,264	876,717	(104,547)
Transfers out	(248,696)	(248,696)	(295,839)	(47,143)
Utilization of surplus	1,480,627	1,480,627	-	(1,480,627)
General obligation bonds	693,000	693,000	596,556	(96,444)
Refunding bond issued	-	-	3,785,000	3,785,000
Premium received on refunded bonds	-	-	187,329	187,329
Premium received on issued bonds	-	-	33,183	33,183
Payment to refunding bond escrow agent	-	-	(3,972,329)	(3,972,329)
Overlay	(496,074)	(496,074)	-	496,074
Total other financing sources (uses)	2,410,121	2,410,121	1,210,617	(1,199,504)
Net change in fund balances - budgetary basis			2,519,046	2,519,046
Reconciliation to GAAP basis:				
Change in current portion of accrued compensated absences			(46,647)	
Net change in fund balances - GAAP basis			2,472,399	
Fund balance, beginning of year			11,702,578	
Fund balance, end of year	\$		14,174,977	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	288,206
Investments	230,139	-
Accounts receivable	-	-
Interfund loans receivable	-	-
Total assets	230,139	288,206
LIABILITIES		
Interfund loans payable	-	-
Accounts payable	-	-
Due to student groups	-	288,206
Total liabilities	-	288,206
NET POSITION		
Held in trust	\$ 230,139	-

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, 2016

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ -
Interest and dividends	3,627
Total additions	3,627
Deductions:	
School scholarships	4,250
Total deductions	4,250
Change in net position	(623)
Net position, beginning of year	230,762
Net position, end of year	\$ 230,139

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Scarborough Economic Development Corporation (SEDCO) encourages and assists with the development of business in the Town of Scarborough. 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 \$214,491, or 92% of total revenues, to SEDCO for the year ended June 30, 2016.

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 \$1,022,538, or 89% of total revenues, to the Library for the year ended June 30, 2016.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Both SEDCO and the Library had positive responses to the reporting entity inclusion criteria set forth by accounting principles, generally accepted in the United States of America. Financial statements for both entities 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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.

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Equity

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

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Town uses various methods, including market, income and cost approaches. Based on these approaches, the Town often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Town is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Town performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Accounts Receivable and Notes Receivable – Management has reviewed accounts receivable and notes receivable for collectability 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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 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.

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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.
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 2017 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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 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.

E. Recently Adopted Accounting Pronouncements

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses the measurement of investments at fair value using consistent definition and valuation techniques and expands fair value disclosures in the financial statements and was adopted by the Town as of June 30, 2016. The adoption of this statement is disclosed on page 55.

F. Recent Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*. This statement improves accounting and financial reporting for OPEB. This statement replaces GASB Statement No. 45 and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The new statement is effective for periods beginning after June 15, 2017.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosure*. This pronouncement established reporting standards for disclosure of information about the nature and magnitude of tax abatements. The new statement is effective for periods beginning after December 15, 2016.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

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>
2015-2016 budget as adopted	\$79,101,720	\$79,101,720
Budgetary adjustments:		
Subsequent authorization	(180,000)	(180,000)
Prior year encumbrances and carryforwards	677,410	677,410
Total adjusted budget	\$ 79,599,130	\$ 79,599,130

During the year ended June 30, 2016, the School Department utilized \$1,378,114 of available funds from the Wentworth School construction capital project fund to pay for debt service. This results in an increase in the fund balance of the general fund. The resulting surplus fund balance in the general fund is expected to be utilized in future year's budgets.

B. Deficit Fund Balance

At June 30, 2016, the following special revenue and capital projects funds had deficit fund balances:

The Haigis Parkway Assessments Fund had a deficit of \$1,514,495. 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, 2016, the Town reported deposits of \$18,859,839 with a bank balance of \$19,594,303. Of the Town's bank balances of \$19,594,303, \$4,757,442 was exposed to custodial credit risk because it was not covered by the F.D.I.C. or was not 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	\$18,571,633
Reported in fiduciary funds	288,206
Total deposits	\$18,859,839

At June 30, 2016, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$52,727 and \$34,653 respectively, all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2016, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Money markets and repurchase agreements	\$9,065,707	\$9,065,707	-	-
Total investments	\$9,065,707	\$9,065,707	--	-

Investments have been reported as follows:

Reported in governmental funds	\$8,835,568
Reported in fiduciary funds	230,139
Total investments	\$9,065,707

For fair value measurement purposes all investments are categorized as Level 1, there are no investments categorized as Level 2 or Level 3.

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

PROPERTY TAX

Property taxes for the current year were committed on August 21, 2015, 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, 2015 and 50% on March 15, 2016. 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, 2016 and the Town's value was 100% of the 2016 State valuation of \$3,791,950,000.

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 \$496,069 for the year ended June 30, 2016.

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, 2016 levy:

Assessed value	\$ 3,745,548,100
Tax rate (per \$1,000)	15.49
Commitment	58,018,545
Supplemental taxes assessed	37,345
	58,055,890
Less - collections and abatements	57,369,124
Receivable at June 30	686,766
Consisting of:	
Taxes	\$ 66,261
Liens	620,505
Receivable at June 30	\$ 686,766
Collection rate	98.82%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,159,182	\$ -	\$ -	\$ 7,159,182
Deposit Equipment	513,797	-	513,797	-
Construction in progress	3,241,416	1,136,760	1,957,244	2,420,932
Total capital assets, not being depreciated	10,914,395	1,136,760	2,471,041	9,580,114
Capital assets, being depreciated:				
Buildings	102,100,462	992,836	-	103,093,298
Vehicles	14,051,562	1,606,387	1,405,198	14,252,751
Equipment and furniture	6,152,949	512,078	85,265	6,579,762
Infrastructure	57,453,032	1,848,862	9,143	59,292,751
Total capital assets being depreciated	179,758,005	4,960,163	1,499,606	183,218,562
Less accumulated depreciation for:				
Buildings	17,914,826	1,749,520	-	19,664,346
Vehicles	8,326,500	1,036,042	1,197,507	8,165,035
Equipment and furniture	4,611,965	339,043	78,567	4,872,441
Infrastructure	11,537,171	918,412	1,771	12,453,812
Total accumulated depreciation	42,390,462	4,043,017	1,277,845	45,155,634
Total capital assets being depreciated, net	137,367,543	917,146	221,764	138,062,925
Governmental activities capital assets, net	\$148,281,938	\$2,053,906	\$2,692,805	\$147,643,039

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

Governmental activities:	
General government	\$ 333,917
Public services	43,438
Public safety	580,340
Public works, including depreciation of general infrastructure assets	1,309,069
Education	1,776,253
Total depreciation expense – governmental activities	\$ 4,043,017

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

	Library	SEDCO
Buildings	\$1,670,741	-
Furniture and fixtures	729,347	\$42,184
Books	890,444	-
Total	3,290,532	42,184
Less accumulated depreciation	(2,431,262)	(31,828)
Property and equipment, net	\$ 859,270	\$10,356
Depreciation expense	\$ 143,458	\$ 3,035

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES

Interfund balances result from the sharing of pooled cash and investments. Individual interfund loans receivables and loans payables at June 30, 2016, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$2,570,631	-
Haigis Parkway	-	\$2,742,860
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Recreational development	51,810	
Impact Fees	8,772	179,079
Police asset forfeiture	-	29,997
Payne Road impact fees	2,813	-
Rescue equipment	164,757	-
Departmental grants and programs		36,734
Total Nonmajor Special Revenue Funds	228,152	245,810
Nonmajor Capital Project Funds:		
FEMA Flood Maps	2,599	
Oak Hill Intersection Improvements	179,079	
Pine Point Easter Trail	500	-
Total Nonmajor Capital Project Funds	182,178	-
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	7,960	-
Dunstan Perpetual Care	-	251
Total Permanent Funds	7,960	251
Total Other Governmental Funds	418,290	246,061
Private-purpose Trust Funds	-	-
Total all funds	\$2,988,921	\$2,988,921

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. At June 30, 2016, the balances represent how much was due to or from the General Fund.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$876,717	\$ 295,839
Haigis Parkway Assessments	116,815	370,000
Nonmajor Governmental Funds	416,089	743,782
Total	<u>\$1,409,621</u>	<u>\$1,409,621</u>

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.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$98,500,000	\$7,540,000	\$10,120,000	\$95,920,000	\$7,045,000
Premium	5,233,907	322,162	240,580	5,315,488	
Capital leases	395,578	-	195,863	199,715	199,715
Compensated absences	2,298,295	300,861	265,895	2,333,261	98,807
Other postemployment					
Benefits liability	1,556,926	198,489	-	1,755,415	
Net pension liability	2,688,554	2,752,461	-	5,441,015	
Landfill post-closure care costs	413,184	-	4,050	409,134	4,050
Governmental activity					
Long-term liabilities	<u>\$111,086,444</u>	<u>\$11,113,973</u>	<u>\$10,826,388</u>	<u>\$111,374,028</u>	<u>\$7,347,572</u>

As of June 30, 2016, the Town had authorized, but unissued debt totaling \$1,798,851. 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, 2016 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
		<u>Town</u>	<u>School</u>	<u>Sewer</u>			
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	\$ 110,000
2006 Capital improvements	7,014,000	100.00%	-	-	Varies	2036	185,000
2007 Capital improvements	4,000,000	91.11%	8.89%	-	Varies	2022	225,000
2008 Capital improvements	8,513,000	73.99%	26.01%	-	Varies	2028	1,145,000
2009 Capital improvements	4,560,000	96.77%	3.23%	-	Varies	2029	930,000
2009 Capital improvements	1,780,000	79.10%	20.90%	-	2.00%	2020	670,000
2010 Capital improvements	6,002,000	87.42%	12.58%	-	2.00%	2031	3,625,000
2011 Capital improvements	5,600,000	90.55%	9.45%	-	Varies	2031	2,910,000
2012 Capital improvements	46,545,000	4.85%	76.84%	18.32%	Varies	2042	43,315,000
2013 Capital improvements	25,685,000	8.10%	91.91%	-	Varies	2043	24,425,000
2014 Capital improvements	6,505,000	50.00%	50.00%	-	Varies	2034	5,255,000
2015 Capital improvements	6,085,000	87.60%	12.40%	-	Varies	2035	5,585,000
2016 Capital improvements	7,540,000	80.19%	19.81%	-	Varies	2036	7,540,000
Total							\$95,920,000

The annual requirements to amortize all debt outstanding as of June 30, 2016 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,045,000	\$ 3,348,228	\$ 10,393,228
2018	7,170,000	3,131,769	10,301,769
2019	6,950,000	2,907,138	9,857,138
2020	6,335,000	2,684,256	9,019,256
2021	6,380,000	2,444,831	8,824,831
2022-2026	23,920,000	9,418,031	33,338,031
2027-2031	17,980,000	5,641,353	23,621,353
2032-2036	12,075,000	2,669,956	14,744,956
2037-2041	6,250,000	962,469	7,212,469
2042-2043	1,815,000	56,075	1,871,075
Totals	\$ 95,920,000	\$33,264,106	\$129,184,106

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, 2016 outstanding bonds	Percent of 2016 State assessed value of \$ 3,791,950,000	<u>Amount</u>	<u>Margin</u>
For school purposes	\$ 61,763,700	10.00%	\$379,195,000	\$317,431,300
For storm or sanitary sewer	7,937,147	7.50%	284,396,250	276,459,103
For municipal airport, water and special district purposes	-	3.00%	113,758,500	113,758,500
For all other purposes	26,219,153	7.50%	284,396,250	258,177,097
Total	\$ 95,920,000			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$568,792,500. The total debt margin based on this limit is \$472,872,500.

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building improvements and computer hardware and software. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception.

The following is a schedule of future minimum lease payments under capital leases and the present value of the minimum lease payments at June 30, 2016:

2017	\$ 206,028
2018-thereafter	-
Total minimum lease payments	206,028
Less: amount representing interest	6,313
Present value of future minimum lease payments	\$ 199,715

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, 2016, the Town's State valuation of \$3,791,950,000 was 9.29% of the County's State valuation of \$40,806,800,000. The Town's share is 9.29% or \$3,320,655 of Cumberland County's \$35,735,000 long-term debt outstanding as of June 30, 2016.

The Town is also served by the Portland Water District. At June 30, 2016, the Town's share of self-supporting bonded water debt is 14.04% or \$6,653,737 of total debt of \$47,391,288.

Contingencies

ecomaine, formerly Regional Waste Systems, a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town of Scarborough, operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$16,746,994 at June 30, 2016, the most recent data available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.98%, or \$1,504,077.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2016			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 95,920,000	-	-	\$ 95,920,000
Cumberland County	-	\$ 3,320,655	-	3,320,655
Portland Water District - water debt	-	6,653,737	-	6,653,737
ecomaine landfill closure/postclosure costs	-	-	\$1,504,077	1,504,077
Totals	\$ 95,920,000	\$9,974,392	\$1,504,077	\$107,398,469

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, 2016, 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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

LANDFILL CLOSURE AND POSTCLOSURE COSTS

Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill under a waiver granted by the State. The landfill is permitted to operate in its existing capacity until 2027. As of June 30, 2016, approximately 20% of the landfill's total capacity has been used. The estimated total current cost of landfill closure, \$409,134, 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, 2016. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

The total closure and postclosure care costs of \$409,134 have been accrued in the statement of activities for the year ended June 30, 2016. Presently, the State of Maine is providing partial funding for certain closure costs; however, future funding is based on availability of funds. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

FUND BALANCE CHANGES

For the period ending June 30, 2016, 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, 2015</u>	<u>June 30, 2016</u>
Unemployment Compensation	\$ 155,190	\$ 162,907
Hurd Park and Ferry Beach	347,881	321,144
Hunnewell House	<u>15,972</u>	<u>18,712</u>
Total reclassification	<u>\$ 519,043</u>	<u>\$ 502,763</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

FUND BALANCE CHANGES, CONTINUED

The following is a schedule of fund balance classifications for the governmental funds as June 30, 2016:

	General Fund	Haigis Parkway Assess	Nonmajor Governmental
Fund Balances:			
Nonspendable-Permanent Funds	\$ -	\$ -	\$ 155,178
Nonspendable-Inventory	31,301	-	36,472
	<u>31,301</u>	<u>-</u>	<u>191,650</u>
Restricted			
Permanent Fund Interest		-	89,528
Deficits in Other Funds (Haigis Parkway)	2,742,860	-	
Credit Enhancement Agreements	-	-	42,994
Grants and Donations	-	-	139,868
Fire Department Equipment	-	-	34,957
Police Asset Forfeiture	-	-	138,991
Town Improvements	-	-	2,316,753
Education	2,223,786	-	281,039
	<u>4,966,646</u>	<u>-</u>	<u>3,044,130</u>
Committed			
Unemp. Comp/Beach Reserve/Hunnewell	502,763	-	
Impact Fees/Reserves	-	-	4,646,670
Education	-	-	105,116
	<u>502,763</u>	<u>-</u>	<u>4,751,786</u>
Assigned			
Carryforward Balances/Encumbrances	2,140,455	-	
Education	426,253	-	
	<u>2,566,708</u>	<u>-</u>	<u>-</u>
Unassigned			
Total Fund Balances	<u>6,107,559</u>	<u>(1,514,495)</u>	<u>1,490,893</u>
	<u>\$14,174,977</u>	<u>\$(1,514,495)</u>	<u>\$9,478,459</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES

At June 30, 2016, portions of the General Fund balance were assigned to future periods as follows:

	<u>2016</u>
General Fund:	
State Revenue Sharing	\$ (28,318)
Voter Registration	1,500
Finance –Training	4,588
Finance – Revenue Postage	612
Information Systems – Employee Training	7,309
Information Systems – Software Maintenance	19,609
Planning Initiatives (former Comprehensive Plan)	1,161
CS Municipal Building – Building Repairs & Maint.	32,919
CS Municipal Building – Tri-Gen Maintenance	973
CS Municipal Building – Equipment Maintenance	5,298
CS Municipal Building – Operational Supplies	4,279
CS Municipal Building – Rebate Revenues	4,920
Cable Franchise Fees	15,327
Child Care	11,129
Summer Recreation	22,169
SEDCO Marketing	2,000
Fire Department – Training	3,000
Police Department – New Vehicles	56,726
Marine Resource Office – Inventory Management	9,582
Town-Wide Computer Purchases	3,861
Fire Department – Municipal Holding Tank	22,364
Fire Department – New Fire Pumper Truck	20,899
Police Department – OOB Equipment Setup	21,095
Police Department – SWAT Equip Replacement	35,482
Encumbered purchase orders	179,704
Fund Balance Appropriated for 2017 Town Budget for Capital	328,380
Fund Balance Appropriated for the 2017 Education Budget	426,253
Reserve for Accrued Sick Pay	1,353,887
Total General Fund assigned fund balance	<u>\$ 2,566,708</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN

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 240 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 291 participating employers.

Employee membership data related to the Plans, as of June 30, 2015 was as follows:

	Teachers	PLD
Current participants: Vested and non-vested	40,016	10,870
Terminated participants: Vested	7,511	2,112
Terminated participants: Inactive due refunds	36,810	6,341
Retirees and beneficiaries receiving benefits	33,260	8,581
	<u>17,597</u>	<u>27,904</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, 2016, the Town's total payroll for all employees was \$39,312,205. Total covered payroll was \$22,450,059 for the Teacher Plan and \$6,444,728 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

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

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 13.1% 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, 2016, was 3.36% percent of annual teacher payroll, plus 13.1% 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, 2016 were \$649,178.

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 7.5% 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, 2016, was 7.5% percent of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2016 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, 2016 were \$694,798.

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	\$ 565,672
State's proportionate share of the net pension liability associated with the Town of Scarborough School Department	24,964,846
Total	<u>\$ 25,530,518</u>

The net pension liability was measured as of June 30, 2015, 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, 2015, the School Department's proportion was 0.042 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2014.

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, 2016, the School Department recognized pension expense of \$773,144 and revenue of \$2,861,000 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		\$ 3,927
Changes of assumptions	\$ 15,587	
Net difference between projected and actual earnings on Plan investments	119,696	145,275
Changes in proportion and differences between contributions and proportionate share of contributions	246,128	46,985
Contributions subsequent to the measurement date	649,178	
Total	<u>\$ 1,030,589</u>	<u>\$ 196,187</u>

The \$649,178 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, 2016. 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,	
2017	\$ 160,720
2018	13,080
2019	(18,504)
2020	29,928
Total	<u>\$185,224</u>

PLD Plan

At June 30, 2016, the Town and the Town School Department reported a liability of \$4,875,343 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Town and the Town School Department's proportion was 1.53%, which was an increase of 0.03% from its proportion measured as of June 30, 2014.

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, 2016, the Town and the Town School Department recognized pension expense of \$1,349,946. At June 30, 2016, 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	\$ 196,848	\$ 626,156
Changes of assumptions	430,850	
Net difference between projected and actual earnings on Plan investments	1,504,710	1,873,045
Changes in proportion and differences between contributions and proportionate share of contributions	92,912	
Contributions subsequent to the measurement date	694,798	
Total	<u>\$ 2,920,118</u>	<u>\$ 2,499,201</u>

The \$694,798 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, 2016. 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,	
2017	\$ (178,366)
2018	(178,366)
2019	(293,328)
2020	376,179
Total	<u>\$(273,881)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 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

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

The actuarial assumptions used in the June 30, 2015 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	<u>100%</u>	

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:

	Discount rate	Town School Department's proportionate share of net pension liability
1% decrease	6.125%	\$ 990,359
Current discount rate	7.125%	\$ 565,672
1% increase	8.125%	\$ 211,958

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:

	Discount rate	Town and School Department's proportionate share of net pension liability
1% decrease	6.25%	\$ 9,713,128
Current discount rate	7.25%	\$ 4,875,343
1% increase	8.25%	\$ 288,824

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

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

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 10.02% of the qualified teachers' salaries, plus an additional 2.56% for health insurance. For the year ended June 30, 2016, the total amount of on-behalf payments was approximately \$2,765,000 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 \$1,135,000.

DEFINED CONTRIBUTION PENSION PLAN

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

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All full time municipal employees of the Town have the option of participating in either the ICMA Money Purchase Plan or the Maine Public Employees Retirement System. Contributions made by the employer, into the ICMA Money Purchase Plan, 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 \$317,328 which was 6% of the participating employees and 17% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,027,731, while the Town's total payroll was \$12,567,049.

Employee's required contributions amounted to \$293,121, 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

DEFINED CONTRIBUTION PENSION PLAN, CONTINUED

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 \$414,177 and the Town contributions amounted to \$265,397. The Town contributes a match up to 4%. The covered payroll amounted to \$6,466,403.

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.

OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust, which is an agent multiple-employer plan. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in January 1, 2014 for fiscal year ending June 30, 2015.

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
Interest	5,308
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
Actual contribution	<u>(50,724)</u>
Increase in Net OPEB Obligation	198,489
Net OPEB obligation – beginning of year	1,556,926
Net OPEB Obligation – end of year	<u>\$1,755,415</u>

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>
2016	\$ 249,213	20%	\$ 1,755,415
2015	249,213	18%	1,556,926
2014	252,818	20%	1,353,397

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial accrued liability	\$2,728,097
Plan Assets	<u>0</u>
Unfunded actuarial accrued liability	\$2,728,097
Covered payroll	\$10,324,055
Unfunded actuarial accrued liability as a percentage of covered payroll	26%

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 in this TIF district to 2016. As of January 26, 2016, the Scarborough Town Center Development District was closed and the Town is no longer sheltering captured assessed value for this district.

Additionally, under the terms of applicable State laws, the town established four, Credit Enhancement Agreements (CEA). A CEA permits 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, 2016	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

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, for which the Town either carries commercial insurance, participates in a public entity pool, or is effectively self-insured. Currently, the municipal departments participate in several public entity and self-insured pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claims liabilities which should be recorded at June 30, 2016. 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.

NET POSITION

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	\$ 192,798,675
Accumulated depreciation	(45,155,636)
Bonds payable	(87,982,853)
Premium liabilities net of amortization	(5,315,488)
Deferred charge on refunding	2,339,909
Capital leases payable	(199,715)
<u>Unspent bond proceeds</u>	<u>2,603,573</u>
 <u>Net investment in capital assets</u>	 <u>\$59,088,465</u>

The Town's Bonds payable is \$95,920,000 as stated in the footnote on page 60. 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.

PRIOR PERIOD ADJUSTMENT TO NET POSITION AND FUND BALANCE

Beginning net position of governmental activities and beginning fund balance of School Categorical Programs has been restated by increasing net position/fund balance for \$39,155 related to the School Laptop Fund that was reclassified from previously being reported as an Agency Fund in the Student Activities fund.

COMMITMENTS

Construction in progress of \$2,420,932 as of June 30, 2016 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, 2017. The additional estimated costs to complete these projects are approximately \$1,800,000.

TOWN OF SCARBOROUGH, MAINE
Schedule of Funding Progress
Required Supplementary Information
June 30, 2016
(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]
2016	01-01-2014	\$ -	\$2,728,097	\$2,728,097	0%	\$10,324,055	26%
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%

*Additional years will be displayed to meet the ten year disclosure requirement when the information becomes available.

TOWN OF SCARBOROUGH, MAINE
Schedule of Proportionate Share of the Net Pension Liability
Required Supplementary Information
June 30, 2016
(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
2016	06-30-2015	0.042%	\$565,672	\$24,964,846	\$25,530,518	\$22,450,059	2.52%	81.18%
2015	06-30-2014	0.035%	\$378,299	\$19,539,727	\$19,918,026	\$21,706,258	1.74%	84.04%

*Additional years will be displayed to meet the ten year disclosure requirement when the information becomes available.

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
2016	06-30-2015	1.53%	\$4,875,343	\$6,444,728	75.65	88.27%
2015	06-30-2014	1.50%	\$2,310,255	\$6,287,712	36.74	94.10%

*Additional years will be displayed to meet the ten year disclosure requirement when the information becomes available.

TOWN OF SCARBOROUGH, MAINE
Schedule of Contributions
Required Supplementary Information
June 30, 2016
(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
2016	06-30-2016	\$649,178	\$649,178	\$0	\$22,450,059	2.89%
2015	06-30-2015	\$626,859	\$626,859	\$0	\$21,706,258	2.88%

*Additional years will be displayed to meet the ten year disclosure requirement when the information becomes available.

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
2016	06-30-2016	\$694,798	\$694,798	\$0	\$6,444,728	10.78%
2015	06-30-2015	\$624,901	\$624,901	\$0	\$6,287,712	9.94%

*Additional years will be displayed to meet the ten year disclosure requirement when the information becomes available.

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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, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 16,634,125	12,015,992
Investments	751,414	1,962,632
Receivables:		
Taxes receivable	188,545	148,389
Tax liens	866,101	808,236
Accounts receivable , net	778,066	1,249,773
Intergovernmental	170,666	48,527
Inventory	31,301	42,532
Interfund loans receivable	2,570,631	3,077,866
Tax acquired property	7,231	7,231
Total assets	\$ 21,998,080	19,361,178
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other current liabilities	2,044,181	2,037,776
Accrued payroll and other related liabilities	4,774,805	4,499,022
Accrued compensated absence (current)	98,807	265,895
Unearned revenues	42,210	49,428
Total liabilities	6,960,003	6,852,121
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	863,100	806,479
Total deferred inflows of resources	\$ 863,100	806,479
Fund balance:		
Nonspendable inventory	31,301	42,532
Restricted - Town	2,742,860	2,898,090
Restricted - Education	2,223,786	540,251
Committed - Town	502,763	519,043
Assigned - Town	2,140,455	2,304,373
Assigned - School	426,253	425,000
Unassigned - Town	6,107,559	4,973,289
Total fund balance	14,174,977	11,702,578
Total liabilities, deferred inflows of resources and fund balance	\$ 21,998,080	19,361,178

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, 2016
(with comparative totals for June 30, 2015)

			2016		Variance positive (negative)	2015 Actual
			Budget	Total Available		
2015	carryforward					
Revenues:						
Taxes:						
Property taxes	\$ -	57,559,888	57,559,888	57,527,365	(32,523)	55,456,493
Change in deferred property tax revenue	-	-	-	(56,621)	(56,621)	165,443
Excise taxes	-	4,927,000	4,927,000	5,626,533	699,533	5,053,559
Cable franchise tax	-	191,317	191,317	190,592	(725)	191,317
Interest and costs on taxes	-	94,236	94,236	113,124	18,888	105,060
Total taxes	-	62,772,441	62,772,441	63,400,993	628,552	60,971,872
Licenses and permits:						
Plumbing fees	-	32,000	32,000	47,605	15,605	28,935
Fees and Permits	-	152,580	152,580	173,976	21,396	169,052
Building permits	-	355,000	355,000	447,687	92,687	400,719
Electrical permits	-	46,000	46,000	66,792	20,792	44,102
Zoning Board of Appeals	-	9,000	9,000	6,325	(2,675)	5,000
License plate fees	-	58,525	58,525	60,322	1,797	58,989
Subdivision fees	-	25,000	25,000	13,921	(11,079)	49,384
Total licenses and permits	-	678,105	678,105	816,628	138,523	756,181
Intergovernmental:						
Education state subsidies	-	4,645,178	4,645,178	4,601,471	(43,707)	4,747,923
FEMA reimbursement	-	-	-	-	-	62,621
Federal HIDTA revenues	-	120,000	120,000	159,132	39,132	116,002
State Revenue Sharing	-	780,920	780,920	838,395	57,475	771,051
Homestead exemption	-	354,367	354,367	354,367	-	346,020
Business equipment tax exemption	-	333,560	333,560	333,868	308	316,079
LRAP (Local Road Assistance Program)	-	321,192	321,192	325,668	4,476	321,192
ecomaine payment in lieu of taxes	-	71,450	71,450	71,450	-	71,450
General assistance reimbursement	-	1,500	1,500	6,386	4,886	4,658
Adult education State subsidies	-	25,000	25,000	21,244	(3,756)	30,954
Medicaid	-	48,500	48,500	16,716	(31,784)	42,551
Other Federal and State revenues - School	-	172,000	172,000	143,394	(28,606)	158,425
Other Federal and State revenues - Town	-	155,964	155,964	184,250	28,286	167,418
Total intergovernmental	-	7,029,631	7,029,631	7,056,341	26,710	7,156,344
Interest earned	-	15,000	15,000	84,783	69,783	390,260
Unclassified:						
School Department miscellaneous	-	319,200	319,200	301,333	(17,867)	290,023
Adult education	-	57,000	57,000	45,727	(11,273)	38,956
Community services	-	1,927,118	1,927,118	1,901,257	(25,861)	1,937,447
Insurance reimbursements	-	33,000	33,000	125,210	92,210	115,260
Public Violations	-	65,950	65,950	65,190	(760)	79,502
Special duty police/fire	-	77,000	77,000	95,601	18,601	89,161
Inspection/review fees	-	74,800	74,800	97,331	22,531	184,560
Rescue donations	-	747,500	747,500	747,500	-	747,500
Rental income	-	50,856	50,856	56,856	6,000	49,514
Sale of Town-owned property	-	120,000	120,000	149,582	29,582	54,304
Salary reimbursement	-	1,280,638	1,280,638	1,331,447	50,809	1,111,439
Vehicle fuel reimbursement	-	518,918	518,918	440,812	(78,106)	556,107
Vehicle maintenance reimbursement	-	520,175	520,175	577,680	57,505	520,646
Lease revenue	-	94,800	94,800	-	(94,800)	-
Miscellaneous	-	62,107	62,107	86,117	24,010	307,468
Total unclassified	-	5,949,062	5,949,062	6,021,643	72,581	6,081,887
Total revenues	-	76,444,239	76,444,239	77,380,388	936,149	75,356,544

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

	2015 carryforward	2016				2015 Actual
		Budget	Total available	Actual	Variance positive (negative)	
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	11,573	-	11,778
Administration	-	261,605	261,605	266,782	(5,177)	257,553
Town Clerk	-	185,678	185,678	184,492	1,186	171,705
Human resources	4,400	282,300	286,700	278,483	8,217	269,064
Personnel benefits	8,280	231,119	239,399	265,292	(25,893)	268,330
Finance	4,442	358,440	362,882	336,933	25,949	337,934
Purchasing	-	68,628	68,628	65,341	3,287	63,191
Taxation/Treasury	11,000	353,530	364,530	351,061	13,469	320,731
Assessing	4,630	212,312	216,942	206,256	10,686	217,156
Management information systems	15,903	1,163,646	1,179,549	1,127,537	52,012	1,091,837
Planning	2,990	870,035	873,025	875,201	(2,176)	778,433
General government	-	97,288	97,288	111,704	(14,416)	111,499
Legal	-	100,000	100,000	85,177	14,823	182,205
Risk management	-	542,533	542,533	600,393	(57,860)	558,132
Public information	-	3,200	3,200	-	3,200	2,370
Engineering	-	48,000	48,000	93,105	(45,105)	127,898
Outside agencies	-	60,000	60,000	45,376	14,624	59,628
Total general government	51,645	4,849,887	4,901,532	4,904,706	(3,174)	4,829,444
Public services:						
Library	-	1,022,538	1,022,538	1,022,538	-	953,583
Public health and welfare	-	29,156	29,156	26,398	2,758	24,433
Tax Rebates (Credit Enhancement Agree)	-	728,516	728,516	715,000	13,516	704,900
Economic Development Corporation	-	215,180	215,180	214,490	690	224,652
Community services	53,987	2,656,296	2,710,283	2,711,870	(1,587)	2,704,672
Total public services	53,987	4,651,686	4,705,673	4,690,296	15,377	4,612,240
Public safety:						
Fire Department	40,224	2,487,312	2,527,536	2,426,219	101,317	2,401,232
Emergency Management	3,947	38,361	42,308	37,205	5,103	34,722
Emergency Medical Services	10,207	1,720,623	1,730,830	1,937,044	(206,214)	1,667,333
Marine resources	8,057	97,662	105,719	94,173	11,546	91,296
Police Department	77,453	5,621,181	5,698,634	5,631,302	67,332	5,319,525
Total public safety	139,888	9,965,139	10,105,027	10,125,943	(20,916)	9,514,108
Public works:						
Public Works Department	100,975	3,040,744	3,141,719	3,024,849	116,870	2,809,508
Vehicle maintenance	-	1,751,151	1,751,151	1,701,268	49,883	1,769,195
Water charges	-	214,069	214,069	209,770	4,299	203,612
Street lighting	-	169,000	169,000	183,816	(14,816)	183,719
Traffic signals	-	108,185	108,185	105,239	2,946	94,332
Cemetery care	-	18,700	18,700	17,128	1,572	20,907
Memorials	-	8,007	8,007	8,046	(39)	7,994
Shade trees	-	7,000	7,000	3,675	3,325	3,245
GIS/Engineering services	-	108,527	108,527	110,875	(2,348)	86,001
Solid waste program	-	1,292,676	1,292,676	1,312,943	(20,267)	1,327,926
Total public works	100,975	6,718,059	6,819,034	6,677,609	141,425	6,506,439
Education:						
Adult education	-	181,552	181,552	178,868	2,684	164,920
Regular instruction	-	25,668,647	25,668,647	25,050,826	617,821	24,598,533
Improvement of instruction	-	942,848	942,848	852,059	90,789	884,752
Special services	-	3,616,551	3,616,551	3,542,388	74,163	3,292,229
General & special administration	-	217,082	217,082	220,590	(3,508)	209,422
Board of education	-	34,323	34,323	31,370	2,953	31,682
Office of the superintendent	-	642,027	642,027	653,975	(11,948)	651,128
Business administration	-	1,916,611	1,916,611	1,896,014	20,597	1,868,638
Transportation	-	1,622,571	1,622,571	1,466,792	155,779	1,586,199
Operation and maintenance of plant	-	3,739,659	3,739,659	3,585,282	154,377	3,602,868
Debt service	-	5,118,437	5,118,437	3,740,323	1,378,114	4,605,947
Total education	-	43,700,308	43,700,308	41,218,487	2,481,821	41,496,318

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

	2016					2015 Actual
	2015 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Current, continued:						
County tax	\$ -	2,493,342	2,493,342	2,493,342	-	2,355,415
Debt service (excluding education):						
Principal	-	3,556,499	3,556,499	3,556,499	-	3,279,484
Interest and other costs	-	1,350,000	1,350,000	1,367,399	(17,399)	1,326,016
Total debt service	-	4,906,499	4,906,499	4,923,898	(17,399)	4,605,500
Capital improvements	330,915	892,030	1,222,945	1,037,678	185,267	1,192,358
Total expenditures	677,410	78,176,950	78,854,360	76,071,959	2,782,401	75,111,822
Excess (deficiency) of revenues over expenditures	(677,410)	(1,732,711)	(2,410,121)	1,308,429	3,718,550	244,722
Other financing sources (uses):						
Transfers in	-	981,264	981,264	876,717	(104,547)	594,836
Transfers out	-	(248,696)	(248,696)	(295,839)	(47,143)	(320,823)
General obligation bonds	-	693,000	693,000	596,556	(96,444)	1,501,880
Refunding bond issued	-	-	-	3,785,000	3,785,000	-
Premium received on refunded bonds, net of issuance costs	-	-	-	187,329	187,329	-
Premium received on issued bonds, net of issuance costs	-	-	-	33,183	33,183	-
Payment to refunding bond escrow agent	-	-	-	(3,972,329)	(3,972,329)	-
Overlay	-	(496,074)	(496,074)	-	496,074	(6,765)
Total other financing sources (uses)	-	929,494	929,494	1,210,617	281,123	1,769,128
Net change in fund balances - budgetary basis	(677,410)	(803,217)	(1,480,627)	2,519,046	3,999,673	2,013,850
Utilization of prior year surplus and carrying balances	677,410	803,217	1,480,627	-	(1,480,627)	-
Total Utilization of Fund Balance and Carry forwards	-	-	-	2,519,046	2,519,046	2,013,850
Reconciliation to GAAP basis:						
Current portion of accrued compensated absences				(46,647)		80,240
Fund balances, beginning of year				11,702,578		9,608,488
Fund balances, end of year				14,174,977		11,702,578

TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

		Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	\$	757,135	1,180,373	-	1,937,508
Investments		5,232,882	2,614,275	236,997	8,084,154
Intergovernmental receivable		61,355	-	-	61,355
Accounts receivable		60,923	2,000	-	62,923
Interfund loans		228,152	182,178	7,960	418,290
Inventory		36,472	-	-	36,472
Notes receivable		-	-	-	-
Total assets	\$	6,376,919	3,978,826	244,957	10,600,702
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		432,582	134,708	-	567,290
Interfund loans		245,810	-	251	246,061
Performance bond deposits		308,892	-	-	308,892
Total liabilities		987,284	134,708	251	1,122,243
Fund balances (deficit):					
Nonspendable trust principal		-	-	155,178	155,178
Nonspendable inventory		36,472	-	-	36,472
Restricted for Town		356,810	2,316,753	89,528	2,763,091
Restricted for Education		281,039	-	-	281,039
Committed for Town		4,646,670	-	-	4,646,670
Committed for Education		105,116	-	-	105,116
Unassigned for Town		(36,472)	1,527,365	-	1,490,893
Total fund balances (deficit)		5,389,635	3,844,118	244,706	9,478,459
Total liabilities and fund balances	\$	6,376,919	3,978,826	244,957	10,600,702

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,385,732	464,860	-	1,850,592
Contributions	117,612	-	-	117,612
Taxes		318,478		318,478
Assessments and impact fees	2,449,017	-	-	2,449,017
Sale of lots	-	-	7,960	7,960
Other revenue	1,641,155	181,079	-	1,822,234
Interest revenue	77,425	4,322	3,633	85,380
Total revenues	5,670,941	968,739	11,593	6,651,273
Expenditures:				
Current:				
Capital expenditures	916,778	4,872,684	-	5,789,462
Education	2,340,529	-	-	2,340,529
Other	2,053,768	-	251	2,054,019
Total expenditures	5,311,075	4,872,684	251	10,184,010
Excess (deficiency) of revenues over expenditures	359,866	(3,903,945)	11,342	(3,532,737)
Other financing sources (uses):				
Transfers in	313,485	102,604	-	416,089
Transfers out	(336,874)	(406,908)	-	(743,782)
General Obligation Bonds	-	3,158,444	-	3,158,444
Premium received on issued bonds, net of issuance cost	-	51,928	-	51,928
Total other financing sources (uses)	(23,389)	2,906,068	-	2,882,679
Net change in fund balances	336,477	(997,877)	11,342	(650,058)
Fund balances, beginning of year, as restated	5,053,158	4,841,995	233,364	10,128,517
Fund balances, end of year	\$ 5,389,635	3,844,118	244,706	9,478,459

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.

Performance Bonds

To account 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.

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/Prouts 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, 2016

		Recrea- tional Develop- ment	Performance Bonds	Credit Enhancement Agreements	Boat Launch Facility	Rte 1 Sawyer Road Improve	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
ASSETS									
Cash and cash equivalents	\$	-	69,418	39,314	-	-	-	-	265,533
Investments		-	239,474	42,994	-	-	25,267	71,860	1,899,187
Intergovernmental receivable		-		-	-	-	-	-	-
Due from State of Maine		-		-	-	-	-	-	-
Accounts receivable		-		-	-	-	-	-	98
Interfund loans receivable		51,810		-	-	-	-	-	2,813
Inventory		-		-	-	-	-	-	-
Notes receivable		-		-	-	-	-	-	-
Total assets	\$	51,810	308,892	82,308	-	-	25,267	71,860	2,167,631
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		-		39,314	-	-	-	-	268,655
Interfund loans payable		-		-	-	-	-	-	-
Performance bond deposits			308,892						
Total liabilities		-	308,892	39,314	-	-	-	-	268,655
Fund balances:									
Nonspendable								-	-
Restricted		-	-	42,994	-	-	-	-	-
Committed		51,810	-	-	-	-	25,267	71,860	1,898,976
Unassigned		-	-	-	-	-	-	-	-
Total fund balances (deficit)		51,810	-	42,994	-	-	25,267	71,860	1,898,976
Total liabilities and fund balances	\$	51,810	308,892	82,308	-	-	25,267	71,860	2,167,631

	Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
ASSETS								
Cash and cash equivalents	-	-	-	-	50,856	332,014	-	757,135
Investments	1,374,326	168,988	308,024	34,707	1,068,055	-	-	5,232,882
Intergovernmental receivable	-	-	-	-	-	61,355	-	61,355
Accounts receivable	-	-	31,607	250	13,283	500	15,185	60,923
Interfund loans receivable	8,772	-	164,757	-	-	-	-	228,152
Inventory	-	-	-	-	-	-	36,472	36,472
Notes receivable	-	-	-	-	-	-	-	-
Total Assets	1,383,098	168,988	504,388	34,957	1,132,194	393,869	51,657	6,376,919
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	45,748	-	19,494	7,714	51,657	432,582
Interfund loans payable	179,079	29,997	-	-	36,734	-	-	245,810
Performance bond deposits	-	-	-	-	-	-	-	308,892
Total Liabilities	179,079	29,997	45,748	-	56,228	7,714	51,657	987,284
Fund balances:								
Nonspendable							36,472	36,472
Restricted	-	138,991		34,957	139,868	281,039		637,849
Committed	1,204,019		458,640	-	936,098	105,116	-	4,751,786
Unassigned							(36,472)	(36,472)
Total fund balances (deficit)	1,204,019	138,991	458,640	34,957	1,075,966	386,155	-	5,389,635
Total liabilities and fund balances	1,383,098	168,988	504,388	34,957	1,132,194	393,869	51,657	6,376,919

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Recrea- tional Develop- ment	Performance Bonds	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	-	-	4	-	-	394	1,119	28,248
Contributions	-	-	-	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	13,102
Assessments and impact fees	29,750	-	608,821	-	-	-	-	-
Total revenues	29,750	-	608,825	-	-	394	1,119	41,350
Expenditures:								
Construction and acquisitions	-	-	-	-	-	-	-	151,634
Education	-	-	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	-	-
Other	-	-	608,821	-	-	-	-	-
Total expenditures	-	-	608,821	-	-	-	-	151,634
Excess (deficiency) of revenues over expenditures	29,750	-	4	-	-	394	1,119	(110,284)
Other financing sources (uses):								
Transfers in	-	-	-	48,732	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	48,732	-	-	-	-
Net change in fund balances	29,750	-	4	48,732	-	394	1,119	(110,284)
Fund balances (deficit), beginning of year	22,060	-	42,990	(48,732)	-	24,873	70,741	2,009,260
Fund balances (deficit), end of year	\$ 51,810	-	42,994	-	-	25,267	71,860	1,898,976

	Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
Revenues:								
Intergovernmental	-	39,217	-	-	305,057	837,519	203,939	1,385,732
Interest earned	23,077	2,387	4,783	549	16,864	-	-	77,425.00
Contributions	-	-	-	19,875	-	97,737	-	117,612
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-
Other	440,385	-	-	-	178,251	8,500	1,000,917	1,641,155
Assessments and impact fees	-	-	1,707,833	-	102,613	-	-	2,449,017
Total revenues	463,462	41,604	1,712,616	20,424	602,785	943,756	1,204,856	5,670,941
Expenditures:								
Construction and acquisitions	194,381	6,200	-	10,163	554,400	-	-	916,778
Education	-	-	-	-	-	873,608	1,466,921	2,340,529
Benefits paid	-	-	-	-	-	-	-	-
Other	-	-	1,444,947	-	-	-	-	2,053,768
Total expenditures	194,381	6,200	1,444,947	10,163	554,400	873,608	1,466,921	5,311,075
Excess (deficiency) of revenues over expenditures	269,081	35,404	267,669	10,261	48,385	70,148	(262,065)	359,866
Other financing sources (uses):								
Transfers in	2,688	-	-	-	-	-	262,065	313,485
Bond Proceeds	-	-	-	-	-	-	-	-
Transfers out	(306,874)	(30,000)	-	-	-	-	-	(336,874)
Total other financing sources (uses)	(304,186)	(30,000)	-	-	-	-	262,065	(23,389)
Net change in fund balances	(35,105)	5,404	267,669	10,261	48,385	70,148	-	336,477
Fund balances (deficit), beginning of year	1,239,124	133,587	190,971	24,696	1,027,581	316,007	-	5,053,158
Fund balances (deficit), end of year	1,204,019	138,991	458,640	34,957	1,075,966	386,155	-	5,389,635

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, 2016

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ -	174,392	-	174,392	-
NCLB/Title IIA	-	51,278	-	49,406	1,872
Title III	-	-	-	-	-
NCLB/Title VA	-	-	-	-	-
Local Entitlement	-	564,711	-	564,817	(106)
Preschool handicapped	-	5,384	-	5,384	-
Total federal education grant programs	-	795,765	-	793,999	1,766
Other State grant programs:					
PEPG Grant	-	-	4,600	2,365	2,235
Scarborough Education Foundation	12,417	-	33,317	29,655	16,079
Finberg Trust	204,129	-	-	10,000	194,129
WW Brick Sales & Other Donations	8,627	-	5,888	7,224	7,291
Proficiency Based Graduation	51,155	-	37,154	17,399	70,910
Laptops	39,155	-	58,532	4,794	92,893
CC Admin Certification	524	-	8,500	8,172	852
Total other state grant programs	316,007	-	147,991	79,609	384,389
Total school categorical programs	\$ 316,007	795,765	147,991	873,608	386,155

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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, 2016

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 1,310,278	(129,905)		1,180,373
Investments	227,002	2,387,273		2,614,275
Accounts Receivable	-	2,000		2,000
Interfund loans receivable	-	182,178	-	182,178
Total assets	\$ 1,537,280	2,441,546	-	3,978,826
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	9,915	124,793	-	134,708
Interfund loans payable	-	-	-	-
Total liabilities	9,915	124,793	-	134,708
Fund balance (deficit):				
Restricted	-	2,316,753	-	2,316,753
Unassigned	1,527,365	-	-	1,527,365
Total fund balance (deficit)	1,527,365	2,316,753	-	3,844,118
Total liabilities and fund balance	\$ 1,537,280	2,441,546	-	3,978,826

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2016

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
Revenues:				
Intergovernmental	\$ -	464,860	-	464,860
Taxes	273,728	44,750	-	318,478
Interest earned	276	4,046	-	4,322
Other	-	181,079	-	181,079
Total revenues	274,004	694,735	-	968,739
Expenditures:				
Capital Improvements	2,474,713	2,397,971	-	4,872,684
Total expenditures	2,474,713	2,397,971	-	4,872,684
Excess (deficiency) of revenues over expenditures	(2,200,709)	(1,703,236)	-	(3,903,945)
Other financing sources (uses):				
Transfers in	-	557	102,047	102,604
Transfers out	(276,415)	(130,493)	-	(406,908)
Proceeds of general obligation bonds	1,483,843	1,674,601	-	3,158,444
Premium received on issued bonds, net of issuance costs	30,988	20,940	-	51,928
Total other financing sources (uses)	1,238,416	1,565,605	102,047	2,906,068
Net change in fund balances	(962,293)	(137,631)	102,047	(997,877)
Fund balances (deficit), beginning of year	2,489,658	2,454,384	(102,047)	4,841,995
Fund balances (deficit), end of year	\$ 1,527,365	2,316,753	-	3,844,118

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, 2016

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 208,827	25,219	2,951	236,997
Interfund loans receivable	7,960	-	-	7,960
Total assets	\$ 216,787	25,219	2,951	244,957
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	251	-	251
Total liabilities	-	251	-	251
Fund balances:				
Nonspendable Principal	141,311	13,367	500	155,178
Restricted Expendable Income	75,476	11,601	2,451	89,528
Total fund balances	216,787	24,968	2,951	244,706
Total liabilities and fund balances	\$ 216,787	25,219	2,951	244,957

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 3,193	394	46	3,633
Sale of lots/perpetual care deposits	7,960	-	-	7,960
Total revenues	11,153	394	46	11,593
Expenditures:				
Earnings retained by General Fund	-	251	-	251
Other	-	-	-	-
Total expenditures	-	251	-	251
Net change in fund balances	11,153	143	46	11,342
Fund balances, beginning of year	205,634	24,825	2,905	233,364
Fund balances, end of year	\$ 216,787	24,968	2,951	244,706

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, 2016

	Shirley Grover Fund	Mary Campbell Peterson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 1,016	93,404	101,245	182	12	1,109	14,907	317	2,607	11,094	1,247	2,999	230,139
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,016	93,404	101,245	182	12	1,109	14,907	317	2,607	11,094	1,247	2,999	230,139
LIABILITIES AND NET ASSETS													
Liabilities:													
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net position:													
Nonspendable Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Restricted Interest	(224)	5,724	1,245	182	12	1,109	14,907	(183)	581	7,594	1,247	(811)	31,383
Total net position	1,016	93,404	101,245	182	12	1,109	14,907	317	2,607	11,094	1,247	2,999	230,139
Total liabilities and net position	\$ 1,016	93,404	101,245	182	12	1,109	14,907	317	2,607	11,094	1,247	2,999	230,139

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2016

	Shirley Grover Fund	Mary Campbell Pederson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions													
Donations	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	16	1,454	1,592	3	-	17	259	5	41	174	19	47	3,627
Total additions	16	1,454	1,592	3	-	17	259	5	41	174	19	47	3,627
Deductions:													
School scholarships	-	-	2,500	-	-	-	1,500	-	-	250	-	-	4,250
Total deductions	-	-	2,500	-	-	-	1,500	-	-	250	-	-	4,250
Changes in net assets	16	1,454	(908)	3	-	17	(1,241)	5	41	(76)	19	47	(623)
Net position, beginning of year	1,000	91,950	102,153	179	12	1,092	16,148	312	2,566	11,170	1,228	2,952	230,762
Net position, end of year	\$ 1,016	93,404	101,245	182	12	1,109	14,907	317	2,607	11,094	1,247	2,999	230,139

TOWN OF SCARBOROUGH, MAINE
Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2016

	Balance			Balance
	July 1, 2015	Additions	Deletions	June 30, 2016
STUDENT ACTIVITIES:				
ASSETS				
Cash	\$ 241,335	464,591	417,720	288,206
LIABILITIES				
Payable to student groups	\$ 241,335	464,591	417,720	288,206

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TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



GENERAL LONG TERM DEBT

For Fiscal Year Ending
06/30/2016

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TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2016

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year		
<u>General Obligation Bonds</u>										
1995 Capital Improvements	5.00%	2016	\$	265,000 to 2016	265,000		265,000	-		
1997 Capital Improvements	5.60%	2017		110,000 to 2017	220,000		110,000	110,000		
2005 Capital Improvements	4.00%			250,000 in 2016	250,000		250,000	-		
2006 Capital Improvements	4.00%	2016		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	1,505,000	-	505,000			
	Partial Refunded						815,000	185,000		
	2007 Capital Improvements		4.00%	2023		225,000 to 2017				
			4.00%			25,000 to 2022	575,000	-	225,000	
Partial Refunded							125,000	225,000		
2008 Capital Improvements	3.25%	2028		570,000 to 2017						
	3.35%			575,000 in 2018						
	Varies			185,000 to 2028	3,565,000	-	570,000			
2009 Capital Improvements	Partial Refunded						1,850,000	1,145,000		
	2.25%	2029		315,000 in 2016						
	Varies			310,000 to 2019						
	3.00%			110,000 in 2020						
	Varies			100,000 to 2029	2,255,000	-	315,000			
Partial Refunded						1,010,000	930,000			
2009 Bond Refunding	3.00%	2020		185,000 to 2019						
2010 Capital Improvements	3.00%			115,000 in 2020	855,000	-	185,000	670,000		
	2.50%	2031		470,000 in 2016						
	Varies			345,000 to 2021						
Varies			280,000 to 2026							
2011 Capital Improvements	4.00%	2031		100,000 to 2031	4,095,000	-	470,000	3,625,000		
	2.00%			525,000 in 2016						
	2.00%			360,000 to 2018						
	Varies			355,000 to 2021						
	Varies			115,000 to 2026						
2012 Capital Improvements	Varies			110,000 to 2031	3,435,000	-	525,000	2,910,000		
	3.00%	2042		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	44,380,000	-	1,065,000	43,315,000			

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>								
2013 Capital Improvements	2.00%	2043	\$ 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	25,000,000	-	575,000	24,425,000	
2014 Capital Improvements	2.00%	2034	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					
2015 Capital Improvements	4.00%	2035	50,000 to 2034	6,015,000	-	760,000	5,255,000	
	2.00%		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					
2015 Capital Improvements	3.00%	2036	160,000 to 2034	6,085,000		500,000	5,585,000	
	3.00%		150,000 in 2035					
	2.00%		665,000 in 2017					
	3.00%		860,000 in 2018					
	4.00%		1,035,000 in 2019					
	4.00%		785,000 in 2020					
	4.00%		780,000 in 2021					
	2.00%		465,000 in 2022					
	2.75%		435,000 in 2023					
	4.00%		430,000 in 2024					
	4.00%		395,000 to 2026					
	2.00%		340,000 in 2027					
	2.13%		335,000 in 2028					
	2.25%		165,000 in 2029					
	3.00%		65,000 to 2036		7,540,000		7,540,000	
Total bonds				98,500,000	7,540,000	10,120,000	95,920,000	
Total long-term debt			\$	98,500,000	7,540,000	10,120,000	95,920,000	

TOWN OF SCARBOROUGH COMPREHENSIVE ANNUAL FINANCIAL REPORT



Maine Veterinary Medical Center

STATISTICAL SECTION

For Fiscal Year Ending
06/30/2016

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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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Table 1

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 59,088,465
Restricted	3,053,818	5,111,460	1,289,495	2,199,233	1,642,063	1,111,295	3,555,142	4,049,315	4,048,177	5,568,308
Unrestricted	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)	(2,259,046)
Total governmental activities net position	\$ 56,102,181	\$ 45,942,290	\$ 48,552,425	\$ 52,703,981	\$ 53,971,108	\$ 57,577,795	\$ 59,725,950	\$ 57,709,831	\$ 59,788,743	\$ 62,397,727

Notes:
1) Total Net Position as restated for the fiscal years 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Program revenues:										
Charges for services										
General government	\$ 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	\$ 3,257,876
Public services	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	2,510,082
Public safety	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	2,780,266
Public works	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	1,635,542
Education	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	1,356,477
Interest on debt services	-	-	-	-	-	-	-	-	-	-
Operating grants and activities	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	8,150,991
Capital grants and contributions	(559,458)	112,751	112,090	122,376	170,480	174,652	97,351	159,089	54,304	149,582
General revenues:										
Property and excise taxes, levies for general purposes	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	63,529,063
Grants and contributions not restricted to specific programs	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	1,796,997
Unrestricted investment earnings	404,622	344,371	137,533	141,496	42,024	66,255	42,573	108,862	390,260	84,783
Total revenues	63,708,888	69,452,285	69,929,672	69,728,146	70,848,049	72,717,834	76,085,119	79,821,515	83,242,599	85,251,659
Expenses:										
General government	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	12,728,572
Public services	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	4,733,734
Public safety	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	10,922,234
Public works	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	8,048,143
Education	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	42,774,764
Interest on debt service	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	3,435,228
Total expenses	61,910,667	66,480,262	67,309,570	69,474,106	69,580,922	69,111,146	73,936,964	77,703,291	81,202,842	82,642,675
Net (expense)/revenue:	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	2,608,984
Change in Net Position	\$ 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	\$ 2,608,984

Table 3

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

	2007	2008*	2009	2010 ¹	2011 ²	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 674	\$ 618	\$ 630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable Inventory						34	34	48	43	31
Restricted for Town				2,482	2,685	2,993	3,861	2,838	2,898	2,743
Restricted for Education				1,056	496	440	977	509	540	2,224
Committed - General Fund				634	630	688	374	452	519	503
Assigned - General Fund				1,469	2,223	1,606	1,825	1,584	2,305	2,140
Assigned - Education					-	200	200	800	425	426
Unassigned - General Fund				2,231	955	2,093	1,787	3,377	4,973	6,108
Unreserved	8,019	8,357	8,174	-	-					
Total general fund	\$ 8,693	\$ 8,975	\$ 8,804	\$ 7,872	\$ 6,989	\$ 8,054	\$ 9,058	\$ 9,608	\$ 11,703	\$ 14,175
All Other Governmental Funds										
Nonspendable Permanent Fund Principal				125	126	129	132	135	147	155
Nonspendable Inventory Special Revenues				26	21	27	27	14	26	36
Restricted Special Revenues				1,621	852	473	463	651	663	637
Restricted Capital Projects				2,483	1,941	20,027	22,904	9,495	5,409	2,317
Restricted Permanent Fund Interest				84	84	84	84	85	86	90
Committed - Special Revenues				4,820	4,292	4,309	4,362	4,446	4,439	4,752
Unassigned - Special Revenues				(129)	(115)	(262)	(683)	(1,083)	(1,365)	(1,550)
Unassigned - Capital Projects				(493)	(434)	(378)	(308)	(206)	(567)	1,527
Reserved	127	3,047	3,062	-	-					
Unreserved, reported in:										
Special revenue funds	7,523	4,589	5,039	-	-					
Capital projects funds	2,926	4,912	1,084	-	-					
Permanent funds	78									
Total all other governmental funds	\$ 10,654	\$ 12,548	\$ 9,185	\$ 8,537	\$ 6,767	\$ 24,409	\$ 26,981	\$ 13,537	\$ 8,838	\$ 7,964
Total Governmental Funds Fund Balances:				\$ 16,409	\$ 13,756	\$ 32,463	\$ 36,039	\$ 23,145	\$ 20,541	\$ 22,139

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

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

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

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 42,712	\$ 44,581	\$ 46,401	\$ 46,880	\$ 48,957	\$ 50,428	\$ 54,393	\$ 58,826	\$ 61,154	\$ 63,719
Licenses and permits	753	818	482	573	480	494	554	662	756	817
Intergovernmental	13,204	14,042	17,357	14,106	13,701	13,136	12,024	10,976	12,879	11,672
Interest earned	805	684	324	242	125	153	178	230	449	199
Other	6,247	9,288	7,545	7,849	7,549	8,420	8,883	8,966	10,376	10,418
Total revenues	63,721	69,413	72,109	69,650	70,812	72,631	76,032	79,660	85,614	86,825
Expenditures										
General government	4,401	4,483	4,615	4,742	6,144	4,403	4,957	5,201	4,829	4,951
Public services	3,070	3,103	4,033	3,766	4,831	3,841	3,931	4,146	4,612	4,690
Public safety	6,642	6,986	7,735	7,355	7,318	8,242	8,578	8,879	9,344	10,297
Public works	5,846	6,765	6,532	8,027	5,353	4,598	7,398	6,503	6,506	7,233
Education (Excludes School Debt)	29,194	31,695	33,105	33,127	33,364	33,220	37,295	40,149	45,614	43,681
Education Debt (Prin & Int)	4,458	4,419	4,475	4,174	4,142	3,758	3,653	4,150	4,606	5,119
County tax	1,615	1,735	1,837	1,886	1,923	1,976	2,075	2,194	2,355	2,493
Debt service (Principal-Town Only ⁽¹⁾)	3,219	3,232	3,204	3,044	2,961	5,417	4,942	3,353	3,506	3,760
Debt service (Interest-Town Only)	1,177	1,488	1,867	1,911	1,810	1,151	1,109	1,118	1,100	1,164
Capital Outlay	7,999	9,305	10,196	5,167	6,037	6,347	16,988	21,840	9,942	3,626
Other	2,641	3,188	3,415	4,085	4,014	4,948	1,817	1,775	1,928	2,054
Total expenditures	70,262	76,399	81,014	77,284	77,897	77,901	92,743	99,308	94,342	89,068
Excess (deficiency) of revenues over (under) expenditures	(6,541)	(6,986)	(8,905)	(7,634)	(7,085)	(5,270)	(16,711)	(19,648)	(8,728)	(2,243)
Other financing sources (uses)										
Transfers in	2,794	3,695	3,453	1,982	1,477	2,061	1,845	1,371	1,071	1,410
Transfers out	(2,794)	(3,695)	(3,453)	(1,982)	(1,477)	(2,061)	(1,845)	(1,371)	(1,071)	(1,410)
Capital Lease proceeds	1,200	1,010	820	52	-	-	365	249	-	-
Refunding bond issued	-	-	-	-	1,155	24,605	7,065	-	-	3,785
Payment to refunding bond escrow agent	-	-	-	-	(1,155)	(27,125)	(7,347)	-	-	(3,972)
Premium received on refunded debt	-	-	-	-	(12)	2,642	322	-	-	187
Premium received on issued debt	-	-	-	-	-	1,913	1,263	-	-	85
General obligation bonds and capital leases	4,000	8,513	4,560	6,002	4,445	21,940	18,620	6,505	6,085	3,755
Total other financing sources (uses)	5,200	9,523	5,380	6,054	4,433	23,975	20,288	6,754	6,085	3,840
Net change in fund balances	\$ (1,341)	2,537	(3,525)	(1,580)	(2,652)	18,705	3,577	(12,894)	(2,643)	1,597
Debt Service as a percentage of non-capital expenditures	7.06%	7.03%	7.16%	6.87%	6.64%	9.18%	7.99%	5.77%	5.46%	5.76%

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

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Capital expenditures	Total
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
2016	4,904,706	4,690,296	10,125,943	6,677,609	41,218,487	2,493,342	4,923,898	1,037,678	76,071,959

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)

Fiscal Year	Property tax	Interest and Costs on taxes	Vehicle Excise tax	Boat Excise tax	Franchise tax fees	Total
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
2016	57,470,744	113,124	5,596,389	30,144	190,592	63,400,993

Table 7

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

Fiscal Year	Real property	Personal property	Totals		Direct Tax Rate	Ratio of total assessed value to total estimated actual value
	Assessed property	Assessed property	Assessed property	Estimated actual value		
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%
2016	3,637,366,300	108,181,800	3,745,548,100	3,745,548,100	15.49	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

Fiscal Year	Town	School	County Tax	Tax Increment Financing District	Overlay	State Revenue Sharing ⁽¹⁾	Total Property Tax Rates by Year
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
2016	4.597	10.144	0.666	0.254	0.132	(0.303)	15.49

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)**

2007				2016			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Maine Life Care Retirement \$	61,397,300	1	1.85%	Maine Life Care Retirement \$	64,736,700	1	1.73%
Hannaford Brothers	29,908,300	2	0.90%	Wal-Mart/Sam's Club	37,638,900	2	1.00%
Wal-Mart/Sam's Club	29,562,500	3	0.89%	Central Maine Power	31,955,300	3	0.85%
Black Point Inn	15,762,800	4	0.48%	New England Expedition	30,303,600	4	0.81%
Gavin Ruotolo	15,036,900	5	0.45%	Hannaford Brothers	22,974,500	5	0.61%
MMC Realty Maine Health	14,957,600	6	0.45%	Scarborough Gallery	20,401,000	6	0.54%
ERP Operating L.P.	11,922,700	7	0.36%	MMC Realty Maine Health	19,573,700	7	0.52%
Davric Maine Corp	10,047,500	8	0.30%	Gavin Ruotolo	18,982,800	8	0.51%
Scarborough Gallery	9,749,500	9	0.29%	RRE Foxcroft/Coach Lantern	13,124,200	9	0.35%
Shaw's Supermarket	9,552,100	10	0.29%	Shaw's Supermarket	11,884,000	10	0.32%
Total Principal Taxpayers	207,897,200		6.27%		271,574,700		7.24%
Total Assessed Value:	\$ 3,317,497,800			Total Assessed Value:	\$ 3,745,548,100		

Source: Town of Scarborough, Maine Assessor

Table 10

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Within Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	387,631	40,172,628	100.0%
2009	42,397,139	41,890,825	98.8%	490,005	42,380,830	100.0%
2010	42,877,989	42,370,914	98.8%	488,503	42,859,417	100.0%
2011	44,928,747	44,325,013	98.7%	588,155	44,913,168	100.0%
2012	46,684,211	46,102,831	98.8%	565,575	46,668,406	100.0%
2013	50,125,493	49,483,773	98.7%	618,255	50,102,028	100.0%
2014	54,062,720	53,305,613	98.6%	734,314	54,039,927	100.0%
2015	55,877,372	55,321,988	99.0%	353,127	55,675,115	99.6%
2016	58,018,545	57,331,779	98.8%	-	57,331,779	98.8%

Source: Town of Scarborough Tax Collector's Office

Table 11

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate	Tax Levy
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	42,397,139
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
2016	3,637,366,300	108,181,800	3,745,548,100	15.49	58,018,545

Source: Town of Scarborough Assessor's Office

Table 12

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

Fiscal Year	General Obligation Bonds	Other Bond Adjustments	Capital Leases	Total Outstanding Debt	Population*	Percentage of personal income	Debt Per Capita
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
2016	95,920,000	5,315,488	199,715	101,435,203	19,691	12.10%	5,151

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

Fiscal Year	General Obligation Bonds	Other Bond Adjustments	Total	Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Population*	Percentage of personal income	Debt Per Capita
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
2016	95,920,000	5,315,488	101,235,488	3,745,548,100	2.56%	19,691	12.10%	4,871

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

Fiscal year	Principal	Interest	Total debt service	Total general fund expenditures	Ratio of debt service to general fund expenditures
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%
2016	6,320,000	3,518,805	9,838,805	76,071,959	12.93%

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>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>	<u>2016</u>
Debt limit	\$ 488,370	\$ 529,673	\$ 534,488	\$ 543,068	\$ 534,623	\$ 533,513	\$ 522,375	\$ 536,918	\$ 451,595	\$ 568,793
Total net debt applicable to limit	66,845	69,328	67,785	68,042	66,767	84,679	101,895	103,369	103,734	101,235
Legal debt margin	421,525	460,345	466,703	475,026	467,856	448,834	420,480	433,549	347,861	467,558
Total net debt applicable to the limit as a percentage of debt limit	13.69%	13.09%	12.68%	12.53%	12.49%	15.87%	19.51%	19.25%	22.97%	17.80%

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>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>	<u>2016</u>
Town of Scarborough:										
General Obligation Bonds	66,845	69,328	67,785	68,042	66,767	82,250	96,180	97,895	98,500	95,920
Other bond adjustments						2,429	5,715	5,474	5,234	5,315
Capital Leases	-	2,025	2,223	1,641	1,105	687	623	598	396	200
Total Direct Debt	66,845	71,353	70,008	69,683	67,872	85,366	102,518	103,967	104,130	101,435
Cumberland County	685	535	481	327	126	3,352	3,254	3,458	3,457	3,321
Portland Water District	2,557	3,486	4,099	4,210	3,845	3,933	3,483	5,994	6,454	6,654
Total Overlapping Debt	3,242	4,021	4,580	4,537	3,971	7,285	6,737	9,452	9,911	9,975
ecomaine Waste Systems:										
Resource recovery system	3,016	2,393	1,601	792	231	-	-	-	-	-
Material recovery facility	278	231	182	125	120	-	-	-	-	-
Landfill closure/postclosure	1,697	1,956	1,242	1,266	1,302	1,371	1,405	1,436	1,467	1,504
Total Contingent Debt	4,991	4,580	3,025	2,183	1,653	1,371	1,405	1,436	1,467	1,504
Total Direct, Overlapping/Contingent	75,078	79,954	77,613	76,403	73,496	94,022	110,660	114,855	115,508	112,914

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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (c)	Unemployment Rate (d)
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%
2016	19,691	792,936,879	40,269	45	3,014	2.90%

(a) U.S. Department of Commerce, Bureau of Census.

American Community Survey (ACS) 2015 1-Year Population Estimates

2016 Represents the Latest Available Estimate (July 2015)

Per Capita Income is Based on Latest ACS 5-Year Estimates 2010-2014

(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 2016 data

Table 16

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

2007			2016			Percentage of total Town Employment
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	
Town of Scarborough	1,340	1	Town of Scarborough	1,288	1	8.7%
Hannaford Brothers	951	2	Hannaford Brothers	1,052	2	7.1%
US Postal Service	800	3	US Postal Service	589	3	4.0%
NorDX	256	4	Maine Medical Center	389	4	2.6%
Wal-Mart	225	5	Wal-Mart	349	5	2.4%
Sam's Wholesale Club	176	6	Cabela's	250	6	1.7%
Neill and Gunter	153	7	NorDX	216	7	1.5%
Piper Shores	150	8	Piper Shores	209	8	1.4%
Scarborough Downs	150	9	Alere	200	9	1.4%
RC Moore Trucking	145	10	Sam's Wholesale Club	188	10	1.3%

* Source: Scarborough Economic Development Corporation (SEDCO)

Total Payroll Employment: 14,777 in 2015, (Source: ME Dept of Labor, Annual 2015 Covered Employment - all industries)

Does not include Self Employed

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
2007	3.4%	4.4%	3.0%
2008	4.1%	5.0%	3.5%
2009	6.8%	8.1%	5.8%
2010	6.7%	7.9%	5.7%
2011	6.4%	7.7%	5.5%
2012	6.1%	7.3%	5.2%
2013	5.4%	6.4%	4.7%
2014	4.4%	5.3%	3.7%
2015	3.4%	4.2%	3.1%
2016	3.0%	3.7%	2.9%

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.

Unemployment rate for Metro Area and State of Maine are Seasonally Adjusted.

Table 18

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function:										
General Govt:										
Town Clerk										
Certified Copies	1,187	2,098	4,887	4,988	5,820	5,068	4,624	5,596	5,577	5,962
Licenses	365	432	436	440	545	585	572	861	839	735
Permits					919	905	889	930	1,065	1,047
Passports Applications	882	792	586	665	534	-	-	-	-	
Tax Office										
Beach Passes	2,192	3,436	3,487	2,358	2,443	2,701	2,934	2,763	2,665	2,496
Licenses & Permits	1,298	1,166	1,168	991	817	782	791	670	662	697
Tax Bill Issued				9,389	9,809	9,516	9,594	9,623	9,623	9,796
Excise Registrations				25,570	25,384	25,637	30,477	29,566	27,728	29,604
Planning:										
Permits	1,438	1,346	1,091	558	554	553	621	609	651	774
Certificates of Occupancy	242	207	204	222	176	173	174	217	198	262
Public Safety:										
Police:										
Physical arrests	719	817	1,152	619	989	1,026	898	826	895	697
Traffic violations	975	792	741	1,404	819	1,069	1,126	1,007	977	1,333
Fire:										
Number of calls answered	1,228	1,303	1,615	1,598	1,718	1,733	1,610	1,744	1,832	1,720
Number of Inspections	884	1,825	3,351	3,537	3,394	3,583	3,455	3,378	3,192	2,529
Rescue:										
Number of calls answered	2,055	2,069	2,088	1,946	2,125	2,141	2,116	1,950	2,359	3,029
Public Works:										
Street resurfacing (miles)	7.32	3.90	6.31	8.62	6.37	6.45	3.62	5.31	5.90	4.18
Pot holes repaired (qty used in tons)	61	42	35	24	24	24	13	29	12	4
No. times plows dispatched	15	33	27	24	26	30	60	35	28	19

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 Eight Fiscal Years

Function:	2009	2010	2011	2012	2013	2014	2015	2016
General Govt:								
Planning Vehicles	4	4	5	4	4	4	4	4
Technology Vehicles	3	3	3	3	3	4	4	4
Public Service:								
Community Services								
Vehicles	5	5	5	5	6	7	7	8
Parks	4	4	4	5	6	6	6	6
Public Safety:								
Police:								
Vehicles - Patrol Cars	8	8	8	12	12	12	12	12
Facilities	1	1	1	1	1	1	1	1
Fire:								
Vehicles - Response Trucks	10	10	10	11	12	12	12	12
Marine	2	2	2	2	2	2	2	2
Facilities	6	6	6	6	6	6	6	6
Rescue:								
Vehicles - Response Trucks	3	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	175.44
Traffic Signals	35	35	35	35	37	37	43	43
Generators	10	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>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>	<u>2016</u>
General Government:											
	Full time	37	37	39	35	37	35	34	32	35	36
	Part Time	19	59	53	72	55	57	61	52	64	14
Public Services:											
	Full time	14	15	15	17	23	15	15	15	15	15
	Part Time	103	130	159	134	146	148	160	139	125	123
Public Safety:											
Police											
	Full time	51	52	52	50	52	53	55	53	53	55
	Part Time	27	27	34	35	38	28	30	33	28	36
Fire											
	Full time	4	4	4	4	5	5	5	8	8	8
	Part Time	152	167	164	148	150	153	151	150	160	169
Rescue											
	Full time	12	12	12	16	20	20	20	21	23	24
	Part Time	15	14	15	10	11	11	10	0	0	0
Public Works:											
	Full time	33	36	35	31	31	31	31	31	32	32
	Part Time	2	3	3	4	1	1	3	1	1	2
Education:											
	Full time	733	750	761	503	460	452	449	443	494	462
	Part Time				268	262	302	296	246	327	323
Total:		1202	1306	1346	1327	1291	1311	1320	1224	1365	1299

Source: Town of Scarborough

Comments: School part time employee data available from 2010.

As of 2014, Fire/Rescue Part Time are all cross trained.

As of 2016 Gen Govt Part Time count does not include Voter Registration Clerks

Table 21

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

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

[DATE]

[PURCHASER]

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$2,945,000* aggregate principal amount of 2017 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 have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds and we express no opinion relating thereto.

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

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

The Bonds are dated _____, 2017. Principal of the Bonds will be payable on November 1 of the years in 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, 2017, at the respective rates per annum, as follows:

<u>Amount*</u>	<u>Nov. 1,</u>	<u>Interest Rate</u>	<u>Amount*</u>	<u>Nov. 1,</u>	<u>Interest Rate</u>
\$370,000	2018		\$200,000	2022	
370,000	2019		195,000	2023	
370,000	2020		195,000	2024	
305,000	2021		195,000	2025	
			195,000	2026	

**\$325,000 _____ % Term Bond due November 1, 2031

**\$225,000 _____ % Term Bond due November 1, 2036

* Preliminary, subject to change.

** The Term Bonds are subject to mandatory sinking fund redemption.

Bonds maturing on and before November 1, 2026 are not subject to redemption prior to their dates of maturity. The Bonds maturing on and after November 1, 2027 are subject to redemption prior to maturity at the option of the Town on and after November 1, 2026. Term Bonds maturing on November 1, 2031, and November 1, 2036 are subject to mandatory redemption or mature on and after November 1, 2027, and November 1, 2032, respectively, as set forth more fully in the table below:

<u>Term Bond due 2031</u>		<u>Term Bond due 2036</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$65,000	2032	\$45,000
2028	65,000	2033	45,000
2029	65,000	2034	45,000
2030	65,000	2035	45,000
2031 ^(*)	65,000	2036 ^(*)	45,000

NOTE: ^(*) Year of final maturity.

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.

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

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

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

Very truly yours,

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APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE AGREEMENT**

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

In connection with the issuance by the Town of Scarborough, Maine (the “Issuer”) of its \$2,755,000 2017 General Obligation Bonds, dated as of June 8, 2017 (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 under this Continuing Disclosure Agreement (the “Agreement”) 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. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the “MSRB”). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org. The Issuer reserves the right to incorporate by reference its Official Statement dated May 24, 2017 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 MSRB: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017, certain updated 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 under the headings “TOWN FINANCES,” “INDEBTEDNESS,” “RETIREMENT” and in APPENDIX A and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in (a) above will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Such filings, if not completed by the required time in (a) above, but if filed when available, will not be deemed to be a “late filing”. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

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 through EMMA (in an electronic format as prescribed by the MSRB) notice of the occurrence of any of the following events with respect to the Bonds.

(a) Certain events whether material or not material:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds, 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 other material events affecting the tax status of the Bonds;
- (6) Tender offers;
 - (7) Defeasances;
 - (8) Rating changes;
 - (9) Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph 1, 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 United States 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.);

(b) Certain events if material:

- (1) Non-payment related defaults;
- (2) Modifications to the rights of holders of the Bonds;
- (3) Bond calls;
- (4) The release, substitution, or sale of property securing repayment of the Bonds;
- (5) 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; and
- (6) Appointment of a successor or additional trustee or the change of name of a trustee.

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

- 3. The Issuer will provide in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
- 4. The intent of the Issuer's undertaking in this Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement 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 ("SEC") 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, the Issuer's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or 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 Agreement, 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 SEC 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. Except as disclosed in its Official Statement, the Issuer 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.
7. 7 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) 730-4088.

Dated: _____, 20__

TOWN OF SCARBOROUGH,
MAINE

By: _____
Its Treasurer

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