



In the opinion of Bernstein Shur Sawyer & Nelson, P.A., 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and corporations, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, 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 not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

TOWN OF SCARBOROUGH, MAINE
\$18,190,000
2018 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>
2019	\$935,000	5.00%	1.49	2034	\$510,000	4.00%	3.21 ^(†)
2020	935,000	5.00	1.61	2035	510,000	4.00	3.25 ^(†)
2021	935,000	5.00	1.76	2036	510,000	4.00	3.29 ^(†)
2022	930,000	5.00	1.90	2037	510,000	4.00	3.33 ^(†)
2023	930,000	5.00	2.04	2038	510,000	4.00	3.37 ^(†)
2024	695,000	5.00	2.15	2039	500,000	3.375	3.46
2025	695,000	5.00	2.29	2040	500,000	3.375	3.48
2026	695,000	5.00	2.39	2041	500,000	3.375	3.49
2027	690,000	5.00	2.48	2042	500,000	3.375	3.50
2028	690,000	5.00	2.58	2043	500,000	3.375	3.51
2029	635,000	4.00	2.63	2044	500,000	3.50	3.52
2030	635,000	4.00	2.84 ^(†)	2045	500,000	3.50	3.53
2031	580,000	3.00	100	2046	500,000	3.50	3.54
2032	580,000	3.00	3.10	2047	500,000	3.50	3.55
2033	580,000	4.00	3.16 ^(†)				

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, 2018 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, now exist. 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. 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, 2028 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after November 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2028 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein)

The Bonds are offered when, as and if issued, subject to the approval of legality by Bernstein Shur Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about March 1, 2018.


Hilliard And Associates
LYONS

NOTE: ^(†) Priced at stated yield to the November 1, 2028 optional redemption date at a redemption price of 100% (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY")

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

THE 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.

**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 Municipal 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 Municipal Advisor, 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 Municipal 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
\$18,190,000
2018 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 2018 General Obligation Bonds (the “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 March 1, 2018 and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months), payable on November 1, 2018, 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 March 1, 2018. The Bonds will mature as follows:

<u>Amount</u>	<u>November 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>November 1,</u>	<u>CUSIP</u>
\$935,000	2019	806075E60	\$510,000	2034	806075G50
935,000	2020	806075E78	510,000	2035	806075G68
935,000	2021	806075E86	510,000	2036	806075G76
930,000	2022	806075E94	510,000	2037	806075G84
930,000	2023	806075F28	510,000	2038	806075G92
695,000	2024	806075F36	500,000	2039	806075H26
695,000	2025	806075F44	500,000	2040	806075H34
695,000	2026	806075F51	500,000	2041	806075H42
690,000	2027	806075F69	500,000	2042	806075H59
690,000	2028	806075F77	500,000	2043	806075H67
635,000	2029	806075F85	500,000	2044	806075H75
635,000	2030	806075F93	500,000	2045	806075H83
580,000	2031	806075G27	500,000	2046	806075H91
580,000	2032	806075G35	500,000	2047	806075J24
580,000	2033	806075G43			

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, 2028 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2028, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Redemption

In the case of every optional 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 such address as shall 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 which 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, 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; 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; except that, pursuant to Section 907.1.1(ii), the provisions of Section 907 shall not be applicable to any order or resolve authorizing the issuance of general obligation securities, or other direct or indirect obligations, of the Town for streets, sidewalks, or storm or sanitary sewers or other public utilities.

CIP Projects

Bond Order 17-037, adopted by the Town Council at its meeting held on May 3, 2017, authorized issuing a portion of the Bonds to provide funds to finance various capital improvement projects (the "CIP Projects") as shown in the table below. The Section 901.5 override period expired on May 23, 2017.

Fueling Station Project

Bond Order 17-046, adopted by the Town Council at its meeting held on May 3, 2017, acted on a request to place the question of financing the construction and replacement of the Fueling Station located on Manson Libby (the "Fueling Station Project") on a local Ballot in order to comply with Section 907.1 the Town's Charter in that the project costs were \$687,482, thus greater than the \$400,000 threshold. A Special Municipal Referendum Election was held on June 13, 2017 whereby the voters of the Town approved financing the Fueling Station Project.

Public Safety Building Project

At its Municipal Election held on November 7, 2017, the voters of the Town approved the issuance of bonds, in an amount not to exceed \$19,500,000, to provide funds to finance a new Public Safety Building (the “Public Safety Building Project”). A portion of the proceeds of the Bonds, in the amount of \$15,000,000, will provide funds to finance a portion of the Public Safety Building Project.

Ratification of the Projects

Bond Order 17-113, adopted by the Town Council at its meeting held on December 6, 2017, ratified the approval to issue the Bonds to provide funds to finance the following projects (the “Projects”). The Section 901.5 override period expired on December 27, 2017.

<u>CIP Yr</u>	<u>Projects</u>	<u>Amount</u>	<u>Years</u>
2017-2018	F.D. Major Apparatus Refurbishing	\$50,000	5
2017-2018	Heavy Truck Lifts	37,000	5
2017-2018	F.D. Rescue Power Stretcher	42,500	5
2017-2018	F.D. Replace Staff vehicles	40,000	5
	F.D. New Safety & Personal Protective Equip.	86,250	5
2017-2018	C.S. Infield Drag Rake	20,000	5
2017-2018	C.S. Mini Bus	53,850	5
2017-2018	Cruiser Thermal Image Camera	18,985	5
2017-2018	Pickup Truck/w lift gate # 4060	37,000	5
2017-2018	HVAC Upgrades Phase 2	82,000	10
2017-2018	Plow Truck # 4001	<u>205,000</u>	15
	Municipal Equipment Total	672,585	
2017-2018	C.S. Cable Room Upgrade	65,000	5
2017-2018	259 US Rte 1 - Hot Water Pump	30,000	5
2017-2018	Comprehensive Plan	80,000	8
2017-2018	LED Street Light Retrofit	701,100	12
2016-2017	PL Eastern Trail Improvements	110,000	15
2016-2017	PW Fuel Station	687,482	15
2017-2018	Subsurface Drainage Assessment	118,750	19
2017-2018	Mid-Level Road Rehab.	<u>300,000</u>	20
	Municipal Projects Total	2,092,332	
2017-2018	HVAC Repairs MS & K2	100,000	5
2016-2017	Furnishings Replace & Renew	50,000	5
2016-2017	Energy Efficiency Upgrades	18,300	5
2017-2018	GMC Box Truck #315116	34,350	5
2017-2018	Kitchen Equip & Furnishings	40,000	5
2017-2018	HS Athletics Equip.	25,000	5
2017-2018	Facilities Support Equip.	25,000	5
2017-2018	MS Tech Refresh	199,200	5
2017-2018	IT Tech Refresh - moved back to CIP	100,000	5
2017-2018	Phase I - School Building(s)	40,000	5
2017-2018	Building envelope Maintenance	70,000	5
2017-2018	School Bus Replacement	316,050	10
2017-2018	Roof Restoration	92,183	10
2016-2017	HVAC Repairs MS & K2	<u>50,000</u>	10
	School Equipment or Projects Total	1,160,083	
	Sub-total (CIP Projects)	3,925,000	
	Public Safety Building	<u>15,000,000</u>	29
	Total Projects	\$18,925,000	

AMORTIZATION OF THE BONDS

Due	Muni Equipment			Muni Projects						School		Total CIP	Public Safety⁽¹⁾	The Bonds
	5 yrs	10 yrs	15 yrs	5 yrs	8 yrs	12 yrs	15 yrs	19 yrs	20 yrs	5 yrs	10 yrs			
11/1/19	\$77,117	\$8,200	\$13,600	\$19,000	\$10,000	\$58,500	\$53,232	\$6,250	\$17,923	\$140,370	\$45,808	\$450,000	\$485,000	\$935,000
11/1/20	77,117	8,200	13,600	19,000	10,000	58,500	53,200	6,250	17,938	140,370	45,825	450,000	485,000	935,000
11/1/21	77,117	8,200	13,600	19,000	10,000	58,500	53,200	6,250	17,938	140,370	45,825	450,000	485,000	935,000
11/1/22	77,117	8,200	13,600	19,000	10,000	58,400	53,200	6,250	13,038	140,370	45,825	445,000	485,000	930,000
11/1/23	77,117	8,200	13,600	19,000	10,000	58,400	53,150	6,250	13,088	140,370	45,825	445,000	485,000	930,000
11/1/24		8,200	13,700		10,000	58,400	53,150	6,250	14,475		45,825	210,000	485,000	695,000
11/1/25		8,200	13,700		10,000	58,400	53,150	6,250	14,475		45,825	210,000	485,000	695,000
11/1/26		8,200	13,700		10,000	58,400	53,150	6,250	14,475		45,825	210,000	485,000	695,000
11/1/27		8,200	13,700			58,400	53,150	6,250	14,475		45,825	200,000	490,000	690,000
11/1/28		8,200	13,700			58,400	53,150	6,250	14,475		45,825	200,000	490,000	690,000
11/1/29			13,700			58,400	53,150	6,250	13,500			145,000	490,000	635,000
11/1/30			13,700			58,400	53,150	6,250	13,500			145,000	490,000	635,000
11/1/31			13,700				53,150	6,250	16,900			90,000	490,000	580,000
11/1/32			13,700				53,150	6,250	16,900			90,000	490,000	580,000
11/1/33			13,700				53,150	6,250	16,900			90,000	490,000	580,000
11/1/34								6,250	13,750			20,000	490,000	510,000
11/1/35								6,250	13,750			20,000	490,000	510,000
11/1/36								6,250	13,750			20,000	490,000	510,000
11/1/37								6,250	13,750			20,000	490,000	510,000
11/1/38									15,000			15,000	495,000	510,000
11/1/39													500,000	500,000
11/1/40													500,000	500,000
11/1/41													500,000	500,000
11/1/42													500,000	500,000
11/1/43													500,000	500,000
11/1/44													500,000	500,000
11/1/45													500,000	500,000
11/1/46													500,000	500,000
11/1/47													500,000	500,000
	\$385,585	\$82,000	\$205,000	\$95,000	\$80,000	\$701,100	\$797,482	\$118,750	\$300,000	\$701,850	\$458,233	\$3,925,000	\$14,265,000	\$18,190,000

NOTE: ⁽¹⁾ Par amount of Bonds, in the amount of \$14,265,000, plus allocable net Original Issue Premium, in the amount of \$735,000, provided Bond Proceeds to provide funds to finance the Public Safety Building Project.

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 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 and assuming compliance with certain tax covenants, 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, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits 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 not 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 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 Bonds under federal or state law or otherwise prevent beneficial owners of the 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 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.

Bond Insurance for some of the Town’s issues were purchased by the winning underwriting syndicate, respectively. Subsequent to the issue(s), the Town had not provided timely filings of Bond Insurance rating changes, if any. 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>
2017	02/01/2018	216
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 (an acronym that refers to Committee on Uniform Security Identification Procedures) identification 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.

MUNICIPAL ADVISOR

Moors & Cabot, Inc. is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board and has acted as Municipal Advisor to the Town with respect to the issuance of the Bonds pursuant to MSRB 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 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

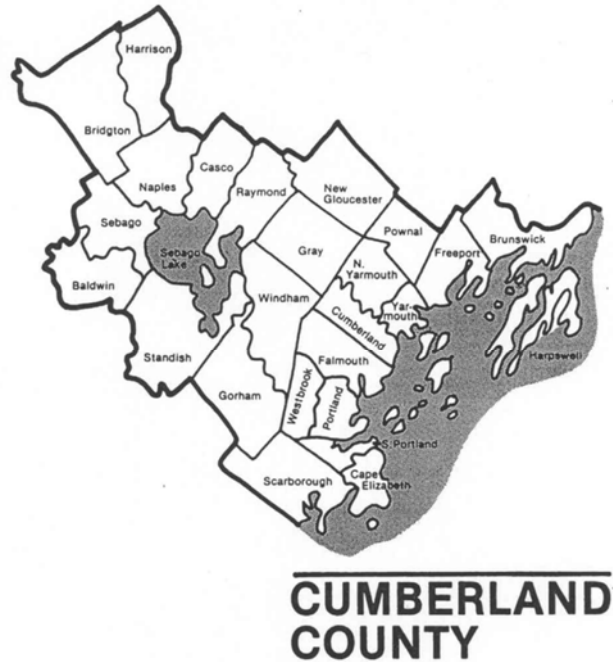
GENERAL

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. Variations of the Direct form are: *Selectmen/Town Meeting* form of government, the most common in Maine currently used by 169 municipalities in the state; *Selectmen/Town Meeting/ Manager*, the second most common form of local government in Maine currently used by 141 towns; *Council/Town Meeting/Manager* (18 towns) variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council and *Selectmen/Town Meeting Administrative Assistant* or *Administrator* (a combined 80 towns). Variations of the Representational form are: *Council/Mayor/Administrator* (three cities), *Council/Mayor/Manager* (18 cities) and *Council/Manager* (26 towns).

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 \$405,084; 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, 266 teachers and 286 other professional and non-professional staff.

Schools

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	172
Eight Corners School	K-2	240 ⁽¹⁾	224
Pleasant Hill School	K-2	180 ⁽¹⁾	170
Wentworth School	3-5	800	675
Scarborough Middle	6-8	800 ⁽¹⁾	715
Scarborough High	9-12	1,200	976

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

Enrollment Trends

Oct. 1	Grades				Tuition	Attending Enrollment ⁽¹⁾
	K-2	3-5	6-8	9-12		
2017	566	675	715	976	0	2,932
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

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 2017/2018, the Scarborough School Department's assessment is 4.989% of the total of the 2017/2018 Part I cost and the 2017/2018 Part II cost for PATHS. This represents the enrollment average for October 1, 2014 through 2015, being 23.0 FTE students from Scarborough of the 461.0 average student total enrollment for PATHS for that period.

THE SCARBOROUGH PUBLIC LIBRARY

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

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

The Scarborough Public Library operates as a private, non-profit, tax-exempt entity. A 14-member Board of Trustees (comprised of Town residents including one member of the Town Council and the President of the Friends of the Library) is responsible for policy, planning and fiscal control of the Corporation. Funds to operate the library come primarily, but not exclusively, from the Town. Each year, a library budget is presented to the Town Council using the same procedures required of Town departments. The library's current collection exceeds 75,500 items of print and audiovisual materials, plus 1,528 E-books and 144 audio titles for downloading. The Library averages 2,490 visitors per week and circulates approximately 190,075 physical items and 12,940 downloads per year, with a Library Director who oversees a staff of six full-time and 15 part-time employees, assisted by 54 various volunteers.

LABOR RELATIONS

The Town employs approximately 586 full-time and various part-time personnel, and approximately 781 employees who are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union ⁽¹⁾	Bargaining Unit	Members	Date of Contract	
			Effective	Expiration
SPBA	Police	36	July 1, 2015	June 30, 2018
SPA	Dispatchers	15	July 1, 2015	June 30, 2018
SPA	Paramedics	28	July 1, 2017	June 30, 2020
SEA	Teachers	308	Sept. 1, 2016	Aug. 31, 2019
SAA	School Administrators	11	July 1, 2015	June 30, 2018
SESPA	School Staff and Teacher's Aids	123	July 1, 2017	June 30, 2020
SEA	School Custodians	32	July 1, 2015	June 30, 2018
SEA	Bus Drivers	19	July 1, 2014	June 30, 2017 ⁽²⁾
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.

⁽²⁾ The respective contract is in the process of negotiation. The Town has provided amounts in its budget that it expects that the Town will incur, if any.

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		
2017	9	\$23,370.8	84	\$133,193.1	93	\$197,174.2	576	\$127,999.9	762	\$481,738.1
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	1,300	8.4%
Hannaford Bros.	Supermarket - Corp Office	1,050	6.8
US Postal Service	USPO Distribution Center	500	3.2
Maine Med Center	Hospital	390	2.5
Wal-Mart	Retail Department Store	350	2.3
Alere Inc.	Medical Diagnostic Producer	290	1.9
Cabela's	Retail Sports Equipment	250	1.6
NorDX	Medical Laboratory	220	1.4
Piper Shores	Nursing Home	210	1.4
Sam's Wholesale Club	Wholesale Department Store	190	1.2

SOURCE: Town of Scarborough, Maine Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2017, 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

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

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

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

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

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

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

Unemployment	Town of Scarborough	Cumberland County	State of Maine	USA
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,

	2014	2015	2016	2017	2018
EXPENDITURES					
General government	\$4,525,099	\$4,790,521	\$4,849,887	\$5,118,871	\$5,453,035
Public services	3,682,765	3,800,529	3,923,170	4,103,105	4,124,952
Public safety	9,158,814	9,709,129	10,107,752	11,138,946	11,458,194
Public works	6,294,820	6,359,496	6,718,059	6,755,141	6,762,140
Education	39,474,516	42,165,315	43,725,308	46,037,872	47,307,869
County Tax	2,193,813	2,355,415	2,493,342	2,568,852	2,709,666
Debt service	4,508,353	4,641,657	4,906,499	4,840,496	4,817,198
CIP	<u>923,700</u>	<u>1,879,364</u>	<u>892,030</u>	<u>1,148,470</u>	<u>1,040,617</u>
TOTAL EXPENDITURES	<u>70,761,880</u>	<u>75,701,426</u>	<u>77,616,047</u>	<u>81,711,753</u>	<u>83,673,671</u>
REVENUES					
Taxes	58,209,370	60,265,828	62,868,818	65,330,508	67,899,349
Licenses and permits	925,396	1,141,593	1,170,144	1,226,965	1,361,176
Intergovernmental	6,405,140	7,012,731	6,992,642	6,356,269	5,446,569
Interest earned	15,000	15,000	15,000	15,000	41,500
Other	<u>4,905,382</u>	<u>5,326,997</u>	<u>5,683,448</u>	<u>5,910,913</u>	<u>6,073,961</u>
TOTAL REVENUES	70,460,288	73,762,149	76,730,052	78,839,655	80,822,555
OTHER SOURCES					
Operating transfers	(40,549)	(143,630)	264,069	1,592,811	160,615
Prior year fund balance	200,000	800,000	425,000	747,633	2,102,464
Overlay	(346,359)	(328,093)	(496,074)	(173,207)	(140,698)
Bond and note proceeds	<u>488,500</u>	<u>1,611,000</u>	<u>693,000</u>	<u>704,861</u>	<u>728,735</u>
TOTAL OTHER	301,592	1,939,277	885,995	2,872,098	2,851,116
TOTAL BUDGET	<u>\$70,761,880</u>	<u>\$75,701,426</u>	<u>\$77,616,047</u>	<u>\$81,711,753</u>	<u>\$83,673,671</u>

CAPITAL IMPROVEMENT PLAN

On September 9, 2016, the Town established a formal Capital Planning Policy that guides the Town's Capital Improvement Program ("CIP"), which is an integral part of the annual budget process. A complete list of 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>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
State Personal Income Factor:	1.05%	1.09%	0.86%	2.67%	2.84%
Town Prop Growth Factor:	<u>0.78%</u>	<u>1.09%</u>	<u>1.22%</u>	<u>0.82%</u>	<u>0.82%</u>
Growth Limitation Factor:	1.83%	2.18%	2.08%	3.49%	3.66%
Property Tax Levy Limit:	\$15,158,240	\$15,534,744	\$16,660,322	\$17,580,237	\$18,292,126
Property Tax Levy:	<u>16,091,860</u>	<u>16,275,733</u>	<u>17,005,804</u>	<u>17,667,684</u>	<u>17,637,854</u>
Over/(below) Levy Limit:	\$933,620	\$740,989	\$345,482	\$87,447	(\$654,272)

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 the unassigned 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.

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2013 ⁽¹⁾	2014	2015	2016	2017
Committed, Assigned & Unassigned					
General Fund Balance (Current Year)	\$5,246,376	\$6,213,282	\$8,221,705	\$9,177,030	\$11,072,395
Total Revenues (Current Year)	70,898,619	74,396,159	78,578,544	80,145,388	82,075,963
Fund Balance as % Revenues	7.40%	8.35%	10.46%	11.45%	13.49%
Assigned & Unassigned General Fund					
Balance	\$3,811,453	\$5,761,131	\$7,702,662	\$8,674,267	\$10,672,154
Total Revenues (Current Year)	70,898,619	74,396,159	78,578,544	80,145,388	82,075,963
Fund Balance as % Revenues	5.38%	7.74%	9.80%	10.82%	13.00%

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.

Fund Balance as % Budgeted Expenses⁽¹⁾

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Unassigned General Fund Balance	\$1,786,533	\$3,376,747	\$4,973,289	\$6,107,559	\$6,893,626
Budgeted Expenses (Prior Year)	66,088,149	68,690,538	70,761,780	75,701,426	77,616,047
Fund Balance as % Prior Year Exp.	2.70%	4.92%	7.03%	8.07%	8.88%

⁽¹⁾ Stated pursuant to the Town’s Fund Balance Policy.

DEBT MANAGEMENT POLICY

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

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

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

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

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

FINANCIAL STATEMENTS

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

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

The Town's fiscal year 2017 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, 2016. This is the 12th 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,)**

	2017	2016	2015	2014	2013
ASSETS					
Cash and cash equivalents	\$17,372,662	\$16,634,125	\$12,015,992	\$10,878,727	\$9,948,470
Investments	645,900	751,414	1,962,632	376,822	752,899
Receivables:					
Accounts receivable	800,919	778,066	1,249,773	735,264	1,110,371
Intergovernmental	199,023	170,666	48,527	198,794	124,122
Taxes receivable	157,657	188,545	148,389	143,405	137,001
Tax liens	778,838	866,101	808,236	983,581	844,343
Inter-fund receivable	2,666,910	2,570,631	3,077,866	3,132,347	2,683,412
Tax acquired property	7,231	7,231	7,231	7,231	7,231
Inventory	12,598	31,301	42,532	47,851	34,010
TOTAL ASSETS	22,641,738	21,998,080	19,361,178	16,504,022	15,641,859
LIABILITIES					
Accounts payable	2,704,002	2,044,181	2,037,776	1,680,911	1,685,130
Accrued payroll	4,709,522	4,774,805	4,499,022	4,114,853	3,922,340
Accrued absences	99,129	98,807	265,895	94,915	120,329
Unearned revenues	58,208	42,210	49,428	32,933	45,560
TOTAL LIABILITIES	7,570,861	6,960,003	6,852,121	5,923,612	5,773,359
DEFERRED TAX REVENUE	786,089	863,100	806,479	971,922	810,854
EQUITY					
Fund balances:					
Non-spendable	12,598	31,301	42,532	47,851	34,010
Restricted	3,199,795	4,966,646	3,438,341	3,347,355	3,777,260 ⁽¹⁾
Committed	400,241	502,763	519,043	452,151	374,000
Assigned	3,778,528	2,566,708	2,729,373	2,384,384	2,024,920
Unassigned	6,893,626	6,107,559	4,973,289	3,376,747	2,847,456 ⁽¹⁾
TOTAL EQUITY	14,284,788	14,174,977	11,702,578	9,608,488	9,057,646
TOTAL LIABILITIES AND EQUITY	\$22,641,738	\$21,998,080	\$19,361,178	\$16,504,022	\$15,641,859

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,)

	2017	2016	2015	2014	2013
REVENUES					
Taxes	\$65,728,769	\$63,400,933	\$60,971,872	\$58,605,638	\$54,317,932
Licenses and permits	781,757	816,628	756,181	661,553	553,504
Intergovernmental	9,252,343	9,821,341	10,378,344	9,455,733	10,462,944
Interest earned	175,917	84,783	390,260	108,862	42,573
Other	6,228,438	6,021,643	6,081,887	5,564,373	5,521,666
TOTAL REVENUES	82,167,224	80,145,328	78,578,544	74,396,159	70,898,619
EXPENDITURES					
General government	5,290,189	4,951,353	4,829,444	5,059,198	4,956,930
Public services	4,852,147	4,690,296	4,612,240	4,146,541	3,931,386
Public safety	10,845,773	10,125,943	9,514,108	8,879,022	8,577,811
Public works	6,529,061	6,677,609	6,506,439	6,502,618	6,681,399
Education	48,091,286	43,983,487	44,638,078	42,413,258	39,344,449
County tax	2,568,852	2,493,342	2,355,415	2,193,813	2,075,183
Debt service	4,857,655	4,923,898	4,605,500	4,470,950	4,942,403
Capital improvements	1,148,329	1,037,678	1,192,358	1,146,088	1,257,490
Other	173,207	6,765	6,765	6,765	6,765
TOTAL EXPENDITURES	84,356,499	78,883,606	78,260,347	74,811,488	71,767,051
EXCESS OF REVENUES OVER EXPENDITURES	(2,189,275)	1,261,722	318,197	(415,329)	(868,432)
OTHER FINANCING SOURCES:					
Operating transfers in	2,498,932	876,717	594,836	561,290	1,015,621
Operating transfers out	(774,116)	(295,839)	(320,823)	(315,652)	(683,335)
Refunding bonds		3,785,000		-	7,065,000
Premium		220,512		-	321,961
Refunding escrow		(3,972,329)		-	(7,347,335)
Proceeds from Capital Lease		0		249,109	365,033
Bond or note proceeds	574,270	596,556	1,501,880	471,424	1,135,100
TOTAL OTHER FINANCING:	2,299,086	1,210,617	1,775,893	966,171	1,872,045
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	109,811	2,472,339	2,094,090	550,842	1,003,613
FUND BALANCE, BEGINNING OF YEAR	14,174,977	11,702,578	9,608,488	9,057,646	8,054,033
FUND BALANCE, END OF YEAR	\$14,284,788	\$14,174,917	\$11,702,578	\$9,608,488	\$9,057,646

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 2017/2018 due dates are October 16, 2017 and March 15, 2018. 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 three 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”.

3. Municipal Retention TIF Districts – Certain TIF districts that were enacted prior to April 1, 2008 entitle a municipality to receive reimbursement at a rate of up to 100% for exempt business equipment that is TIF exempt business equipment as defined in Title 36, Section 691(1)(G) of the Maine Revised Statutes, as amended. The increased reimbursement percentage is based on the tax increment percentage allocated to the municipality, as provided in Title 36, Section 694(2)(C) of the Maine Revised Statutes, as amended.

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 6/30/17
2018	\$4,068,100	\$3,785,488	\$16.49	\$63,423	---- In Process ----		
2017	3,899,350	3,776,363	15.92	60,120	\$59,614	99.14%	99.14%
2016	3,791,950	3,745,548	15.49	58,019	57,940	99.86	99.59
2015	3,667,300	3,700,488	15.10	55,877	55,322	99.01	99.95
2014	3,579,450	3,660,306	14.77	54,063	53,470	98.60	99.96
2013	3,482,500	3,631,675	13.80	50,117	49,484	98.72	99.95
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, 2017				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$66,426,200	\$1,205,300	\$67,631,500	\$1,115,243	1.79%
Wal-mart/Sam's Club	Wholesale/Retail	33,674,000	3,581,000	37,255,000	614,335	0.98
Central Maine Power	Utility	32,048,600	7,700	32,056,300	528,608	0.84
New England Exped.	Retail/Restaurants	30,987,000	0	30,987,000	510,976	0.82
Hannaford Bros.	Corporate	16,252,400	5,977,000	22,229,400	366,563	0.59
Gavin Ruotolo	Commercial	18,898,800	175,800	19,074,600	314,540	0.50
Scarborough Gallery	Retail/Restaurants	18,864,100	0	18,864,100	311,069	0.50
Foxcroft & Coach Lantern	Apartments	13,012,500	73,500	13,086,000	215,788	0.35
Waterstone Scar. LLC	Shopping Center	12,592,200	0	12,592,200	207,645	0.33
Scarborough Invest. LLC	Retail	9,683,300	112,000	<u>9,795,300</u>	<u>161,524</u>	<u>0.26</u>
Top Ten Taxpayers as a % of Total				\$263,571,400	\$4,346,292	6.96%

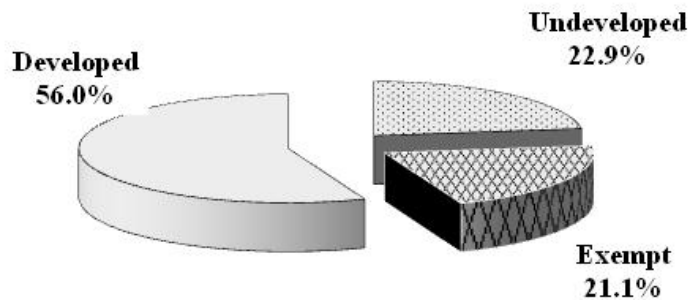
CURRENT TAX BASE AND TAX BASE GROWTH

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.

By Land Area (acres)

Undeveloped ⁽¹⁾	6,456
Exempt	5,954
Developed	<u>15,768</u>
Total	28,178

Composition of Land Areas (in Acres)



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		
2017	\$797,303	\$3,499,284	\$544,388	\$10,952	\$553,749	\$345,237	\$5,750,913
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

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, 2018 the Town’s equalized state valuation (“Equalized State Valuation” or “ESV”) was \$4,068,100,000. The 15% debt limit is \$610,215,000. On June 30, 2017 the Town’s long-term debt was \$91,630,000 or 2.25% of the 2018 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, 2017 (audited) and projected for June 30, 2018 (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 6/30/2017</u>	<u>Payments</u>	<u>Projected 6/30/2018</u>
2008	6/1/2008	8,513,000	11/1/2027	\$575,000	(\$575,000)	\$0
2009	5/1/2009	4,560,000	11/1/2028	620,000	(310,000)	310,000
2009	10/1/2009	1,780,000	11/1/2019	485,000	(185,000)	300,000
2010	4/15/2010	6,002,000	11/1/2030	3,280,000	(345,000)	2,935,000
2011	6/15/2011	5,600,000	11/1/2030	2,550,000	(360,000)	2,190,000
2012	5/8/2012	46,545,000	11/1/2041	41,625,000	(2,400,000)	39,225,000
2013	4/1/2013	25,685,000	11/1/2042	23,280,000	(915,000)	22,365,000
2014	5/15/2014	6,505,000	11/1/2033	4,495,000	(735,000)	3,760,000
2015	5/1/2015	6,085,000	11/1/2034	5,090,000	(485,000)	4,605,000
2016	5/12/2016	7,540,000	11/1/2035	6,875,000	(860,000)	6,015,000
2017	6/8/2017	2,755,000	11/1/2036	2,755,000	0	2,755,000
Sub-total				91,630,000	(7,170,000)	84,460,000
2018	3/1/2018	3,925,000	11/1/2037	0	0	3,925,000
2018	3/1/2018	14,265,000	11/1/2047	0	0	14,265,000
Total				\$91,630,000	(\$7,170,000)	\$102,650,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited				
	2013	2014	2015	2016	2017
Total Current Year Debt Service:	\$7,950,370	\$8,378,569	\$8,980,337	\$9,838,805	\$10,393,228
Budgeted Operating Expense:	69,166,703	71,249,706	76,271,802	78,201,950	82,453,257
Debt Service as % Oper. Expense:	11.49%	11.76%	11.77%	12.58%	12.60%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2017	20,023	\$3,899,350	\$3,776,363	\$91,630,000	2.35%	\$4,576.24
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
				Pro-forma			
	Principal	Interest	Total	Principal	Interest	Total	
2018	\$7,170,000	\$3,131,769	\$10,301,769	\$0	\$0	\$0	\$10,301,769
2019	7,310,000	2,907,138	10,217,138	0	385,838	385,838	10,602,976
2020	6,695,000	2,778,806	9,473,806	935,000	748,300	1,683,300	11,157,106
2021	6,740,000	2,526,781	9,266,781	935,000	701,550	1,636,550	10,903,331
2022	6,250,000	2,298,200	8,548,200	935,000	654,800	1,589,800	10,138,000
2023	5,940,000	2,105,194	8,045,194	930,000	608,175	1,538,175	9,583,369
2024	4,515,000	1,916,144	6,431,144	930,000	561,675	1,491,675	7,922,819
2025	4,135,000	1,746,675	5,881,675	695,000	521,050	1,216,050	7,097,725
2026	4,120,000	1,584,319	5,704,319	695,000	486,300	1,181,300	6,885,619
2027	4,015,000	1,419,197	5,434,197	695,000	451,550	1,146,550	6,580,747
2028	3,890,000	1,269,969	5,159,969	690,000	416,925	1,106,925	6,266,894
2029	3,680,000	1,132,725	4,812,725	690,000	382,425	1,072,425	5,885,150
2030	3,415,000	1,000,881	4,415,881	635,000	352,475	987,475	5,403,356
2031	3,385,000	877,506	4,262,506	635,000	327,075	962,075	5,224,581
2032	3,220,000	756,256	3,976,256	580,000	305,675	885,675	4,861,931
2033	3,200,000	634,588	3,834,588	580,000	288,275	868,275	4,702,863
2034	2,520,000	519,363	3,039,363	580,000	267,975	847,975	3,887,338
2035	1,980,000	425,063	2,405,063	510,000	246,175	756,175	3,161,238
2036	1,350,000	353,363	1,703,363	510,000	225,775	735,775	2,439,138
2037	1,285,000	294,488	1,579,488	510,000	205,375	715,375	2,294,863
2038	1,250,000	240,538	1,490,538	510,000	184,975	694,975	2,185,513
2039	1,250,000	191,244	1,441,244	510,000	164,575	674,575	2,115,819
2040	1,250,000	142,656	1,392,656	500,000	145,938	645,938	2,038,594
2041	1,250,000	94,069	1,344,069	500,000	129,063	629,063	1,973,132
2042	1,250,000	45,481	1,295,481	500,000	112,188	612,188	1,907,669
2043	565,000	10,594	575,594	500,000	95,313	595,313	1,170,906
2044	0	0	0	500,000	78,438	578,438	578,438
2045	0	0	0	500,000	61,250	561,250	561,250
2046	0	0	0	500,000	43,750	543,750	543,750
2047	0	0	0	500,000	26,250	526,250	526,250
2048	0	0	0	500,000	8,750	508,750	508,750
TOTAL	\$91,630,000	\$30,403,004	\$122,033,004	\$18,190,000	\$9,187,878	\$27,377,875	\$149,410,884

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

Yr. End June 30,	2009	2009	2010	2011	2012	2013	2014	2015	2016	2016	2017	2018	Total
2019	310	185	345	355	2,825	765	700	430	615	420	360	0	7,310
2020		115	345	355	3,210	770	325	430	250	535	360	935	7,630
2021			345	355	3,475	765	325	335	245	535	360	935	7,675
2022			280	115	3,685	765	310	335	155	310	295	935	7,185
2023			280	115	3,520	765	300	335	155	280	190	930	6,870
2024			280	115	2,170	715	300	320	150	280	185	930	5,445
2025			280	115	1,870	720	250	320	125	270	185	695	4,830
2026			280	115	1,585	1,045	250	265	125	270	185	695	4,815
2027			100	110	1,335	1,430	250	265	70	270	185	695	4,710
2028			100	110	1,310	1,465	250	265	70	265	55	690	4,580
2029			100	110	1,330	1,405	250	265	70	95	55	690	4,370
2030			100	110	1,355	1,435	50	245	65	0	55	635	4,050
2031			100	110	1,775	1,065	50	165	65	0	55	635	4,020
2032					1,815	1,075	50	160	65	0	55	580	3,800
2033					1,800	1,090	50	160	65	0	35	580	3,780
2034					685	1,525	50	160	65	0	35	580	3,100
2035					685	1,045		150	65	0	35	510	2,490
2036					685	565			65	0	35	510	1,860
2037					685	565					35	510	1,795
2038					685	565						510	1,760
2039					685	565						510	1,760
2040					685	565						500	1,750
2041					685	565						500	1,750
2042					685	565						500	1,750
2043						565						500	1,065
2044												500	500
2045												500	500
2046												500	500
2047												500	500
2048												500	500
6/30/2018	310	300	2,935	2,190	39,225	22,365	3,760	4,605	2,485	3,530	2,755	18,190	102,650

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, 2018 the Town’s equalized State Valuation of \$4,068,100,000 is 9.24% of the County’s equalized State Valuation of \$44,050,350,000. The Town’s share is 9.24%, or \$3,357,165, of the County’s \$37,435,000 long-term debt projected outstanding as of June 30, 2017.

CONTINGENT DEBT

Portland Water District

The Water Division of the Portland Water District (“PWD”) also provides water to the inhabitants of 11 cities and towns and one water district within the Greater Portland Area (the “PWD Municipalities”), including the Town. The Water Division’s debt is not a debt or obligation of the PWD Municipalities. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (previously codified at Title 30, Section 3211 of the Maine Revised Statutes, as amended) (the “Act”), and pursuant to an agreement with ten of the 12 PWD Municipalities, (the “Section 6103 Members”; the exceptions being the Town of Standish and the Yarmouth Water District), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the “Water System Debt”). In the event of a default by PWD in the payment of the principal of, or interest on, its Water System Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each Section 6103 Member municipality within the PWD, including the Town. Such assessment would be allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at June 30, 2017 the Town was contingently responsible for approximately 13.91%, or \$6,395,828 of the PWD’s \$45,980,073 (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, 2017, 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, 2017 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 \$14,564,514 at June 30, 2017 (the most current information available). The Town’s proportionate share of these estimated landfill closure and post-closure care costs is 9.05% or \$1,318,225.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	<u>Direct Debt</u>	<u>Overlapping</u>	<u>Contingent</u>	<u>Total Debt</u>
Town of Scarborough	\$91,630,000			\$91,630,000
County of Cumberland		\$3,357,165		3,357,165
Portland Water District			\$6,395,828	6,395,828
ecomaine (RRS)			0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			1,318,228	1,318,228
Total A/O June 30, 2017	\$91,630,000	\$3,357,165	\$7,714,056	\$102,701,221

Debt as % 2018 ESV	2.25%	0.08%	1.89%	2.52%
Debt per Capita	\$4,576.24	\$167.67	\$385.26	\$5,129.17

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>2018 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)	0
2016/2017	17-037	Energy Upgrades	60,000	(41,700)	(18,300)	0
2016/2017	17-037	HVAC Repairs MS&K2	100,000	(50,000)	(50,000)	0
			<u>\$7,126,400</u>	<u>(\$3,988,230)</u>	<u>(\$228,300)</u>	<u>\$2,909,870</u>

Public Safety Building

On November 7, 2017, the voters of the Town approved the issuance of bonds, in an amount not to exceed \$19,500,000, to provide funds to finance the Public Safety Building Project. A portion of the proceeds of the Bonds, in the amount of \$15,000,000, will provide funds to finance a portion of the Public Safety Building Project. Once the construction of the Project nears completion and final costs are known, the Town may issue up to \$4,500,000 of the Project's remaining authorization as a portion of a future financing.

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 236 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 283 participating employers. Employee membership data related to the Plans, as of June 30, 2016 was as follows:

	<u>SET</u>	<u>PLD</u>
Current participants: Vested and non-vested	39,942	11,019
Terminated participants: Vested	7,783	2,221
Terminated participants: Inactive, due refunds	37,656	6,849
Retirees and beneficiaries receiving benefits	<u>34,181</u>	<u>8,847</u>
	119,562	28,936

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, 2017, the Town's total payroll for all employees was \$42,386,412. Total covered payroll was \$23,568,099 for the SET Plan and \$7,305,860 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 10.02% 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, 2017, was 3.36% of annual teacher payroll, plus 10.02% 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, 2017 were \$838,381.

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 8.0%; Police employees contribute 9.5% 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, 2017, was 12.2% of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2017 was 15.7%, 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, 2017 were \$815,586.

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

SET Plan

At June 30, 2017, 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:	\$624,320
State's proportionate share of the net pension liability:	<u>33,161,075</u>
Total:	\$33,785,395

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the School Department's proportion was 0.035 %, which was an increase of 0.007% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the School Department recognized pension expense of \$957,181 and revenue of \$2,216,000 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$12,074	\$1,179
Changes of Assumptions:	-	16,034
Net difference between projected and actual earnings on pension investments:	199,359	81,688
Changes in proportion and differences between contributions and proportionate share of contributions:	33,801	61,311
The Town’s contributions subsequent to the measurement date:	838,381	-
Total:	<u>\$1,083,615</u>	<u>\$160,212</u>

The \$838,381 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, 2017. 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>
2018	\$14,881
2019	(16,919)
2020	56,150
2021	<u>30,910</u>
Total	\$85,022

PLD Plan

At June 30, 2017, the Town and the School Department reported a liability of \$7,865,767 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town and the School Department's proportion was 1.48%, which was an increase of 0.05% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town and the School Department recognized pension expense of \$1,355,195. At June 30, 2017, the Town and the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$95,352	\$505,916
Changes of Assumptions:	843,230	-
Net difference between projected and actual earnings on pension investments:	2,906,659	1,209,712
Changes in proportion and differences between contributions and proportionate share of contributions:	56,430	130,025
The Town's contributions subsequent to the measurement date:	815,586	-
Total:	<u>\$4,717,257</u>	<u>\$1,845,653</u>

The \$815,586 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, 2017. 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>
2018	\$392,825
2019	280,935
2020	928,915
2021	<u>453,343</u>
Total	\$2,056,018

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, 2017", pages 71 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 \$329,124 which was 6% of the participating employees and 17% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,206,508, while the Town's total payroll was \$14,246,202. Employee's required contributions amounted to \$303,266, 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 as of January 1, 2017 for the year ended June 30, 2017. 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:	\$91,817
Amortization of unfunded cost:	164,456
Interest:	<u>5,075</u>
Annual required contribution:	\$261,348

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, 2017 was:

Annual required contribution:	\$261,348
Interest on NET OPEB Obligation:	70,217
Amortization adjustment to ARC:	<u>(101,516)</u>
Annual OPEB cost:	230,049
Actual contribution:	<u>(85,757)</u>
Increase in Net OPEB obligation:	144,292
Net OPEB – beginning of year:	<u>1,755,412</u>
Net OPEB – end of year:	\$1,899,707

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	Cost	Contributed	Obligation
<u>June 30,</u> 2017	\$230,049	37%	\$1,899,707
2016	249,213	20%	1,755,415
2015	249,213	18%	1,556,926

The funded status of the plan as of June 30, 2017 was:

Actuarial accrued liability:	\$2,957,536
Plan assets:	<u>0</u>
Unfunded actuarial accrued liability:	\$2,957,536
Covered payroll:	\$10,607,967
Unfunded actuarial accrued liability as % of covered payroll	27.9%

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

Property tax appeals involving a partial land revaluation of approximately 50 water and water-influenced properties for tax year 2012 were decided in two separate decisions of the Maine Supreme Judicial Court in August 2016 and October 2016, and remanded back to the local Board of Assessment Review (“BAR”) on a discrete issue of the calculation of a remedy. Similar appeals were filed with the Scarborough BAR by the majority of the same parties for the 2013, 2014 and 2015 tax years. The consolidated appeals for all four years were decided by the BAR on May 11, 2017. Based upon this decision, the Town reimbursed the taxpayers \$381,289, together with interest of \$81,946, collectively which was paid by the Town in early October 2017.

The above taxpayers again appealed to the Superior Court, requesting an unspecified additional abatement, which appears to bring the total abatement to approximately \$1,600,000, before interest. On December 1, 2017 the Superior Court again remanded the appeals for all four years to the BAR, rejecting the BAR decision, without adopting the arguments of the taxpayers. The Court instructed the BAR to consider a recalculation of the abatements. The adjustment would appear to represent a maximum exposure to the Town of approximately \$800,000. The Town maintains that the May 2017 decision, which has already been paid, is correct. A hearing before the BAR on this second remand has been scheduled for late April 2018.

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

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APPENDIX A

**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2017**

(With Report of Independent Auditors' Thereon)

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Town of Scarborough Maine



Comprehensive Annual Financial Report

For Fiscal Year Ending:

June 30, 2017

Town of Scarborough Maine

Comprehensive Annual Financial Report



Prepared by:

Town of Scarborough
Finance Department

For Fiscal Year Ending: June 30, 2017

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2017

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Comprehensive Annual Financial Report
Year ended June 30, 2017

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Town of Scarborough Maine Comprehensive Annual Financial Report



Introduction

Small Business of 2017—Muttie Paws Academy

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Town of Scarborough, Maine

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

January 30, 2018

William Donovan, Council Chairperson
and Distinguished Members of the Town Council
Scarborough, Maine

In accordance with the requirements of our Town Charter and state statutes, we hereby issue to the citizens of the Town of Scarborough and to all interested parties, the comprehensive annual financial report of the Town of Scarborough, Maine for the fiscal year ended June 30, 2017.

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 auditors' report. The MD&A provides a narrative introduction, overview, and analysis of the Town's financial statements. The MD&A complements this letter of transmittal and we encourage readers to view the MD&A in conjunction with the letter of transmittal.

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, 2016. This is the twelfth-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 this current comprehensive annual report continues to meet the Certificate of Achievement Program 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, the Town of Scarborough has 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 it is 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 blended component unit of the Town that appoints its own board members. Most of the funding for SEDCO is provided by the Town of Scarborough. Additionally, SEDCO issues its own separate financial statements.

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

Portland Water District
ecomaine (formerly Regional Waste)

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 budget then goes to the voters for approval. This must happen within 14 days of the Town Council vote. If the voters do not approve the budget, it goes back to the School Board for revision, the Council has to approve it, and then it goes back to the citizens. This process continues until the voters approve a school budget.

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

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. The State of Maine continues to plod along in this post recessionary period. According to the Maine Development Foundation's Measures of Growth 2017, Maine's Gross Domestic Product (GDP) growth between 2010 and 2015 was flat – 0.3 percent. New England's overall GDP growth for the same period was 4.1 percent. National GDP grew 10 percent in the same period. The Measures of Growth report pointed to deteriorating infrastructure as a hindrance to Maine's economic growth, with road maintenance underfunded by nearly \$159 million annually.

Statewide unemployment is the lowest in 40 years with a three percent (3%) unemployment rate. Although a low unemployment rate is good for job seekers, it can be a hurdle to companies looking to expand. The ability to find talent in the market place is critical to attracting and retaining Maine employers.

One bright spot on the economic front is Maine's international sales, which increased by five percent (5%) from 2015 to 2016. During this same time period, US exports declined. Total exports reached \$2.9 billion and shipped to 175 markets. Seafood exports were up twenty-seven percent (27%), to \$565 million. Forest products were Maine's largest export with sales of \$626 million.

Local Economy. Scarborough's economic base remains strong and diversified. Last year, businesses added 664 new jobs in Scarborough and 2,123 jobs over the last 10 years. We are Maine's seventh largest community in terms of total wage and salary jobs. In 2016, Scarborough's total job count reached 15,500. When self-employed workers and contract workers are included, the estimated job total is over 17,500.

Health Care continues to be the dominant industry cluster in Scarborough – with 21% of total "wage and salary" jobs falling into this classification. This sector is fueled by major players in the health care market including Maine Health, which has both its research institute and its financial center located in the Town of Scarborough. A new player in the Scarborough market is Martin's Point Health Care, which opened a brand-new 18,000 sq. foot medical facility in January 2017. The building also hosts some community space, beginning a productive relationship between the Town and the company.

Alere, a bioscience company located in the Scarborough Industrial Park, continues to expand both in space and in total employment. The company added nearly 100 jobs over the last few years. Alere was acquired by Abbott in 2017, however, all indications suggest that the business will continue to thrive here in Scarborough.

The Life Sciences cluster, including Maine Health and Alere/Abbott, holds great potential for Scarborough and the Portland region. The Town of Scarborough follows this cluster closely and is actively marketing to this sector (locally, nationally and internationally) in cooperation with the City of Portland and the Maine International Trade Center.

Sun Life Financial, new to Scarborough in 2015, continues to settle in to their new home on Ashely Road. In FY 2017, Sun Life is working toward its expected 200 employee goal in the disability insurance sector.

The Delhaize/Ahold merger is complete and there does not appear to be any significant changes in the number of employees at the Hannaford corporate headquarters here in Scarborough. As in any merger of this kind, it is important to keep informed and connected to the company, to be on top of any new developments. While changes can happen at any point in a major corporation, the Town has cultivated strong lines of communication with company leaders.

Retail sales increased by 13.2% in 2016, hitting a total of \$580 million in sales. While retail sales were growing overall, the opening of Scarborough Gallery's newest batch of retail businesses, including HomeGoods, Marshall's and Bob's Discount, certainly contributed to the increase in sales. Within the retail space, SEDCO staff continue to monitor the Bass Pro Shop's takeover of Cabela's. Thus far, no major changes to the Scarborough facility are foreseen.

In 2016, the US Census Bureau's estimate of Scarborough's population topped 20,000 for the first time. Scarborough continues to compete favorably in the residential market as well as the job market. New residents are attracted to the natural beauty of our coastal community with access to beaches, the Eastern Trail, and significant holdings of preserved lands through the Scarborough Land Trust. The quality of Scarborough schools is also a major attraction to families.

Housing sales of existing units continue to be extremely active, driving up the median sales price of homes. The July 2017 median sales price of a single-family home in Scarborough hit \$405,000. While Scarborough is primarily a single-family home market, the town has not been exempt from pressures in the regional rental market. With regional vacancy rates for available rental housing falling to all-time lows, and rental rates soaring to new highs, pressure to build new rental housing has yielded several proposals for multi-family units in Scarborough. The largest of the projects is Gateway Commons on Haigis Parkway with just under 300 new luxury rental units.

While there is much to celebrate on the economic front in Scarborough, one major local and regional issue threatens to curb business expansion – lack of available talent. The unemployment rate in Scarborough is under three percent (3%). The unemployment rate in the regional market is not much higher – right at 3%. All sizes and types of businesses are struggling on the recruiting front. Easing the housing crunch by adding to the rental market can contribute to the solution. The State's new program to allow individuals and companies to deduct student debt is another valuable tool. The attractiveness of the Portland area to the "Millennials" is yet another part of the solution. This labor shortage will be the significant economic development issue for the foreseeable future.

Beyond 2017, Scarborough Downs or the “Crossroads” zoning district has the potential to play a significant role in the region’s economy. The future of nearly 500 acres in the center of Scarborough and next to the Maine Mall area is yet to be determined. The property is again under contract, and the Town of Scarborough, along with SEDCO will be working with the new owners to build a long-term plan for the property.

Major Initiatives:

For the year. Over the course of fiscal year 2017, 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 739 building permits; 78 new single-family home starts; and close to \$60 million worth of new construction occurring in FY 2017.

Scarborough has been focused on taking steps to address the Town’s two “urban impaired” streams, Red Brook and Phillips Brook. Within the Red Brook watershed, the Planning staff has worked to create public/private partnerships to secure EPA grant funding. This funding allowed Scarborough to implement the replacement of a major culvert that acted as a barrier for aquatic life. It also allowed for a retro-fit design of an outdated detention pond and provided outreach and education materials to all resident in the upper reaches of the Red Brook watershed. Within the Phillips Brook, the Planning Department researched, collected, and analyzed data associated with the impairment that included public outreach as well as public feedback on issues within the watershed.

During FY 2017 the Planning staff successfully participated in federal Canopy Grant projects. Along the Route One corridor a grant was completed and closed out this fiscal year and a Pine Point Road grant was received and implemented during this fiscal year. Other initiatives included coordinating closely with our partners in the Public Works Department to design and implement Pine Point Road Complete Streets improvement and to conduct Master Planning efforts for the Pine Point area. Coordinated efforts have also been directed towards the Gorham Road Improvement Project.

The Town Council funded a new Sustainability Coordinator position in the FY17 budget. The Sustainability Coordinator started work November 2016.

The Scarborough Information Technology Department (IT) is a shared services model facilitating and maintaining the technology needs of both the Town and School Departments. In addition to end-user technology, the IT Department also manages a complex infrastructure of fiber and wireless networks as well as the telecommunication system. Between the School and Town, the IT staff maintains applications both internally hosted and cloud based, as well as the Town and School department public web sites and intranet and a variety of other social media outlets.

IT progress highlights for the FY17 include:

Hardware: Successfully deployed 1:1 technology at the K-2 including device purchases, configuration, distribution, training and technical integration. Reconfigured IT department and reviewed building camera connectivity and video accessibility.

Software: Deployed Windows 10 district-wide, implementation of new HR online performance evaluation system, facilitated online MEA testing, implementation of SeeClickFix for Public Work's vehicle maintenance work orders from other towns, began implementation for Scarborough FixIT, continued scope of work for migrating municipal staff to cloud-based email resources, migrating school staff from Huddle to GSuite, deployment of Citrix solution for Old Orchard Beach Dispatch IMC connectivity, facilitated Google pilot with departments and completed transition to System Center for software deployments.

Drafted Disaster Recovery Plan, upgraded core switch with (2) 10GB interface cards to eliminate single-point-of-failure and increase redundancy, speed and reliability, and replaced wireless infrastructure at the Middle School.

The Community Services Department is continually working to meet the growing requests for increased services. Through coordination and communication, Community Services schedules all municipal and school indoor and outdoor facilities. This allows the Town to be as efficient as possible and ensures a smooth transition between hundreds of groups and thousands of users. This task also allows the department to maximize programming, plan maintenance accordingly, and protects the condition of all our resources (athletic fields, trails, and parks). In addition to typical recreational services after/before school child care, summer camps, athletic leagues, 55+ programs and trips, special events, summer concerts, and winter activities, Community Services staff handles the management of the town's trail system, the three municipal beaches (Pine Point Beach, Higgins Beach, and Ferry Beach), parking lots and the municipal boat launches. Responsibilities that accompany beach management are water testing through Maine Healthy Beaches and the town's piping plover monitoring program. Another responsibility of the Community Services Department is the maintenance of Town Hall, including the Tri-Gen system, a natural gas-fired generator for the municipal building. Community Services also oversee Scarborough's community television station and cable access channels, from which all government meetings, selected school athletic events, and public service announcements are aired. Community Service staff manages U.S. Passport applications for the U.S. State Department.

Over the past year, Scarborough School students have engaged in hundreds of student-directed community service opportunities. On any given day you could walk into one of our schools and clearly see evidence of various philanthropic projects such as raising money to fight cancer, collecting change on Halloween to donate to UNICEF, or collecting food and clothing for shelters and families who are struggling to make ends meet. Hundreds of our students are formally involved in service clubs such as Interact, Key Club, Seeds of Peace, Builders Club, and many more. Several of our athletic teams advocate for issues that they are passionate about such as dedicating gate revenue to the Travis Mills Foundation, fundraising to support the Wounded Warriors Project, volunteering at the Root Cellar, and participating in the Coaches Against Cancer Program to name a few.

The School and Business Partnership is co-led by the Director of Curriculum and Assessment and Scarborough Economic Development Corporation (SEDCO) Executive Director. This group has been very active and strategic as they work to solidify the mission, vision, and infrastructure in order to coordinate and cultivate our school and business partnerships. These partnerships are designed to expand student learning opportunities, career exploration, internships, and experiential learning in the classroom and beyond.

This year the Scarborough Education Foundation (SEF) provided over \$30,000 in innovation grant funds directly to our classroom teachers. This partnership continues to serve a critical role in ensuring that our teachers have opportunities to think beyond the limitations of our school budget as they implement new and innovative practices and resources into their instruction.

During this past fiscal year the Fire Department received funding for two full-time firefighter/EMT positions to continue progress on their staffing plan. In addition to those new positions, two more individuals were hired to replace personnel that resigned and retired. Additional funding was authorized to hire a new full time Captain's position.

Much of this fiscal year was spent working on a feasibility study for a new public safety building project. In November of 2016 the Town Council formed an Ad-Hoc Committee and hired a consultant to assist the committee with several deliverables including a space needs assessment, site selection process, schematic design, and probable cost analysis.

This year, the public safety department and our community came together to help keep our neighbors warm by hosting the 5th annual, drive-through fund raising event to benefit Project G.R.A.C.E.'s (Granting Resources and Assistance through Community Effort) fuel assistance project. Due to the generosity of our community as well as some challenge donations from business owners and benefactors, the event raised enough to provide the equivalent of 100 gallons of fuel oil, propane, K1, or wood to 65 residents who needed help during the long, cold winter.

The Fire Department received grants from FEMA's Homeland Security Grant Program (HSGP) for upgrades and maintenance of the regional command van as well as funding for mass casualty/active shooter training and exercises. The Department was successful in obtaining a grant for a personal flotation device (PFD) loaner station that was housed at the Co-op boat launch. Boaters that do not have sufficient PFDs can borrow one for the day to make sure all souls on board are protected. A generous donation was also received from the Prout's Neck Association for residential stove hood suppression devices that will be used in a community risk reduction pilot program in multi-tenant residential occupancies where a high number of cooking fires occurred. A new human patient simulator was funded through a 2016 regional FEMA Assistance to Firefighters grant. Scarborough Fire hosted the grant on behalf of the Metro Fire Chiefs' which includes the departments of Scarborough, Portland, South Portland, Cape Elizabeth, Falmouth, Gorham, Westbrook, Cumberland, and Windham. This very advanced, computer controlled, training aid has been a tremendous tool to teach advanced skills and interventions to EMS providers in our area in a safe and controlled learning environment.

On October 1, 2015, the police department initiated Operation Hope. It is an innovative program providing compassionate assistance to those experiencing Substance Use Disorder. This reporting period saw us celebrate the successful placement of a total of 262 individuals into substance use treatment programs. The vast majority of those individuals did not have insurance or money to pay for transportation costs to the many facilities all over the country that accept them. This program uses zero tax dollars and is supported entirely through grants and donations. The Police Department partnered with Project G.R.A.C.E., a very well respected Scarborough non-profit organization that serves as a fiduciary for the program.

The Public Works Department looked for more savings and efficiency within the department. Cityworks, an asset management and record keeping software, has given the Town expanded use of a robust GIS program developed by Public Works over the last 10 years. The Department now has the capability of more expanded inspection and record keeping functionality out in the field. This mobility provides direct access to the program as field work is processed, therefore, records are updated continuously. The new software programs benefit the citizens and the municipality as a whole and also has the Department taking inventory of existing programs and services with the goal of refining how they are done. This year Public Works responded to requests for service from residents, various town departments, outside municipalities, and other general public. While there was an increase of 300 work orders over last year, the number of excavating permits almost tripled indicating more activity for the Scarborough economy.

Scarborough Public Works Department entered into discussions with other municipalities to provide services for the maintenance and repair of their fire and rescue fleets. In FY17 three towns, Old Orchard Beach, Hollis and Wells negotiated vehicle maintenance contracts with Public Works for vehicle repair and services. These contracts provide revenue for the department while providing cost effective repair and maintenance for the outside municipalities. With vehicles becoming more complicated every year, up-to-date training and diagnostic equipment is critical to effective vehicle maintenance. These contracts allow the Town to spread the investment of necessary training and equipment amongst the municipalities saving the department money while allowing better maintenance on the Scarborough fleet which is and always will be our primary responsibility. A total of 27 pieces of equipment from these towns have been added to Scarborough's existing service list of over 200 vehicles.

Accounting for 7.8% of the total Public Works budget, recycling and solid waste is reviewed to determine ways to reduce costs while maintaining levels of service. With guidance from the Scarborough Energy Committee's "Final Report on Reducing Municipal Solid Waste" (MSW) focus was directed to food waste recovery and diversion. On May 1, 2016 three centralized organic waste drop-off sites were created at Walmart, The Maine Veterans Home and Pine Tree Waste. 2017 was the first full year statistics were generated on centralized organic waste collection.

For the Future. 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 FY17, the committee continued this tireless effort. At the end of the fiscal year the committee began transiting from implementation to updating the 2006 Comprehensive Plan.

In FY18, the Town will move forward with the LED Streetlight conversion for all municipally-held streetlight fixtures. The Town will save over 50% in streetlight utility costs with the LED conversion.

Scarborough School instructional practices will continue to shift and grow as the Town faces the challenges of a proficiency-based, student-centered teaching and learning system, and institute a new start time policy for the district in 2017-18. The School Department continues to partner with Town Leaders to expand communication and outreach to the public on topics such as budget development and long-range strategic planning, as well as building collaborative health and wellness support systems that will benefit the entire community.

Community Services Department has excelled in creating working partnerships within Scarborough to offer a high level of services. Throughout the upcoming year, Community Service's goal is to evaluate programs, services, and facilities through a self-evaluation process with staff and partners. This process will help to acknowledge areas of strength and identify areas of need. With the continued development of new relationships, the department will be able to offer increased services to meet growing needs, such as increased participation in the 55+ programs, greater demands on field spaces, and increased requests for indoor meeting space.

The Public Safety Building Project Ad-Hoc Committee completed their work and presented the Town Council with a final report in July of 2017. The Council acknowledged that it is the right time to build a new public safety facility that will carry us into the future. The committee report recommended placing a referendum question on the November 2017 ballot to seek voter approval, which the voters have since approved. With this voter approval, the Town is moving forward with the detailed design and cost estimates for the new combined fire/police/EMS public safety building on municipally owned land next to the Municipal Building.



Artist rendering of the proposed new joint public safety building located west of Town Hall

The Fire Department community risk reduction team is focusing on our residential sprinkler initiative, youth fire safety collaborative, emergency management planning, and seeking grants for fire prevention activities and supplies. The community outreach team is charged with public outreach by keeping a flow of safety and prevention messages fresh on our social media outlets, continuing home safety visits and smoke/carbon monoxide alarm safety program along with a new initiative to install residential hood suppression systems in multi-unit residential occupancies.

The fire inspection team continues to refine and improve Scarborough's very effective commercial life safety inspection program where Fire staff visit every business in town at least annually. This team also works to train fire personnel in how to conduct those inspections as well as documenting known hazards and pre-planning responses to key facilities. Finally, working on tools to better track proactive fire prevention efforts and to gauge the effectiveness of these programs is ongoing.

Long Term Financial Planning

Scarborough utilizes a five year Capital Improvement Plan. This plan encompasses a scheduled equipment replacement program that includes: proposed building construction/improvements, land and infrastructure improvements land acquisition for capital purposes, open space and existing farmland preservation. The plan is updated annually.

The ‘Pine Point Master Planning Project,’ a comprehensive planning process for roadway design in the Pine Point Area, began in the fall of 2016. The approach is a “complete street design” for East Grand Ave. that will review multi-model use options, landscaping, and drainage. Public outreach and input will be crucial to this plan. One public meeting was held in November to start the process with another held in July of 2017.

Scarborough’s annual “Pavement Management Study” gives the Town the ability to project road rehabilitation costs well into the future. \$20,000 is added annually to capital funding 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 four year Subsurface Drainage Assessment Project has been added to on-going capital 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 capital improvement projects.

In an effort to reach the State goal of a 50% recycling rate and to reduce municipal waste costs, Scarborough conducted a curbside food waste collection pilot. Based on the recommendations of a municipal solid waste study conducted by the Scarborough Energy Committee, the Town of Scarborough conducted a four month curbside food waste recycling pilot program in the Pleasant Hill neighborhood. The data gathered during the length of the pilot will help to inform future food waste diversion efforts in Scarborough. The pilot program ran from May 2017 to September 2017 and consisted of weekly curbside collection of food waste for 258 households in the Pleasant Hill neighborhood while alternating municipal solid waste (MSW) and recycling pickup. During the pilot period, 64.66 tons of materials were collected with approximately 16% coming from the food waste portion. While data indicates that Scarborough residents are interested in food waste diversion efforts, alternating MSW and recycling pickup proved to be a challenge in the pilot neighborhood. Moving forward in fiscal year 2018, Scarborough Public Works will continue efforts to increase town-wide recycling rates.

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 2017 value by \$30,814,400 from 2016. For the 2017 tax year, the valuation was \$3,776,362,500 compared to the 2016 valuation of \$3,745,548,100.

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, 2017</u>
\$641,719 in 2013	\$ 23,465
\$749,380 in 2014	\$ 20,891
\$555,384 in 2015	\$ 29,080
\$686,766 in 2016	\$235,698
\$517,690 in 2017	\$517,690

For 2017, the Town Council authorized \$425,000 from the School's fund balance to assist with their funding needs and \$1,253 from the Adult Education fund balance. Additionally, the Town Council authorized \$328,380 from the Town's fund balance pursuant to the Town's Fund Balance Policy, prior to being amended, which allows for the use of Fund Balance for capital needs when the fund balance exceeds ten percent (10%). As with the prior year, these funds were not utilized.

As noted last year, in November 2016, the Town's fund balance policy was amended. The former policy established a fund balance policy goal of 8.33% of *unrestricted* fund balance, with any excess above 10% available for capital needs. 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.

OTHER INFORMATION

Awards. Police Chief, Robert Moulton accepted the Greater Portland Council of Government's Presidents Award and the Maine Behavioral Healthcare's Heroes with a Heart Award from the Trauma Intervention Program (TIP) for the Town of Scarborough's Operation Hope program. The Scarborough Police Department was the first agency in Maine to recognize the extent of the substance abuse crisis, and worked to develop a program to help those in need. This program has been emulated by other agencies and helped start a state-wide dialogue which has now spread to our congressional delegation in Washington D.C. The Police Department's Operation HOPE program has been widely recognized and has been the recipient of several awards. The Program has been held up as a model for other agencies with speaking engagements 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 2017. This audit is designed to meet the requirements of Government Auditing Standards and the Uniform Guidance.

Acknowledgements.

As the requirements for financial accounting and reporting continue to increase, the skills necessary to prepare this report also increase. As such, the preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Revenue and Accounting staff. 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. I wish to thank all of Scarborough's departments for their assistance in providing the necessary data to prepare this report. Credit is also due to the Town Manager, the Town Council and the Finance Committee for their full support in maintaining the highest standards of professionalism for the management of the Town of Scarborough's finances. Finally, I would like to acknowledge the firm of Macpage, LLC for their efforts and guidance during this engagement.

Respectfully Submitted,

Ruth D. Porter
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Scarborough
Maine**

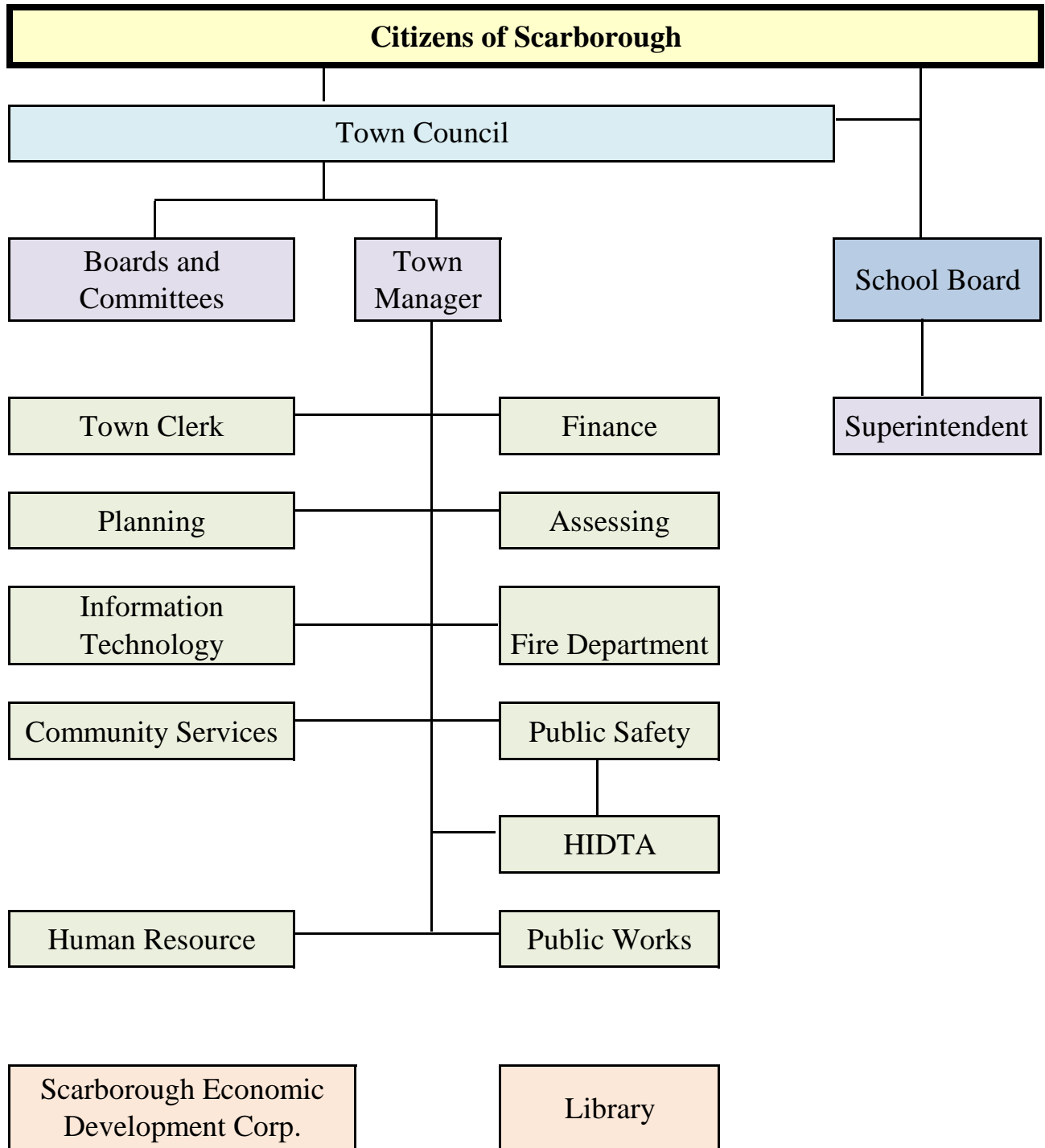
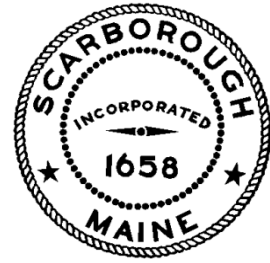
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Town of Scarborough, Maine

Organizational Chart



Principal Executive Officers 2016-2017

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			
	Shawn Babine, Council Chair	Elected - 3 Year Term	11/2017
	Christopher Caiazzo	Elected – 3 Year Term	11/2018
	William Donovan,	Elected - 3 Year Term	11/2019
	Kathleen Foley	Elected - 3 Year Term	11/2019
	Peter Hayes	Elected - 3 Year Term	11/2017
	William Rowan	Elected – 3 Year Term	11/2018
	Katherine St. Clair, Vice Chair	Elected – 3 Year Term	11/2017
Municipal Employees:			
Town Mgr.	Thomas J. Hall	Appointed - 3 Year Term	12/31/2018
Asst Town Manager	Larissa Crockett	Appointed/Indefinite	N/A
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	Susan Russo, Interim	Appointed – Till Filled	N/A
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	Jay Chace	Appointed/Indefinite	N/A
Senior Planner	Vacant	Appointed/Indefinite	N/A
Recreation Director	Todd Souza	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	Kelly Murphy, Chair	Elected - 3 Year Term	11/2017
	Donna Beeley	Elected - 3 Year Term	11/2018
	Cari Lyford	Elected - 3 Year Term	11/2019
	Mary Starr	Elected – 3 Year Term	11/2018
	Christine Massengill	Elected – 3 Year Term	11/2017
	Jacqueline Perry	Elected - 3 Year Term	11/2018
	Jodi Shea	Elected - 3 Year Term	11/2019
Superintendent of Schools	Julie Kukenberger	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		

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Town of Scarborough Maine

Comprehensive Annual Financial Report



Financial Section

For Fiscal Year Ending:
June 30, 2017

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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 unit, 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scarborough Public Library, a component unit of the Town of Scarborough, Maine, which is presented as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Scarborough Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



To the Town Council
Town of Scarborough, Maine

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2017 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 25 – 37, the Schedule of Funding Progress on page 79, the Schedule of Proportionate Share of the Net Pension Liability on page 80, and the Schedule of Contributions on page 81, 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 – 12, supplementary statements and schedules on pages 85 – 118, and statistical tables on pages 123 – 145, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements and schedules, and the blank pages which are interdispersed, 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, 2016, 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, 2016 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, 2016 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, 2016 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 January 30, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Scarborough's 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
January 30, 2017

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Town of Scarborough Maine Comprehensive Annual Financial Report



Management Discussion & Analysis

*Legacy Business of 2017—
Highland Avenue Greenhouse & Farm Market*

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TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2017

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, 2017. 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 \$63,091,819 (net position). Of this amount, \$2,500,239 represents a deficit unrestricted net position, a modest deficit increase of \$295,979 over the prior year.

- The Town's total net position increased \$639,306. This represents a 1.0% increase over last year's net position.
- As of June 30, 2017, the Town's governmental funds reported combined fund balances of \$19,371,072 a decrease of \$2,822,654 compared with the prior year. Approximately 46.08% of this amount or \$8,926,138 is available for spending at the Town's discretion (*assigned and unassigned fund balance*).
- Total nonspendable fund balance decreased by \$10,731 from \$222,951 to \$212,220. Restricted fund balance decreased by \$3,424,039 from \$8,010,776 to \$4,586,737. Total committed fund balance increased by \$391,428 from \$5,254,549 to \$5,645,977. Assigned fund balance increased by \$1,211,820 from \$2,566,708 to \$3,778,528. Finally, the unassigned fund balance for the governmental funds decreased by \$991,132 from \$6,138,742 to \$5,147,610.
- With respect to fund balances in the governmental funds, of the \$14,572,115 reported as committed (authorized by town council), assigned (authorized by town manager) and unassigned fund balance, \$3,499,720 are special revenue funds authorized for specific purposes and the remaining amount of \$11,072,395 is available for the discrete purposes for which these funds are collected.

The Town of Scarborough amended its Fund Balance Policy November 2, 2016 and established an unassigned fund balance goal of 10.00% of the prior years' operating budget. The Operating Budget for fiscal 2016 totaled \$77,616,047. As of June 30, 2017, unassigned fund balance for the general fund was \$6,893,626 or 8.88% of the prior years' operating budget. The prior fund balance policy authorized the use of *unrestricted* fund balance above 10% for capital purposes, from which the Town authorized the use of \$526,635 of fund balance for capital purposes.

The amended fund balance policy goes on to state that the level of fund balance is not to fall below 8.33% of the operating budget. Once the Town achieves an unassigned fund balance equal to 10.0% of Scarborough's Operating Budget, and any excess above 12% will be allocated toward any combination 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 the
- d) Retirement of debt, and/or
- e) A taxpayer refund.

General obligation bonds decreased by a net of \$4,290,000 from the prior year. General obligation bonds retired was \$7,045,000. General obligation bonds issued was \$2,755,000.

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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

The statement of net position presents information on all Town of Scarborough's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four 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. The reported net position changes show 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 for which the Town of Scarborough is financially accountable. Financial information is reported separately from the financial information presented for the Town of Scarborough itself. The government-wide financial statements can be found on pages 41 – 42 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. The Town of Scarborough divides funds 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 21 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 19 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 43 – 44 of this report.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

- The 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 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 non-major capital projects fund financial statements are found on pages 103 - 104 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. The Town of Scarborough established Permanent funds 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 107 - 108 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 111 - 113 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 49 – 78.

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 85 - 118 of this report.

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 \$63,091,819 as of June 30, 2017.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

By far, the largest portion of the Town of Scarborough's Net Position (97.81%) 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 Scarborough 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>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current and other assets	\$ 27,645,090	\$ 29,664,647	\$ 28,224,238
Long term assets	1,221,755	1,228,365	1,457,623
Capital Assets	<u>147,299,824</u>	<u>147,643,039</u>	<u>148,281,938</u>
Total Assets	<u>176,166,669</u>	<u>178,536,051</u>	<u>177,963,799</u>
Total deferred outflows of resources	<u>7,998,466</u>	<u>6,290,616</u>	<u>4,280,858</u>
Total Deferred outflows	<u>7,998,466</u>	<u>6,290,616</u>	<u>4,280,858</u>
Liabilities:			
Long term liabilities outstanding	109,909,475	111,374,028	111,086,443
Other liabilities	<u>9,157,976</u>	<u>8,304,738</u>	<u>8,661,369</u>
Total Liabilities	<u>119,067,451</u>	<u>119,678,766</u>	<u>119,747,812</u>
Total deferred inflows of resources	<u>2,005,865</u>	<u>2,695,388</u>	<u>2,708,102</u>
Total Deferred inflows	<u>2,005,865</u>	<u>2,695,388</u>	<u>2,708,102</u>
Net assets:			
Net investment in capital assets	61,708,817	59,088,465	57,103,811
Restricted	3,883,241	5,568,308	4,048,177
Unrestricted (2016 restated)	<u>(2,500,239)</u>	<u>(2,204,260)</u>	<u>(1,363,245)</u>
Total Net Position	<u>\$ 63,091,819</u>	<u>\$ 62,452,513</u>	<u>\$ 59,788,743</u>

\$3,883,241 (6.15%) 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 of (\$2,500,239) 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 \$639,306 is due to the governmental activities of the Town. The Town of Scarborough's tax revenues increased by \$2,092,491. Actual vehicle excise tax collections increased by \$277,530 from the prior year. Increase in taxes is due in part to the favorable increase in the overall assessed valuation of the Town of \$30,814,400, up from \$3,745,548,100 to \$3,776,362,500. 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.

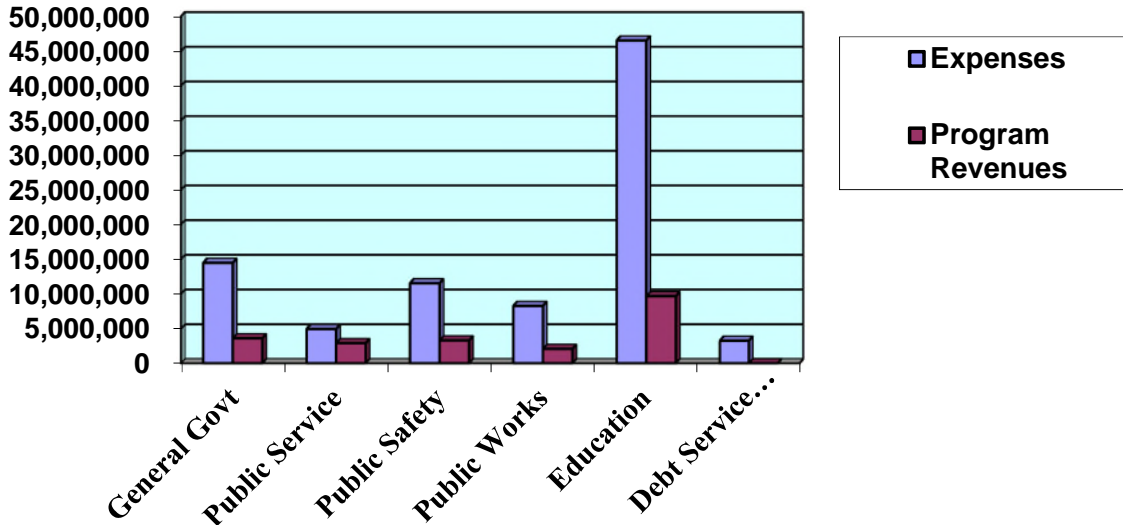
Key components of this net position increase are shown below.

Town of Scarborough's Changes in Net Position

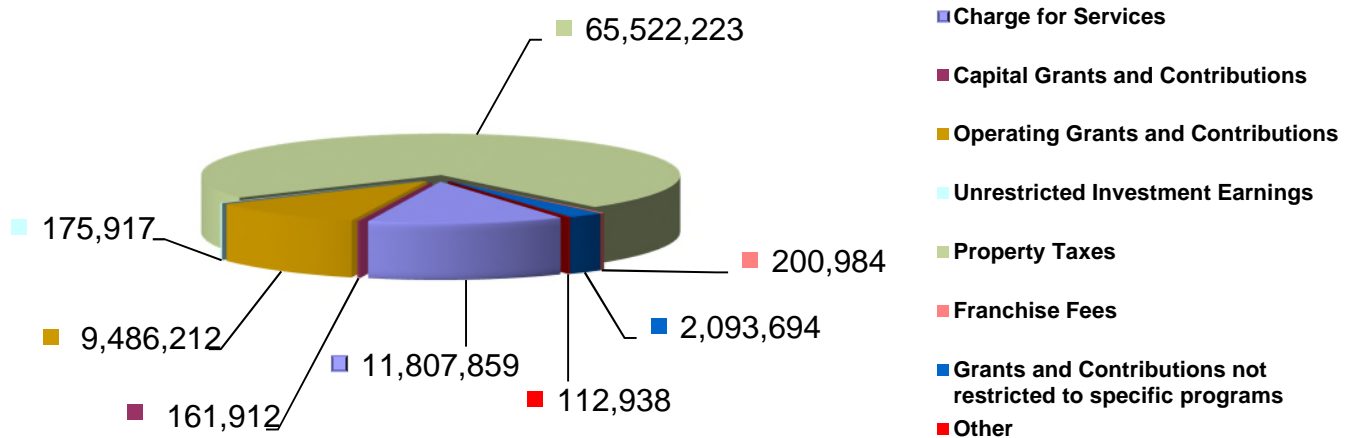
	2017	2016
Revenues:		
Program Revenues:		
Charge for services	\$ 11,807,859	\$ 11,540,243
Operating grants and contributions	9,486,212	8,150,991
Capital grants and contributions	161,912	149,582
General Revenues:		
Property and excise taxes, levied for general purposes	65,522,223	63,338,471
Franchise Tax	200,984	190,592
Grants and contributions not restricted to specific programs	2,093,694	1,710,880
Unrestricted investment earnings	175,917	84,783
Other	112,938	86,117
Total revenues	89,561,739	85,251,659
Expenses:		
General government	14,526,261	12,728,572
Public Services	4,923,303	4,733,734
Public Safety	11,496,900	10,922,234
Public Works	8,245,900	8,048,143
Education	46,499,772	42,774,764
Interest on Debt Service	3,230,297	3,435,228
Total expenses	88,922,433	82,642,675
Increase in net position	639,306	2,608,984
Net position beginning (as restated)	62,452,513	59,843,529
Net position ending	\$ 63,091,819	\$ 62,452,513

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE TOWN'S FUNDING

As noted earlier, the Town of Scarborough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The general government functions are contained in the General, Special Revenue, Capital Project and Permanent Funds. The focus of the Town 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 the Town'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, 2017, the Town of Scarborough’s governmental funds reported combined fund balances of \$19,371,072. This is a decrease of \$2,822,654 in comparison with the prior year. Approximately 26.57% of total fund balance or \$5,147,610 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 (\$212,220), 2) restricted for particular purposes (\$4,586,737), 3) committed for particular purposes (\$5,645,977) or 4) assigned for a particular purpose (\$3,778,528).

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

	2017	2016
General Fund	\$ 14,284,788	\$ 14,174,977
Haigis Parkway	(1,736,553)	(1,514,495)
Other Governmental Funds	6,822,837	9,533,244
Total	\$ 19,371,072	\$22,193,726

As noted earlier, governmental funds reported combined fund balances of \$19,371,072, a decrease of \$2,822,654 compared with the prior year fund balances of \$22,193,726, as restated. Of the \$14,572,115 reported as unrestricted fund balance (total of committed, assigned and unassigned), \$3,499,720 are for special revenue fund projects authorized for specific purposes. \$11,072,395 is available for general fund committed and assigned purposes for which these funds are collected.

The remaining \$4,798,957 of fund balance is restricted to indicate that it is not available for new spending because it has already been allocated for the following:

\$ 2,958,307		Deficit Fund Balances in Special Revenue Funds
640,475		Town Capital Projects
644,926		Town Grants
253,888		Perpetual Care of Municipal Cemeteries
252,709		Education Funding
48,652		Food Service and Fuel Inventory
\$ 4,798,957		Total Governmental Fund Nonspendable and Restricted Fund Balance

Capital Projects Fund Highlights

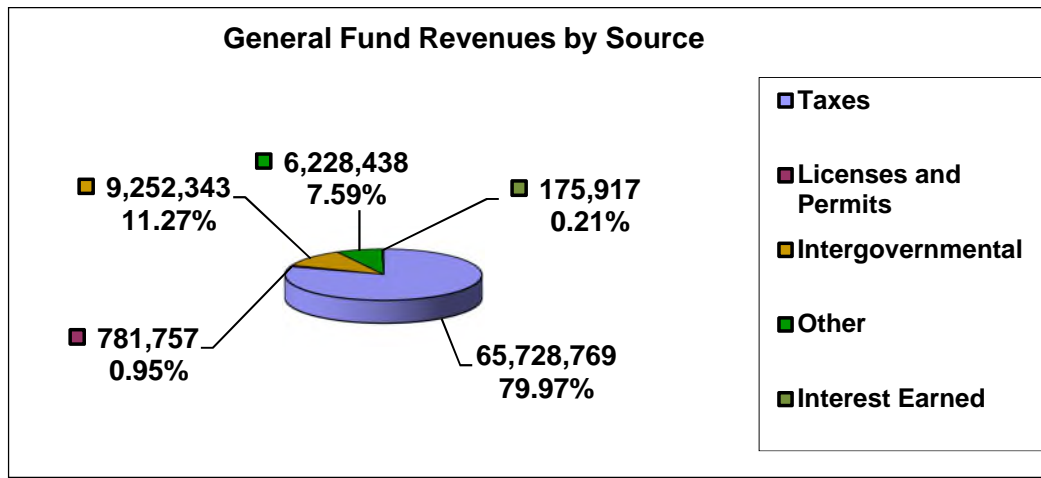
During this fiscal year, the Town of Scarborough’s fund balances for Capital Projects decreased \$3,192,422 from \$3,844,118 in 2016 to \$651,696 in 2017. Expenditures decreased \$370,067 from \$4,872,684 in 2016 to \$4,502,617 in 2017. These decreases in fund balance and expenditures are due to various projects nearing completion.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

General Fund Highlights

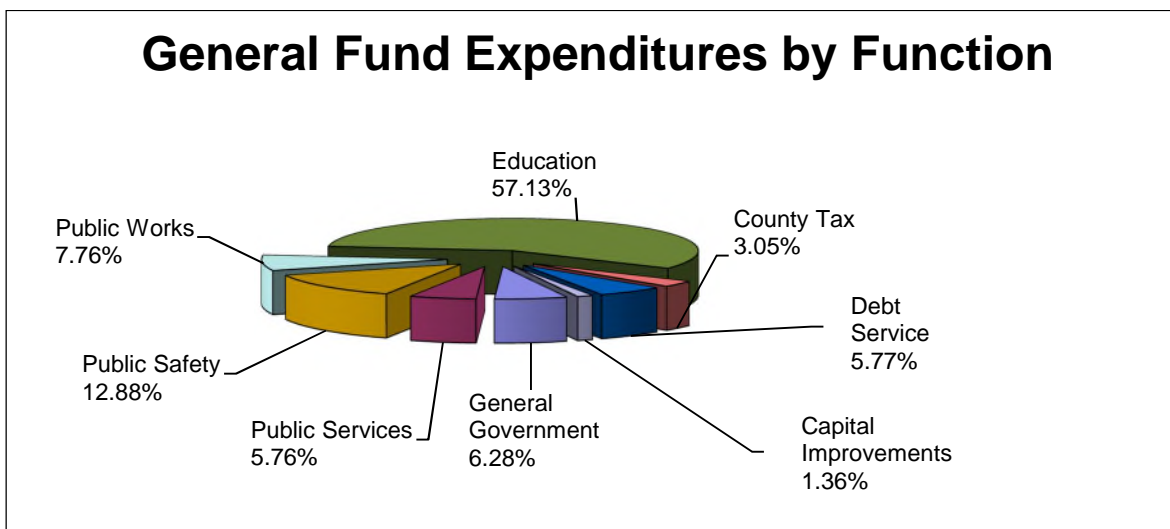
The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2017, total fund balance was \$14,284,788 reflecting an increase of \$109,811 compared to the prior year. Unassigned fund balance in the General Fund was \$6,893,626 compared to total fund balance of \$14,284,788. 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 8.18% of total general fund expenditures while total fund balance represents 16.95% of that same amount.

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



Property Tax revenues increased \$1,827,714 from 2016 to 2017 compared to the 2015 to 2016 increase of \$2,070,872. A comparison of the actual revenues to estimated revenues can be found on page 46 of the financial statements.

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



Actual revenues exceeded estimates by \$669,816 while expenditures came in under budget by \$1,561,981.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

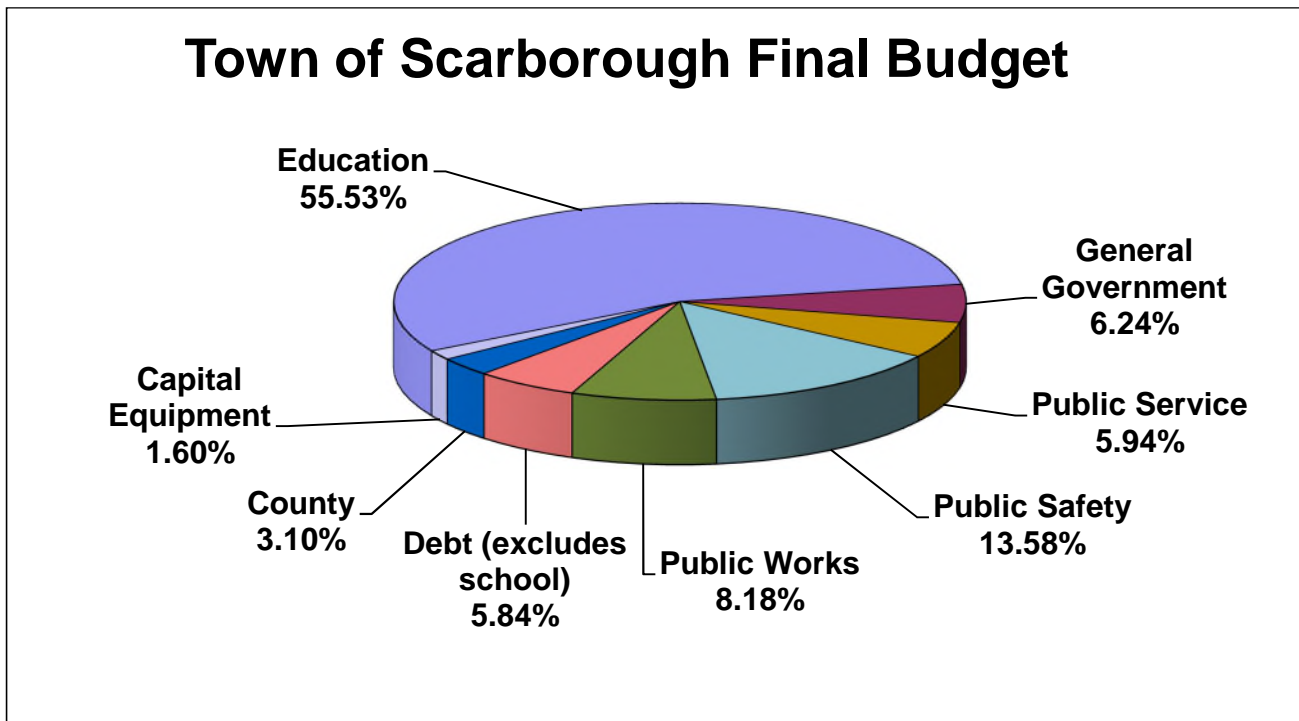
Total general fund expenditures increased \$5,228,390 or 6.87% compared to the prior year. The factors for this increase are:

- General Government increased 8.82% due to the hiring of an Assistant Town Manager, municipal insurance increases and benefit payouts due to long time staff retiring,
- Public Safety increased 7.11% due to the increase in fire personnel,
- Education increased 9.57% as a result of union contractual obligations and increase in debt interest payments,
- County Tax increased 3.03% to help offset the costs of Cumberland County, and
- Capital Equipment purchases increased 10.66% mostly due to the replacement of vehicles.

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 2017, a total of \$1,676,064 was set aside for the Town for prior year encumbrances and commitments and \$2,101,464 for the School Department was set aside for carryforward to the 2018 budget. The final operating budget for fiscal year 2017 amounted to \$82,862,330 compared to \$78,854,360 for fiscal year 2016.

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



TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2017, amounts to \$147,299,824 (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 -.23%.

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>2017</u>	<u>2016</u>
Land	\$ 7,159,182	\$ 7,159,182
Buildings	81,752,474	83,428,950
Vehicles	6,306,675	6,087,936
Equipment & Furniture	2,151,848	1,707,321
Infrastructure	46,796,119	46,838,939
Construction in Progress	3,133,526	2,420,932
Total	<u>\$ 147,299,824</u>	<u>\$ 147,643,260</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, 2017 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 59 of this report.

Long-term Debt. As of June 30, 2017, the Town had long-term bonds outstanding of \$91,630,000 compared to \$95,920,000 in the prior year resulting in a 4.47% decrease. This debt is backed by the full faith and credit of the Town of Scarborough.

During fiscal year ending June 30, 2017, the Town of Scarborough issued \$2,755,000 in bonds. This bond issue financed projects that included vehicle and equipment purchases, building improvements and road rehabilitation and construction. During the year \$7,045,000 in principal debt was paid.

Additional information relating to the Town's long-term debt can be found in the Notes to Financial Statements on pages 61 - 64 of this report.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Outstanding Debt
General Obligation Bonds

	2017	2016	2015
Municipal	\$ 24,455,792	\$ 26,219,153	\$ 27,519,496
Education	59,389,208	61,763,700	63,043,357
Sewer	7,785,000	7,937,147	7,937,147
Total Debt	\$ 91,630,000	\$ 95,920,000	\$ 98,500,000

Moody's Investors Service reviewed and assigned a rating of "Aa3" to the Town of Scarborough, Maine, (the Town) 2017 General Obligation (GO) Bonds. Moody's has affirmed the Aa3 rating on all of the Town's outstanding GO debt per its rating report dated May 17, 2017. Moody's Aa3 rating "reflects the Town's moderately sized tax base with above average wealth levels, improving financial position with satisfactory reserves, and manageable debt and pension liabilities." Moody's detailed rating considerations are as follows:

- **Economy and Tax Base.** Scarborough has a 'moderately growing tax base with above average income.' With Scarborough's favorable location in Cumberland County, Moody's believes the Town's diverse tax base will continue to grow and which provides convenient commuter and commercial access to employment and economic centers. The Town's equalized state value went down only slightly during the recession and values have continued to increase for the past four years.
- **Financial Operations and Reserves.** Moody's views Scarborough's overall financial position as stable with satisfactory reserves. The town remains in compliance with its recently updated formal policy.
- **Debt and Pensions.** Moody's sees Scarborough's debt burden remaining elevated if it continues to finance its capital improvement plan but also acknowledges the Town's commitment to increasing pay as you go financing. The Town fully funds its required contributions for pension plans. Moody views the Town's OPEB total liability as "manageable."
- **Management and Governance.** The Town management team employs "conservative budgeting and financial management" as shown in an improving reserve levels, compliance with formal fund balance policy and long term planning for capital improvements.

Standard and Poor's Rating Services (S&P) has affirmed the Town of Scarborough bond rating of "AA+" on the Town's existing GO debt. Additionally, S&P has assigned its "AA+" rating and stable outlook to the Town's series 2017 GO bonds per its rating report dated May 22, 2017. The stable outlook reflects the Town's very strong economy and liquidity. Given the Town's historical fiscal performance, S&P does not expect to change the rating within the two-year outlook period. S&P's rating reflects their judgment of the Town's:

- **Strong Budgetary Performance.** "The Town had operating surpluses of 3.1% of expenditures in the General Fund and 2.0% across all governmental funds. General fund operating results of the Town have been stable over the last three years."
- **Very Strong Economy.** The Town, a primarily residential community, has direct access to Maine's major arteries (Interstates 95, 295 and US Rt. One) connecting it to larger employment centers through Cumberland County. In addition, Scarborough has a sizable employment base that consists of smaller commercial and industrial businesses.
- **Strong Management.** S&P views the Town's management as strong with "good" financial policies and practices under S&P's Financial Management Assessment methodology.
- **Strong Budgetary Flexibility.** Scarborough's budget flexibility is viewed as strong due to an available fund balance in fiscal 2016 of 11% of operating expenditures. "The Town has consistently maintained this strong flexibility over the last three years and is expected to end fiscal 2017 with another increase." In addition, the Town has updated its formal reserve policy, which now targets its unassigned fund balance to be maintained at 10% of the budget.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

- Very Strong Liquidity. The Town’s total government available cash at 20.4% of total governmental fund expenditures and 3.5x governmental debt service, and ‘has strong access to eternal liquidity if necessary.’
- Strong Debt and Contingent Liability Profile. Scarborough’s debt service carrying charges at 5.8% of expenditures and net direct debt that is 114.1% of total governmental fund revenue. ‘Overall net debt is at 2.9% of market value, which S&P views as a positive credit factor.’
- Strong institutional framework. ‘The score for institutional framework for Maine municipalities is strong.’

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

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

In adopting the budget for the ensuing fiscal year, the Town of Scarborough’s officials considered many factors in making judgments and estimates about the finances of the upcoming year. The Town Council’s budget goals for fiscal year 2018 were to have:

OUTCOMES:

- Enhance financial management practices.
- Increase communications on the budget process.
- Manage the annual budget to a reasonable and sustainable level.
- Improve data availability used to inform decision-making.

ACTIONS:

- Develop and execute a Communications Plan and standardize the practices.
- Approve a Town wide budget that keeps the tax rate increase to less than or around 3%.
- Approve standardized metrics, dashboards and benchmarks by December 31, 2017.

This budget reflects a \$1,438,996 loss of General Purpose Aid to Education (GPA). This is a 40.1% decrease from FY2017 and a 69.6% decrease since FY2009. This annual GPA volatility is over since Scarborough is now considered a minimal receiver community thereby receiving the minimum GPA allowed by the State.

In cooperation with the Scarborough School Department, the Town of Scarborough 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 continues to look for ways to improve the budget process and budget document. For the fiscal 2018 budget, an “At a Glance” infographic summary of each department was added to the budget document to complement each department’s organizational information. The Town of Scarborough 2018 Budget Document can be found at <http://www.scarboroughmaine.org/Town Government/Budget>.

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

2018	\$3,785,488,342, an increase of \$9,125,842 over 2017,
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 the 2014 value of \$3,660,305,700.

The 2018 property tax rate of \$16.49 is 3.58% higher than the 2017 tax rate of \$15.92. Maine municipalities have taxing authority for property taxes alone. Only, the State of Maine can assess sales and income taxes.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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.

Per the Town of Scarborough’s Fund Balance policy, as amended, funds in excess of 12% may be used toward property tax stabilization or for capital needs. For fiscal 2018, the school anticipates using fund balance for operational needs and repayment of debt.

2018	\$ 2,100,000	2015	\$ 800,000
2017	\$ 952,888	2014	\$ 200,000
2016	\$ 425,000		

As stated earlier, the Town Council amended the fund balance policy. Once the fund balance level of 12% is achieved, the intent is to dedicate any excess balances towards major capital improvements or property tax stabilization.

Below is a comparison of the 2016, 2017 and 2018 budgets (excluding carry forwards).

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Administration	\$ 2,238,284	\$ 2,020,725	\$ 1,775,296
Finance Department	1,030,572	955,618	992,910
Information Systems	1,207,438	1,188,613	1,163,646
Planning Department	976,741	953,915	918,035
Community Services	2,729,722	2,748,857	2,656,296
Library	1,130,246	1,099,898	1,022,538
Economic Development	234,773	224,694	215,180
General Assistance	30,211	29,656	29,156
Fire/Rescue/EMA Department	5,043,056	4,856,621	4,246,296
Public Safety Department	6,415,138	6,282,325	5,861,456
Public Works Department	6,762,140	6,755,141	6,718,059
Debt Service	4,817,198	4,840,496	4,906,499
Capital Equipment	1,040,617	1,148,470	892,030
Total Municipal Operating	33,656,136	33,105,029	31,397,397
Education	47,307,869	46,037,872	43,725,308
County Tax	2,709,666	2,568,852	2,493,342
Total Operating Budget	83,673,671	81,711,753	77,616,047
School Food Services	1,521,802	1,471,066	1,495,568
Capital Improvement-Municipal	3,838,750	2,113,632	2,657,750
Capital Improvement-School	1,396,200	1,380,830	1,297,451
TIFs and Overlay	987,054	1,081,403	1,448,286
Total Budget	\$ 91,417,477	\$ 87,758,684	\$ 84,515,102

REQUEST FOR INFORMATION

For all those with and interest in the Town of Scarborough, this financial report is designed to provide a general overview of the Town of Scarborough’s finances. 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 rporter@scarboroughmaine.org.

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Town of Scarborough Maine Comprehensive Annual Financial Report



Basic Financial Statements

Project of the Year 2017: New Build – Martin's Point Health Care

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TOWN OF SCARBOROUGH, MAINE
Statement of Net Position
June 30, 2017

	Governmental Activities	Component Unit Public Library
ASSETS		
Cash and cash equivalents	\$ 18,166,134	153,434
Investments	7,232,008	599,878
Receivables:		
Accounts, net	920,033	1,952
Intergovernmental	334,537	-
Taxes receivable	157,657	-
Tax liens	778,838	-
Tax acquired property	7,231	-
Inventory	48,652	1,230
Notes receivable	1,221,755	-
Capital assets, not being depreciated	10,292,708	-
Capital assets, net	137,007,116	767,235
Total Assets	176,166,669	1,523,729
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	2,197,594	-
Deferred pension items	5,800,872	-
Total deferred outflows of resources	7,998,466	-
LIABILITIES		
Accounts payable and other current liabilities	3,842,825	12,573
Accrued payroll and other related liabilities	4,709,522	50,025
Unearned revenues	58,208	-
Accrued interest	547,421	-
Noncurrent liabilities:		
Due within one year	7,273,179	-
Due in more than one year	102,636,296	-
Total Liabilities	119,067,451	62,598
DEFERRED INFLOWS OF RESOURCES - PENSION		2,005,865
NET POSITION		
Net investment in capital assets	61,708,817	767,235
Restricted for:		
Nonexpendable trust principal	163,568	106,784
Expendable trust - income portion	90,320	-
Town grants and projects	1,285,401	-
Education	2,343,952	-
Unrestricted	(2,500,239)	587,112
Total Net Position	\$ 63,091,819	1,461,131

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2017

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
					Governmental activities	Public Library
Primary government:						
Governmental activities:						
General government	\$ 14,526,261	2,821,305	601,439	161,912	(10,941,605)	-
Public services	4,923,303	2,883,349	10,952	-	(2,029,002)	-
Public safety	11,496,900	3,094,403	182,434	-	(8,220,063)	-
Public works	8,245,900	1,740,432	317,212	-	(6,188,256)	-
Education	46,499,772	1,268,370	8,374,175	-	(36,857,227)	-
Interest on debt service	3,230,297	-	-	-	(3,230,297)	-
Total governmental activities	88,922,433	11,807,859	9,486,212	161,912	(67,466,450)	-
Total primary government	\$ 88,922,433	11,807,859	9,486,212	161,912	(67,466,450)	-
Component unit:						
Scarborough Public Library	\$ 1,277,692	-	1,250,197	-	-	(27,495)
General revenues:						
Property taxes, levied for general purposes				\$ 59,446,339		-
Excise taxes				5,902,844		-
Payments in lieu of taxes				71,450		-
Interest and costs on taxes				101,590		-
Franchise Tax				200,984		-
Grants and contributions not restricted to specific programs:						
Homestead exemption and business equipment exemption				1,098,137		-
Other State aid				198,254		-
State Revenue Sharing				797,303		-
Unrestricted investment earnings				175,917		-
Other				112,938		-
Total general revenues				68,105,756		-
Change in net position					639,306	(27,495)
Net position - beginning, (as restated - primary government)					62,452,513	1,488,626
Net position - ending					\$ 63,091,819	1,461,131

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2017

	General	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,372,662		793,472	18,166,134
Investments	645,900		6,586,108	7,232,008
Receivables:				
Accounts, net	800,919		119,114	920,033
Intergovernmental	199,023		135,514	334,537
Taxes receivable	157,657		-	157,657
Tax liens	778,838		-	778,838
Interfund loans receivable	2,666,910		554,429	3,221,339
Tax acquired property	7,231		-	7,231
Inventory	12,598		36,054	48,652
Notes receivable	-	1,221,755	-	1,221,755
Total assets	\$ 22,641,738	1,221,755	8,224,691	32,088,184
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	2,704,002		1,138,823	3,842,825
Accrued payroll and other related liabilities	4,709,522		-	4,709,522
Accrued compensated absences	99,129		-	99,129
Interfund loans payable	-	2,958,308	263,031	3,221,339
Unearned revenues	58,208	-	-	58,208
Total liabilities	7,570,861	2,958,308	1,401,854	11,931,023
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	786,089		-	786,089
Total deferred inflows of resources	786,089	-	-	786,089
Fund balances:				
Nonspendable Permanent Fund Principal			163,568	163,568
Nonspendable Inventory	12,598		36,054	48,652
Restricted for Town	2,958,307		1,375,721	4,334,028
Restricted for Education	241,488		11,221	252,709
Committed - General Fund	400,241		-	400,241
Committed - Education	-		403,525	403,525
Committed - Special Revenues	-		4,842,211	4,842,211
Assigned - General Fund	1,676,064		-	1,676,064
Assigned - Education	2,102,464		-	2,102,464
Unassigned Town	6,893,626	(1,736,553)	(9,463)	5,147,610
Total fund balances	14,284,788	(1,736,553)	6,822,837	19,371,072
Total liabilities, deferred inflows of resources and fund balances	\$ 22,641,738	1,221,755	8,224,691	
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.				147,299,824
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				786,089
Deferred charge on refunding is not a financial resource and, therefore, is not reported in the funds				2,197,594
Long-term liabilities, including related deferred inflows and outflows, are not due and payable in the current period and therefore, are not reported in the funds.				
Bonds payable, including issuance premiums				(96,679,838)
Accrued interest				(547,421)
Landfill liability				(405,084)
Other postemployment benefits liability				(1,899,707)
Net pension liability with related deferred inflows and outflows of resources				(4,695,080)
Accrued compensated absences				(2,335,630)
Net position of governmental activities				\$ 63,091,819

TOWN OF SCARBOROUGH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2017

	General	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 65,728,769	-	220,500	65,949,269
Licenses and permits	781,757	-	-	781,757
Intergovernmental	9,252,343	-	1,701,311	10,953,654
Interest earned	175,917	2,284	248,289	426,490
Donations	-	-	673,858	673,858
Sale of lots	-	-	8,390	8,390
Assessments and impact fees	-	-	2,573,583	2,573,583
Other	6,228,438	-	1,708,312	7,936,750
Total revenues	82,167,224	2,284	7,134,243	89,303,751
Expenditures:				
Current:				
General government	5,290,189	-	-	5,290,189
Public services	4,852,147	-	-	4,852,147
Public safety	10,845,773	-	-	10,845,773
Public works	6,529,061	-	-	6,529,061
Education	48,091,286	-	2,705,670	50,796,956
County tax	2,568,852	-	-	2,568,852
Debt service	4,857,655	-	-	4,857,655
Capital improvements	1,148,329	-	5,352,334	6,500,663
Other	173,207	34	2,466,868	2,640,109
Total expenditures	84,356,499	34	10,524,872	94,881,405
Excess (deficiency) of revenues over expenditures	(2,189,275)	2,250	(3,390,629)	(5,577,654)
Other financing sources (uses):				
Transfers in	2,498,932	145,692	563,077	3,207,701
Transfers out	(774,116)	(370,000)	(2,063,585)	(3,207,701)
General obligation bonds	574,270	-	2,180,730	2,755,000
Total other financing sources (uses)	2,299,086	(224,308)	680,222	2,755,000
Net change in fund balances	109,811	(222,058)	(2,710,407)	(2,822,654)
Fund balances (deficit), beginning of year, (as restated - other governmental funds)	14,174,977	(1,514,495)	9,533,244	22,193,726
Fund balances (deficit), end of year	\$ 14,284,788	(1,736,553)	6,822,837	19,371,072

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, 2017

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

Net change in fund balances - total governmental funds (Statement 4)	\$	(2,822,654)
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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	\$4,414,634	(343,215)
Depreciation expense	(4,477,091)	
Net book value of dispositions	(280,758)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(77,011)
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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	19,938
Landfill	4,050
Compensated absences	(101,176)
Other postemployment benefits liability	(144,292)
Net pension liability with deferred outflows and inflows of resources	(509,384)

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.	199,715
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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	\$ (2,755,000)	
General obligation bond payments	7,045,000	
Amortization of bond premiums	265,650	
Amortization of deferred charge	(142,315)	4,413,335

Change in net position of governmental activities (see Statement 2)	\$	639,306
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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, 2017

	Budgeted amounts			Actual	Variance with final budget positive (negative)
	Original	Final			
Revenues:					
Taxes	\$ 65,336,909	65,336,909	65,728,769	391,860	
Licenses and permits	727,805	727,805	781,757	53,952	
Intergovernmental	6,373,204	6,373,204	6,322,343	(50,861)	
Interest earned	15,000	15,000	175,917	160,917	
Unclassified	6,114,490	6,114,490	6,228,438	113,948	
Total revenues	78,567,408	78,567,408	79,237,224	669,816	
Expenditures:					
Current:					
General government	5,166,619	5,166,619	5,337,246	(170,627)	
Public services	4,923,293	4,923,293	4,852,147	71,146	
Public safety	11,252,354	11,252,354	10,845,773	406,581	
Public works	6,774,857	6,774,857	6,529,061	245,796	
Education	46,013,985	46,013,985	45,161,286	852,699	
County tax	2,568,852	2,568,852	2,568,852	-	
Debt service	4,840,496	4,840,496	4,857,655	(17,159)	
Capital improvements	1,321,874	1,321,874	1,148,329	173,545	
Total expenditures	82,862,330	82,862,330	81,300,349	1,561,981	
Excess (deficiency) of revenues over expenditures	(4,294,922)	(4,294,922)	(2,063,125)	2,231,797	
Other financing sources (uses):					
Transfers in	2,524,007	2,524,007	2,498,932	(25,075)	
Transfers out	(170,692)	(170,692)	(774,116)	(603,424)	
Utilization of surplus	1,588,314	1,588,314	-	(1,588,314)	
General obligation bonds	526,500	526,500	574,270	47,770	
Refunding bond issued	-	-	-	-	
Premium received on refunded bonds	-	-	-	-	
Premium received on issued bonds	-	-	-	-	
Payment to refunding bond escrow agent	-	-	-	-	
Overlay	(173,207)	(173,207)	(173,207)	-	
Total other financing sources (uses)	4,294,922	4,294,922	2,125,879	(2,169,043)	
Net change in fund balances - budgetary basis			62,754	62,754	
Reconciliation to GAAP basis:					
Change in current portion of accrued compensated absences			47,057		
Net change in fund balances - GAAP basis			109,811		
Fund balance, beginning of year			14,174,977		
Fund balance, end of year	\$		14,284,788		

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	333,153
Investments	225,428	-
Total assets	225,428	333,153
LIABILITIES		
Due to student groups	-	333,153
Total liabilities	-	333,153
NET POSITION		
Held in trust	\$ 225,428	-

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, 2017

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ 150
Interest and dividends	1,039
Total additions	1,189
Deductions:	
School scholarships	5,900
Total deductions	5,900
Change in net position	(4,711)
Net position, beginning of year	230,139
Net position, end of year	\$ 225,428

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 (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 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 blended presentation method. The Town provided \$220,133, or 96.7% of total revenues, to SEDCO for the year ended June 30, 2017.

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 \$1,099,898, or 91.1% of total revenues, to the Library for the year ended June 30, 2017.

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 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 with the exception of rescue billing receivables.

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. When applicable, donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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.

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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 in the statement of net position. 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 and it is from 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. Any funds set aside as Assigned Fund Balance must be reported to the Town Council. The Town Manager has authorized carry forward balances to be used to offset 2018 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, when fund balance is negative, the negative amount is reported as unassigned.

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 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 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.

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 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 and was adopted by the Town as of June 30, 2017. The adoption of this statement is disclosed on page 77.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 (OPEB)*. 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.

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>
2016-2017 budget as adopted	\$82,772,156	\$82,772,156
Budgetary adjustments:		
Subsequent authorization	-	-
Prior year encumbrances and carry forwards	434,073	434,073
Total adjusted budget	\$ 83,206,229	\$ 83,206,229

B. Deficit Fund Balance

At June 30, 2017, the following special revenue and capital projects funds had deficit fund balances:

The Haigis Parkway Assessments Fund had a deficit of \$1,736,553. 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, 2017, the Town reported deposits of \$18,499,287 with a bank balance of \$18,720,029. Of the Town's bank balances of \$18,720,029, \$152,688 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	\$18,166,134
Reported in fiduciary funds	333,153
Total deposits	\$18,499,287

At June 30, 2017, the Scarborough Public Library's cash balances was \$153,434, all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2017, 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	\$7,457,436	\$7,457,436	-	-
Total investments	\$7,457,436	\$7,457,436	-	-

Investments have been reported as follows:

Reported in governmental funds	\$7,232,008
Reported in fiduciary funds	225,428
Total investments	\$7,457,436

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 19, 2016, 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 17, 2016 and 50% on March 15, 2017. 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, 2017 and the Town's value was 94% of the 2017 State valuation of \$3,899,350,000.

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 \$173,207 for the year ended June 30, 2017.

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, 2017 levy:

Assessed value	\$ 3,776,362,500
Tax rate (per \$1,000)	15.92
Commitment	60,119,691
<u>Supplemental taxes assessed</u>	<u>11,618</u>
	60,131,309
<u>Less - collections and abatements</u>	<u>59,613,619</u>
<u>Receivable at June 30</u>	<u>517,690</u>
Consisting of:	
Taxes	\$ 26,527
Liens	491,163
<u>Receivable at June 30</u>	<u>\$ 517,690</u>
Collection rate	99.14%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,159,182	\$ -	\$ -	\$ 7,159,182
Deposit Equipment	-	-	-	-
<u>Construction in progress</u>	<u>2,420,932</u>	<u>908,496</u>	<u>195,902</u>	<u>3,133,526</u>
<u>Total capital assets, not being depreciated</u>	<u>9,580,114</u>	<u>908,496</u>	<u>195,902</u>	<u>10,292,708</u>
Capital assets, being depreciated:				
Buildings	103,093,298	98,816	-	103,192,114
Vehicles	14,252,751	1,802,802	1,227,546	14,828,007
Equipment and furniture	6,579,762	854,686	125,566	7,308,882
<u>Infrastructure</u>	<u>59,292,751</u>	<u>945,515</u>	<u>3,891</u>	<u>60,234,375</u>
<u>Total capital assets being depreciated</u>	<u>183,218,561</u>	<u>3,701,819</u>	<u>1,357,003</u>	<u>185,563,377</u>
Less accumulated depreciation for:				
Buildings	19,664,348	1,775,292	-	21,439,640
Vehicles	8,164,815	1,327,727	971,210	8,521,332
Equipment and furniture	4,872,441	389,080	104,487	5,157,034
<u>Infrastructure</u>	<u>12,453,811</u>	<u>984,991</u>	<u>547</u>	<u>13,438,255</u>
<u>Total accumulated depreciation</u>	<u>45,155,415</u>	<u>4,477,091</u>	<u>1,076,245</u>	<u>48,556,261</u>
<u>Total capital assets being depreciated, net</u>	<u>138,063,146</u>	<u>(775,272)</u>	<u>280,758</u>	<u>137,007,116</u>
<u>Governmental activities capital assets, net</u>	<u>\$147,643,260</u>	<u>\$133,224</u>	<u>\$476,660</u>	<u>\$147,299,824</u>

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

Governmental activities:	
General government	\$ 375,502
Public services	64,550
Public safety	537,116
Public works, including depreciation of general infrastructure assets	1,666,915
Education	1,833,008
<u>Total depreciation expense – governmental activities</u>	<u>\$ 4,477,091</u>

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

	<u>Library</u>
Buildings	\$1,670,741
Furniture and fixtures	713,958
<u>Books</u>	<u>900,902</u>
Total	3,285,601
<u>Less accumulated depreciation</u>	<u>(2,518,366)</u>
<u>Property and equipment, net</u>	<u>\$ 767,235</u>
<u>Depreciation expense</u>	<u>\$ 139,664</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES

Interfund balances result from the sharing of pooled cash and investments. Individual interfund loans receivables and loans payables at June 30, 2017, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$2,666,910</u>	<u>-</u>
<u>Haigis Parkway</u>	<u>-</u>	<u>\$2,958,308</u>
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Fire Dept Equipment	850	-
Recreational development	69,560	
Payne Road Impact Fees	3,390	-
Other Impact Fees	13,732	34,024
Rescue equipment	416,523	89,418
<u>Departmental grants and programs</u>		<u>134,160</u>
<u>Total Nonmajor Special Revenue Funds</u>	<u>504,055</u>	<u>257,602</u>
Nonmajor Capital Project Funds:		
Oak Hill Intersection Improvements	34,024	
<u>IT K-2 Tech Refresh</u>	<u>-</u>	<u>4,885</u>
<u>Total Nonmajor Capital Project Funds</u>	<u>34,024</u>	<u>4,885</u>
Nonmajor Permanent Funds		
Scarborough Memorial Cemetery	16,350	-
Dunstan Perpetual Care	-	544
<u>Total Permanent Funds</u>	<u>16,350</u>	<u>544</u>
<u>Total Other Governmental Funds</u>	<u>554,429</u>	<u>263,031</u>
<u>Private-purpose Trust Funds</u>	<u>-</u>	<u>-</u>
<u>Total all funds</u>	<u>\$3,221,339</u>	<u>\$3,221,339</u>

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, 2017, 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	\$2,498,932	\$ 774,116
Haigis Parkway Assessments	145,692	370,000
Nonmajor Governmental Funds	563,077	2,063,585
Total	\$3,207,701	\$3,207,701

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, 2017, 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	\$95,920,000	\$2,755,000	\$7,045,000	\$91,630,000	\$7,170,000
Premium	5,315,488	-	265,650	5,049,838	
Capital leases	199,715	-	199,715	-	-
Compensated absences	2,333,261	200,305	98,807	2,434,759	99,129
Other postemployment					
Benefits liability	1,755,415	144,292	-	1,899,707	
Net pension liability	5,441,015	3,049,072	-	8,490,087	
Landfill post-closure care costs	409,134	-	4,050	405,084	4,050
Governmental activity					
Long-term liabilities	\$111,374,028	\$6,148,669	\$7,613,222	\$109,909,475	\$7,273,179

As of June 30, 2017, the Town had authorized, but unissued debt totaling \$2,872,482. 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, 2017 is comprised of the following:

General Obligation Notes and Bonds	Amount originally issued	Percentage applicable to			Interest rate	Final maturity date	Balance end of year
		Town	School	Sewer			
2008 Capital improvements	8,513,000	74.10%	25.90%	-	Varies	2028	\$ 575,000
2009 Capital improvements	4,560,000	96.77%	3.23%	-	Varies	2029	620,000
2009 Capital improvements	1,780,000	78.35%	21.65%	-	2.00%	2020	485,000
2010 Capital improvements	6,002,000	88.27%	11.73%	-	2.00%	2031	3,280,000
2011 Capital improvements	5,600,000	91.37%	8.63%	-	Varies	2031	2,550,000
2012 Capital improvements	46,545,000	4.36%	76.94%	18.70%	Varies	2042	41,625,000
2013 Capital improvements	25,685,000	7.79%	92.21%	-	Varies	2043	23,280,000
2014 Capital improvements	6,505,000	50.59%	49.41%	-	Varies	2034	4,495,000
2015 Capital improvements	6,085,000	88.03%	11.97%	-	Varies	2035	5,090,000
2016 Capital improvements	7,540,000	84.25%	15.75%	-	Varies	2036	6,875,000
2017 Capital improvements	2,755,000	59.84%	40.16%	-	Varies	2037	2,755,000
Total							\$91,630,000

The annual requirements to amortize all debt outstanding as of June 30, 2017 are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 7,170,000	\$ 3,227,906	\$ 10,397,906
2019	7,310,000	3,010,688	10,320,688
2020	6,695,000	2,778,806	9,473,806
2021	6,740,000	2,526,781	9,266,781
2022	6,250,000	2,298,200	8,548,200
2023-2027	22,725,000	8,771,528	31,496,528
2028-2032	17,590,000	5,037,338	22,627,338
2033-2037	10,335,000	2,226,863	12,561,863
2038-2042	6,250,000	713,988	6,963,988
2043	565,000	10,594	575,594
Totals	\$ 91,630,000	\$30,602,692	\$122,232,692

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, 2017 Outstanding Bonds	Percent of 2017 State assessed value of \$ 3,899,350,000	Amount	Margin
For school purposes	\$ 59,389,208	10.00%	\$389,935,000	\$330,545,792
For storm or sanitary sewer	7,785,000	7.50%	292,451,250	284,666,250
For municipal airport, water and special district purposes	-	3.00%	116,980,500	116,980,500
For all other purposes	24,455,792	7.50%	292,451,250	267,995,458
Total	\$ 91,630,000			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$584,902,500. The total debt margin based on this limit is \$493,272,500.

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.

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, 2017, the Town's State valuation of \$3,899,350,000 was 9.25% of the County's State valuation of \$42,139,850,000. The Town's share is 9.25% or \$3,463,994 of Cumberland County's \$37,435,000 long-term debt outstanding as of June 30, 2017.

The Town is also served by the Portland Water District. At June 30, 2017, the Town's share of self-supporting bonded water debt is 13.91% or \$6,395,828 of total debt of \$45,980,073.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED

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 \$14,564,514 at June 30, 2017, the most recent data available. The Town’s proportionate share of these estimated landfill closure and postclosure care costs is 9.05%, or \$1,318,225.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2017			Total debt
	Direct debt	Overlapping debt	Contingent debt	
Town of Scarborough	\$ 91,630,000	-	-	\$ 91,630,000
Cumberland County	-	\$ 3,463,994	-	3,463,994
Portland Water District - water debt	-	6,395,828	-	6,395,828
<u>ecomaine landfill closure/postclosure costs</u>	-	-	<u>\$1,318,228</u>	<u>1,318,228</u>
Totals	\$ 91,630,000	\$9,859,822	\$1,318,228	\$102,808,050

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, 2017, 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 ongoing litigation relating to tax abatement appeals, a ruling was made in May 2017 which required the Town to abate \$381,289 of taxes to the taxpayers, together with interest of \$81,946, which was paid by the Town in October 2017. This total amount of \$463,235 has been accrued in the financial statements as of June 30, 2017. Additionally, there currently is an additional appeal pending before the Superior Court in which the taxpayers are requesting an unspecified additional abatement, which could bring the total abatement to approximately \$1,600,000, before interest. On December 1, 2017 the Superior Court remanded the appeal to the Board of Assessment Review (BAR). The Court instructed the BAR to consider a recalculation of the abatements, which would appear to represent a maximum exposure to the Town of approximately \$800,000. Mediation has been scheduled for March 6, 2018 and an April 24, 2018 BAR meeting has been set for the hearings on this remand. Any additional potential financial exposure is expected to be covered by the Overlay appropriated annually, property tax abatements and available fund balance.

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, 2017, approximately 20% of the landfill's total capacity has been used. The estimated total current cost of landfill closure, \$405,084 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, 2017. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

The total closure and postclosure care costs of \$405,084 have been accrued in the statement of activities for the year ended June 30, 2017. 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, 2017, the General Fund includes four programs that previously were reported in the financial statements as Special Revenue Funds. This change, which was initially made June 30, 2011, is the result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Activity of these four 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, 2016</u>	<u>June 30, 2017</u>
Unemployment Compensation	\$ 162,907	\$ 169,163
Hurd Park and Ferry Beach	321,144	212,508
Hunnewell House	<u>18,712</u>	<u>18,570</u>
Total reclassification	<u>\$ 502,763</u>	<u>\$ 400,241</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, 2017:

	General Fund	Haigis Parkway Assess	Nonmajor Governmental
Fund Balances:			
Nonspendable-Permanent Funds	\$ -	\$ -	\$ 163,568
Nonspendable-Inventory	12,598	-	36,054
	<u>12,598</u>	<u>-</u>	<u>199,622</u>
Restricted			
Permanent Fund Interest		-	90,320
Deficits in Other Funds (Haigis Parkway)	2,958,307	-	-
Credit Enhancement Agreements	-	-	43,118
Eastern Trail Alliance (Close the Gap)	-	-	326,419
Grants and Donations	-	-	119,595
Fire Department Equipment	-	-	38,629
Police Asset Forfeiture	-	-	117,165
Town Improvements	-	-	640,475
Education	241,488	-	11,221
	<u>3,199,795</u>	<u>-</u>	<u>1,386,942</u>
Committed			
Unemp. Comp/Beach Reserve/Hunnewell	400,241	-	
Impact Fees/Reserves	-	-	4,842,211
Education	-	-	403,525
	<u>400,241</u>	<u>-</u>	<u>5,245,736</u>
Assigned			
Carryforward Balances/Encumbrances	1,676,064	-	
Education	2,102,464	-	
	<u>3,778,528</u>	<u>-</u>	<u>-</u>
Unassigned			
	6,893,626	(1,736,553)	(9,463)
Total Fund Balances	<u>\$14,284,788</u>	<u>\$(1,736,553)</u>	<u>\$6,822,837</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES

At June 30, 2017, portions of the General Fund balance were assigned to future periods as follows:

	<u>2017</u>
General Fund:	
State Revenue Sharing	\$ (18,009)
Assistant Town Manager – Employee Training	1,575
Human Resource – Employee Assistance Program	1,361
Human Resource – Employee Training	647
Finance – Training	4,905
Planning Initiatives (former Comprehensive Plan)	24,312
Planning – Sale of Equipment	5,100
CS Municipal Building – Building Repairs & Maint.	12,307
CS Municipal Building – Equipment Maintenance	7,209
CS Municipal Building – Operational Supplies	5,046
CS Oak Hill Professional Building – Maintenance/Repairs	1,960
Cable Franchise Fees	25,420
Summer Recreation	62,198
SEDCO Marketing	1,600
Marine Resource Office – Inventory Management	11,181
Town-Wide Computer Purchases	3,861
MIS – Core Switch Upgrade	15,402
MIS – New Vehicle	976
Planning Department – New Vehicles	2,230
Fire Department – Municipal Holding Tank	5,323
Fire Department – New Fire Pumper Truck	149
Police Department – OOB Equipment Setup	2,452
Public Works – HVAC Improvements/Replacement	82,000
Encumbered purchase orders	155,558
Fund Balance Appropriated for 2017 Adult Education	2,464
Fund Balance Appropriated for the 2017 Education Budget	2,100,000
Reserve for Accrued Sick Pay	1,261,301
Total General Fund Assigned Fund Balance	\$ 3,778,528

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 236 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 283 participating employers.

Employee membership data related to the Plans, as of June 30, 2016 was as follows:

	Teachers	PLD
Current participants: Vested and non-vested	39,942	11,019
Terminated participants: Vested	7,783	2,221
Terminated participants: Inactive due refunds	37,656	6,849
Retirees and beneficiaries receiving benefits	<u>34,181</u>	<u>8,847</u>
	<u>119,562</u>	<u>28,936</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, 2017, the Town's total payroll for all employees was \$42,386,412. Total covered payroll was \$23,568,099 for the Teacher Plan and \$7,305,860 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 10.02% 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, 2017, was 3.36% percent of annual teacher payroll, plus 10.02% 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, 2017 were \$838,381.

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 8.0%, police employees contribute 9.5% 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 employer's contribution, other than Police and Fire/Rescue, required rate for the year ended June 30, 2017, was 9.6% of annual payroll. The Police and Fire/Rescue required contribution rate for the year ended June 30, 2017 was 12.2% or 15.7%, 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, 2017 were \$815,586.

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

Teacher Plan

At June 30, 2017, 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	\$ 624,320
State's proportionate share of the net pension liability associated with the Town of Scarborough School Department	<u>33,161,075</u>
Total	<u>\$ 33,785,395</u>

The net pension liability was measured as of June 30, 2016, 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, 2016, the School Department's proportion was 0.035 percent, which was a decrease of 0.007 percent from its proportion measured as of June 30, 2015.

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, 2017, the School Department recognized pension expense of \$957,181 and revenue of \$2,216,000 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	\$ 12,074	\$ 1,179
Changes of assumptions		16,034
Net difference between projected and actual earnings on Plan investments	199,359	81,688
Changes in proportion and differences between contributions and proportionate share of contributions	33,801	61,311
Contributions subsequent to the measurement date	838,381	
Total	\$ 1,083,615	\$ 160,212

The \$838,381 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, 2017. 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,	
2018	\$ 14,881
2019	(16,919)
2020	56,150
2021	30,910
Total	\$ 85,022

PLD Plan

At June 30, 2017, the Town and the Town School Department reported a liability of \$7,865,767 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town and the Town School Department's proportion was 1.48%, which was a decrease of 0.05% from its proportion measured as of June 30, 2015.

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, 2017, the Town and the Town School Department recognized pension expense of \$1,355,195. At June 30, 2017, 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	\$ 95,352	\$ 505,916
Changes of assumptions	843,230	
Net difference between projected and actual earnings on Plan investments	2,906,659	1,209,712
Changes in proportion and differences between contributions and proportionate share of contributions	56,430	130,025
Contributions subsequent to the measurement date	815,586	
Total	\$ 4,717,257	\$ 1,845,653

The \$815,586 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, 2017. 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,	
2018	\$ 392,825
2019	280,935
2020	928,915
2021	453,343
Total	\$ 2,056,018

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Teachers Plan 2.20% and PLD Plan 2.20%, per annum
Salary increases	Teachers Plan 2.75%-14.5% and PLD Plan 2.75%-9.0%, per year
Investment rate of return	Teachers Plan 6.875% and PLD Plan 6.875%, per annum, compounded annually

Mortality rates were based on the RP-2014 Total Dataset Health Annuitant Mortality Table for Males or Females, as appropriate.

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, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015.

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%	2.9 %
U.S. equities	20%	5.7 %
Non-U.S. equities	20%	5.5 %
Real estate	10%	5.2 %
Infrastructure	10%	5.3 %
Private equity	10%	7.6 %
Hard Assets	5%	5.0 %
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.875% for the Teacher Plan and 6.875% 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 6.875% 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 (5.875%) or 1-percentage-point higher (7.875%) than the current rate:

	Discount rate	Town School Department's proportionate share of net pension liability
1% decrease	5.875%	\$ 999,696
Current discount rate	6.875%	\$ 624,320
1% increase	7.875%	\$ 311,448

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	5.875%	\$ 13,055,756
Current discount rate	6.875%	\$ 7,865,767
1% increase	7.875%	\$ 2,979,577

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 2.66% for health insurance. For the year ended June 30, 2017, the total amount of on-behalf payments was approximately \$2,930,000 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 \$3,265,000.

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 \$329,124 which was 6% of the participating employees and 17% of the Town Manager's current year covered payroll. The covered payroll amounted to \$5,206,508 while the Town's total payroll was \$14,246,202.

Employee's required contributions amounted to \$303,266 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 \$518,797 and the Town contributions amounted to \$271,361. The Town contributes a match up to 4%. The covered payroll amounted to \$6,565,267.

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, 2017 for fiscal year ending June 30, 2017.

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. As a result of the basic nature of insurance, an implicit rate subsidy is generated as a result of one risk group subsidizing another to arrive a blended premium. Therefore, current employees who are young and healthy subsidize the older retirees. 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	\$91,817
Amortization of Unfunded	164,456
<u>Interest</u>	<u>5,075</u>
Annual Required Contribution	\$261,348

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, 2017 were as follows:

Annual required contribution	\$261,348
Interest on NET OPEB Obligation	70,217
Amortization adjustment to ARC	<u>(101,516)</u>
Annual OPEB Cost	230,049
<u>Actual contribution</u>	<u>(85,757)</u>
Increase in Net OPEB Obligation	144,292
<u>Net OPEB obligation – beginning of year</u>	<u>1,755,415</u>
<u>Net OPEB Obligation – end of year</u>	<u>\$1,899,707</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>
2017	\$230,049	37%	\$1,899,707
2016	249,213	20%	1,755,415
2015	249,213	18%	1,556,926

The funded status of the plan as of June 30, 2017 was as follows:

Actuarial accrued liability	\$2,957,536
<u>Plan Assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$2,957,536
Covered payroll	\$10,607,967
Unfunded actuarial accrued liability as a percentage of covered payroll	27.9%

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	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Remaining Amortization Period	30 Years

Actuarial Assumptions:

Discount Rate	4.00%
Projected Salary Increases	2.75%
Healthcare Inflation Rate	4.00%

TAX INCREMENT FINANCING DISTRICTS AND TAX ABATEMENTS

The Town entered into property tax abatement agreements (credit enhancement agreements) with local businesses under Municipal Tax Increment Financing Districts approved by the State of Maine Department of Economic and Community Development. Under the agreements, the Town may grant reimbursement limited to incremental taxes from the new actual increased assessed value projected at 100 percent of the increase. The agreements maybe granted to businesses located within the Town that is providing economic development.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$732,197 under the program, including the following tax abatement agreements that each exceed 10 percent of the total amount abated:

A 100 percent property tax abatement to the Gateway Shoppes formerly owned by New England Expedition that is a significant employer in the City. The abatement is to assist the employer to retain employees and to expand the business. The abatement amounted to \$560,769.

A 100 percent property tax abatement to the Enterprise Business Park formerly owned by Commercial Place, LLC that is a significant employer in the City. The abatement is to assist the employer to retain employees and to expand the business. The abatement amounted to \$106,199.

All the remaining businesses abatements in the aggregate totaled \$65,229.

The Town also has an agreement for the Haigis Parkway district with total tax captured of \$145,658 which none is currently abated and the funds are utilized for Town's parkway as an investment site.

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, 2017. 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 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, 2017:

	Governmental Activities
Capital assets	\$ 195,856,085
Accumulated depreciation	(48,556,261)
Bonds payable	(83,845,000)
Premium liabilities net of amortization	(5,049,838)
Deferred charge on refunding	2,197,594
Unspent bond proceeds	1,106,237
<u>Net investment in capital assets</u>	<u>\$61,708,817</u>

The Town's Bonds payable is \$91,630,000 as stated in the footnote on page 62. For the purpose of determining net investment in capital assets, bonds payable totaling \$7,785,000, 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 Nonmajor Special Revenue Funds has been restated by increasing net position/fund balance for \$54,785 related to the Scarborough Economic Development Corporation that was reclassified from previously being reported as a discrete component unit to a blended component unit. This reclassification was made as a result of the implementation of GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which clarified the presentation requirements.

COMMITMENTS

Construction in progress of \$3,133,526 as of June 30, 2017 consists of road improvements, Eastern Trail improvements, and public works fuel station replacement. These projects are expected to be completed during the fiscal year ending June 30, 2018. The additional estimated costs to complete these projects are approximately \$2,872,482.

TOWN OF SCARBOROUGH, MAINE
Schedule of Funding Progress
Required Supplementary Information
June 30, 2017
(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]
2017	01-01-2017	\$ -	\$2,957,536	\$2,957,536	0%	\$10,607,967	27%
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, 2017
(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
2017	06-30-2016	0.035%	\$624,320	\$33,161,075	\$33,785,395	\$23,568,099	2.65%	76.21%
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
2017	06-30-2016	1.48%	\$7,865,767	\$7,305,860	75.65 %	81.61%
2016	06-30-2015	1.53%	\$4,875,343	\$6,444,728	107.66 %	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, 2017
(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
2017	06-30-2016	\$838,381	\$838,381	\$0	\$23,568,099	3.56%
2016	06-30-2015	\$649,178	\$649,178	\$0	\$22,450,059	2.89%
2015	06-30-2014	\$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
2017	06-30-2016	\$815,586	\$815,586	\$0	\$7,305,860	11.16%
2016	06-30-2015	\$694,798	\$694,798	\$0	\$6,444,728	10.78%
2015	06-30-2014	\$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, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 17,372,662	16,634,125
Investments	645,900	751,414
Receivables:		
Taxes receivable	157,657	188,545
Tax liens	778,838	866,101
Accounts receivable , net	800,919	778,066
Intergovernmental	199,023	170,666
Inventory	12,598	31,301
Interfund loans receivable	2,666,910	2,570,631
Tax acquired property	7,231	7,231
Total assets	\$ 22,641,738	21,998,080
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other current liabilities	2,704,002	2,044,181
Accrued payroll and other related liabilities	4,709,522	4,774,805
Accrued compensated absence (current)	99,129	98,807
Unearned revenues	58,208	42,210
Total liabilities	7,570,861	6,960,003
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	786,089	863,100
Total deferred inflows of resources	\$ 786,089	863,100
Fund balance:		
Nonspendable inventory	12,598	31,301
Restricted - Town	2,958,307	2,742,860
Restricted - Education	241,488	2,223,786
Committed - Town	400,241	502,763
Assigned - Town	1,676,064	2,140,455
Assigned - School	2,102,464	426,253
Unassigned - Town	6,893,626	6,107,559
Total fund balance	14,284,788	14,174,977
Total liabilities, deferred inflows of resources and fund balance	\$ 22,641,738	21,998,080

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, 2017
(with comparative totals for June 30, 2016)

	2016 carryforward	2017		2016 Actual	Variance positive (negative)	2016 Actual
		Budget	Total Available			
Revenues:						
Taxes:						
Property taxes	\$ -	59,824,192	59,824,192	59,446,340	(377,852)	57,527,365
Change in deferred property tax revenue	-	-	-	77,011	77,011	(56,621)
Excise taxes	-	5,227,000	5,227,000	5,902,844	675,844	5,626,533
Cable franchise tax	-	191,317	191,317	200,984	9,667	190,592
Interest and costs on taxes	-	94,400	94,400	101,590	7,190	113,124
Total taxes	-	65,336,909	65,336,909	65,728,769	391,860	63,400,993
Licenses and permits:						
Plumbing fees	-	41,000	41,000	38,880	(2,120)	47,605
Fees and Permits	-	154,280	154,280	174,198	19,918	173,976
Building permits	-	385,000	385,000	396,157	11,157	447,687
Electrical permits	-	57,000	57,000	52,880	(4,120)	66,792
Zoning Board of Appeals	-	7,000	7,000	9,275	2,275	6,325
License plate fees	-	58,525	58,525	60,811	2,286	60,322
Subdivision fees	-	25,000	25,000	49,556	24,556	13,921
Total licenses and permits	-	727,805	727,805	781,757	53,952	816,628
Intergovernmental:						
Education state subsidies	-	3,589,147	3,589,147	3,499,284	(89,863)	4,601,471
FEMA reimbursement	-	-	-	-	-	-
Federal HIDTA revenues	-	150,000	150,000	182,434	32,434	159,132
State Revenue Sharing	-	786,994	786,994	797,303	10,309	838,395
Homestead exemption	-	544,388	544,388	544,388	-	354,367
Business equipment tax exemption	-	553,421	553,421	553,749	328	333,868
LRAP (Local Road Assistance Program)	-	325,668	325,668	317,212	(8,456)	325,668
ecomaine payment in lieu of taxes	-	71,450	71,450	71,450	-	71,450
General assistance reimbursement	-	1,500	1,500	10,952	9,452	6,386
Adult education State subsidies	-	25,000	25,000	29,306	4,306	21,244
Medicaid	-	45,000	45,000	334	(44,666)	16,716
Other Federal and State revenues - School	-	165,000	165,000	117,677	(47,323)	143,394
Other Federal and State revenues - Town	-	115,636	115,636	198,254	82,618	184,250
Total intergovernmental	-	6,373,204	6,373,204	6,322,343	(50,861)	7,056,341
Interest earned	-	15,000	15,000	175,917	160,917	84,783
Unclassified:						
School Department miscellaneous	-	311,000	311,000	284,539	(26,461)	301,333
Adult education	-	58,253	58,253	52,061	(6,192)	45,727
Community services	-	2,041,814	2,041,814	2,027,238	(14,576)	1,901,257
Insurance reimbursements	-	33,000	33,000	64,523	31,523	125,210
Public Violations	-	65,550	65,550	81,819	16,269	65,190
Special duty police/fire	-	77,000	77,000	111,003	34,003	95,601
Inspection/review fees	-	84,800	84,800	146,651	61,851	97,331
Rescue donations	-	800,000	800,000	800,000	-	747,500
Rental income	-	58,237	58,237	60,200	1,963	56,856
Sale of Town-owned property	-	102,000	102,000	161,912	59,912	149,582
Salary reimbursement	-	1,508,145	1,508,145	1,439,678	(68,467)	1,331,447
Vehicle fuel reimbursement	-	380,491	380,491	329,592	(50,899)	440,812
Vehicle maintenance reimbursement	-	527,600	527,600	556,284	28,684	577,680
Lease revenue	-	-	-	-	-	-
Miscellaneous	-	66,600	66,600	112,938	46,338	86,117
Total unclassified	-	6,114,490	6,114,490	6,228,438	113,948	6,021,643
Total revenues	-	78,567,408	78,567,408	79,237,224	669,816	77,380,388

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

	2016 carryforward	2017		Actual	Variance positive (negative)	2016 Actual
		Budget	Total available			
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	11,573	-	11,573
Administration	487	457,839	458,326	441,171	17,155	266,782
Town Clerk	1,500	193,957	195,457	193,546	1,911	184,492
Human resources	72	291,064	291,136	280,324	10,812	278,483
Personnel benefits	-	241,915	241,915	453,937	(212,022)	265,292
Finance	5,002	370,535	375,537	366,734	8,803	336,933
Purchasing	-	-	-	-	-	65,341
Taxation/Treasury	2,711	365,678	368,389	346,979	21,410	351,061
Assessing	286	219,405	219,691	209,134	10,557	206,256
Management information systems	33,329	1,188,613	1,221,942	1,136,440	85,502	1,127,537
Planning	1,161	953,915	955,076	919,589	35,487	968,306
General government	-	102,119	102,119	105,362	(3,243)	111,704
Legal	-	105,000	105,000	179,958	(74,958)	85,177
Risk management	-	593,458	593,458	673,309	(79,851)	600,393
Public information	3,200	3,300	6,500	6,690	(190)	-
Outside agencies	-	20,500	20,500	12,500	8,000	45,376
Total general government	47,748	5,118,871	5,166,619	5,337,246	(170,627)	4,904,706
Public services:						
Library	-	1,099,898	1,099,898	1,099,898	-	1,022,538
Public health and welfare	-	29,656	29,656	31,682	(2,026)	26,398
Tax Rebates (Credit Enhancement Agree)	-	762,504	762,504	732,288	30,216	715,000
Economic Development Corporation	2,000	224,694	226,694	220,133	6,561	214,490
Community services	55,684	2,748,857	2,804,541	2,768,146	36,395	2,711,870
Total public services	57,684	4,865,609	4,923,293	4,852,147	71,146	4,690,296
Public safety:						
Fire Department	36,289	3,038,530	3,074,819	2,914,591	160,228	2,426,219
Emergency Management	7,008	38,941	45,949	41,794	4,155	37,205
Emergency Medical Services	11,288	1,779,150	1,790,438	1,859,427	(68,989)	1,937,044
Marine resources	9,581	95,888	105,469	78,390	27,079	94,173
Police Department	70,242	6,165,437	6,235,679	5,951,571	284,108	5,631,302
Total public safety	134,408	11,117,946	11,252,354	10,845,773	406,581	10,125,943
Public works:						
Public Works Department	19,716	3,079,441	3,099,157	2,934,766	164,391	3,024,849
GIS/Engineering services	-	114,488	114,488	99,841	14,647	110,875
Vehicle maintenance	-	1,714,519	1,714,519	1,635,444	79,075	1,701,268
Water charges	-	217,450	217,450	217,529	(79)	209,770
Street lighting	-	186,000	186,000	188,598	(2,598)	183,816
Traffic signals	-	112,585	112,585	93,291	19,294	105,239
Cemetery care	-	18,700	18,700	17,116	1,584	17,128
Memorials	-	8,007	8,007	8,013	(6)	8,046
Shade trees	-	6,000	6,000	1,685	4,315	3,675
Solid waste program	-	1,297,951	1,297,951	1,332,778	(34,827)	1,312,943
Total public works	19,716	6,755,141	6,774,857	6,529,061	245,796	6,677,609
Education:						
Adult education	-	182,805	182,805	187,523	(4,718)	178,868
Regular instruction	-	26,854,833	26,854,833	26,456,084	398,749	25,050,826
Improvement of instruction	-	993,479	993,479	926,246	67,233	852,059
Special services	1,113	3,894,497	3,895,610	3,846,403	49,207	3,542,388
General & special administration	-	232,239	232,239	235,012	(2,773)	220,590
Board of education	-	33,323	33,323	28,956	4,367	31,370
Office of the superintendent	-	666,197	666,197	670,300	(4,103)	653,975
Business administration	-	2,017,409	2,017,409	2,013,051	4,358	1,896,014
Transportation	-	1,547,918	1,547,918	1,484,812	63,106	1,466,792
Operation and maintenance of plant	-	3,828,539	3,828,539	3,552,268	276,271	3,585,282
Debt service	-	5,761,633	5,761,633	5,760,631	1,002	3,740,323
Total education	1,113	46,012,872	46,013,985	45,161,286	852,699	41,218,487

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

	2017					2016 Actual
	2016 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Current, continued:						
County tax	\$ -	2,568,852	2,568,852	2,568,852	-	2,493,342
Debt service (excluding education):						
Principal	-	3,574,667	3,574,667	3,574,135	532	3,556,499
Interest and other costs	-	1,265,829	1,265,829	1,283,520	(17,691)	1,367,399
Total debt service	-	4,840,496	4,840,496	4,857,655	(17,159)	4,923,898
Capital improvements	173,404	1,148,470	1,321,874	1,148,329	173,545	1,037,678
Total expenditures	434,073	82,428,257	82,862,330	81,300,349	1,561,981	76,071,959
Excess (deficiency) of revenues over expenditures	(434,073)	(3,860,849)	(4,294,922)	(2,063,125)	2,231,797	1,308,429
Other financing sources (uses):						
Transfers in	-	2,524,007	2,524,007	2,498,932	(25,075)	876,717
Transfers out	-	(170,692)	(170,692)	(774,116)	(603,424)	(295,839)
General obligation bonds	-	526,500	526,500	574,270	47,770	596,556
Refunding bond issued	-	-	-	-	-	3,785,000
Premium received on refunded bonds, net of issuance costs:	-	-	-	-	-	187,329
Premium received on issued bonds, net of issuance costs	-	-	-	-	-	33,183
Payment to refunding bond escrow agent	-	-	-	-	-	(3,972,329)
Overlay	-	(173,207)	(173,207)	(173,207)	-	-
Total other financing sources (uses)	-	2,706,608	2,706,608	2,125,879	(580,729)	1,210,617
Net change in fund balances - budgetary basis	(434,073)	(1,154,241)	(1,588,314)	62,754	1,651,068	2,519,046
Utilization of prior year surplus and carrying balances	434,073	1,154,241	1,588,314	-	(1,588,314)	-
Total Utilization of Fund Balance and Carry forwards	-	-	-	62,754	62,754	2,519,046
Reconciliation to GAAP basis:						
Change in current portion of accrued compensated absences				47,057		(46,647)
Fund balances, beginning of year				14,174,977		11,702,578
Fund balances, end of year				14,284,788		14,174,977

TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 636,419	157,053	-	793,472
Investments	5,228,171	1,119,855	238,082	6,586,108
Intergovernmental receivable	135,514	-	-	135,514
Accounts receivable	119,114	-	-	119,114
Interfund loans	504,055	34,024	16,350	554,429
Inventory	36,054	-	-	36,054
Notes receivable	-	-	-	-
Total assets	\$ 6,659,327	1,310,932	254,432	8,224,691
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	484,472	654,351	-	1,138,823
Interfund loans	257,602	4,885	544	263,031
Performance bond deposits	-	-	-	-
Total liabilities	742,074	659,236	544	1,401,854
Fund balances (deficit):				
Nonspendable trust principal	-	-	163,568	163,568
Nonspendable inventory	36,054	-	-	36,054
Restricted for Town	644,926	640,475	90,320	1,375,721
Restricted for Education	-	11,221	-	11,221
Committed for Town	4,842,211	-	-	4,842,211
Committed for Education	403,525	-	-	403,525
Unassigned for Town	(9,463)	-	-	(9,463)
Total fund balances (deficit)	5,917,253	651,696	253,888	6,822,837
Total liabilities and fund balances	\$ 6,659,327	1,310,932	254,432	8,224,691

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,701,311	-	-	1,701,311
Contributions	673,858	-	-	673,858
Taxes	-	220,500	-	220,500
Assessments and impact fees	2,573,583	-	-	2,573,583
Sale of lots	-	-	8,390	8,390
Other revenue	1,667,288	41,024	-	1,708,312
Interest revenue	25,119	222,085	1,085	248,289
Total revenues	6,641,159	483,609	9,475	7,134,243
Expenditures:				
Current:				
Capital expenditures	849,717	4,502,617	-	5,352,334
Education	2,705,670	-	-	2,705,670
Other	2,466,575	-	293	2,466,868
Total expenditures	6,021,962	4,502,617	293	10,524,872
Excess (deficiency) of revenues over expenditures	619,197	(4,019,008)	9,182	(3,390,629)
Other financing sources (uses):				
Transfers in	301,151	261,926	-	563,077
Transfers out	(447,515)	(1,616,070)	-	(2,063,585)
General Obligation Bonds	-	2,180,730	-	2,180,730
Total other financing sources (uses)	(146,364)	826,586	-	680,222
Net change in fund balances	472,833	(3,192,422)	9,182	(2,710,407)
Fund balances, beginning of year, as restated	5,444,420	3,844,118	244,706	9,533,244
Fund balances, end of year	\$ 5,917,253	651,696	253,888	6,822,837

OTHER GOVERNMENTAL FUNDS

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NONMAJOR SPECIAL REVENUE FUNDS

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

Special revenue funds are established for the following purposes:

Recreational Development

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

Credit Enhancement Agreements

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

Scarborough Economic Development Corporation (SEDCO)

Scarborough Economic Development Corporation assists both current and prospective business. SEDCO supports the economic and business development to improve the quality of life in Scarborough by expanding the town's tax and employment base. The SEDCO board appoints the members of its own board however, the Town provides most of their funding.

Eastern Trail Alliance

Close the Gap - The Town of Scarborough, the Eastern Trail Alliance and other partners are working to complete the final 1.6 mile gap in the Eastern Trail that currently exists between Scarborough and South Portland. Federal, State and Local monies are all planned to help fund this project, but additional private contributions will be needed to make this a reality.

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, 2017

		Recrea- tional Develop- ment	Credit Enhancement Agreements	Scarborough Economic Development Corporation	Eastern Trail Alliance Close the Gap	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
ASSETS								
Cash and cash equivalents	\$	-	-	50,347	-	-	-	272,475
Investments		-	43,118	-	300,569	25,382	72,189	1,930,102
Intergovernmental receivable		-	-	2,690	-	-	-	-
Due from State of Maine		-	-	-	-	-	-	-
Accounts receivable		-	-	-	25,850	-	-	698
Interfund loans receivable		69,560	-	-	-	-	-	3,390
Inventory		-	-	8,508	-	-	-	-
Notes receivable		-	-	-	-	-	-	-
Total assets	\$	69,560	43,118	61,545	326,419	25,382	72,189	2,206,665
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		-	-	7,409	-	-	-	275,597
Interfund loans payable		-	-	-	-	-	-	-
Performance bond deposits		-	-	-	-	-	-	-
Total liabilities		-	-	7,409	-	-	-	275,597
Fund balances:								
Nonspendable		-	-	8,508	-	-	-	-
Restricted		-	43,118	-	326,419	-	-	-
Committed		69,560	-	-	-	25,382	72,189	1,931,068
Unassigned		-	-	45,628	-	-	-	-
Total fund balances (deficit)		69,560	43,118	54,136	326,419	25,382	72,189	1,931,068
Total liabilities and fund balances	\$	69,560	43,118	61,545	326,419	25,382	72,189	2,206,665

	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	-	-	-	-	9,237	304,360	-	636,419
Investments	1,171,268	117,165	373,074	37,779	1,157,525	-	-	5,228,171
Intergovernmental receivable	-	-	-	-	-	132,824	-	135,514
Accounts receivable	-	-	58,028	-	9,930	4,266	20,342	119,114
Interfund loans receivable	13,733	-	416,522	850	-	-	-	504,055
Inventory	-	-	-	-	-	-	27,546	36,054
Notes receivable	-	-	-	-	-	-	-	-
Total Assets	1,185,001	117,165	847,624	38,629	1,176,692	441,450	47,888	6,659,327
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	70,218	-	17,890	37,925	75,433	484,472
Interfund loans payable	34,024	-	89,418	-	134,160	-	-	257,602
Performance bond deposits	-	-	-	-	-	-	-	-
Total Liabilities	34,024	-	159,636	-	152,050	37,925	75,433	742,074
Fund balances:								
Nonspendable	-	-	-	-	-	-	27,546	36,054
Restricted	-	117,165	-	38,629	119,595	-	-	644,926
Committed	1,150,977	-	687,988	-	905,047	403,525	-	5,245,736
Unassigned	-	-	-	-	-	-	(55,091)	(9,463)
Total fund balances (deficit)	1,150,977	117,165	687,988	38,629	1,024,642	403,525	(27,545)	5,917,253
Total liabilities and fund balances	1,185,001	117,165	847,624	38,629	1,176,692	441,450	47,888	6,659,327

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	Recrea- tional Develop- ment	Credit Enhancement Agreements	Scarborough Economic Development Corporation	Eastern Trail Alliance Close the Gap	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
Revenues:							
Intergovernmental	\$ -	-	-	-	-	-	-
Interest earned	-	124	-	585	115	329	11,236
Contributions	-	-	227,614	325,834	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	17,156
Assessments and impact fees	17,750	626,089	-	-	-	-	-
Total revenues	17,750	626,213	227,614	326,419	115	329	28,392
Expenditures:							
Construction and acquisitions	-	-	-	-	-	-	(3,700)
Education	-	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	-
Other	-	626,089	228,263	-	-	-	-
Total expenditures	-	626,089	228,263	-	-	-	(3,700)
Excess (deficiency) of revenues over expenditures	17,750	124	(649)	326,419	115	329	32,092
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	17,750	124	(649)	326,419	115	329	32,092
Fund balances (deficit), beginning of year	51,810	42,994	54,785	-	25,267	71,860	1,898,976
Fund balances (deficit), end of year	\$ 69,560	43,118	54,136	326,419	25,382	72,189	1,931,068

	Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
Revenues:								
Intergovernmental	-	19,667	-	-	335,975	1,112,411	233,258	1,701,311
Interest earned	5,642	602	1,245	167	5,074	-	-	25,119
Contributions	-	-	-	3,505	-	116,905	-	673,858
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-
Other	457,972	-	-	-	260,390	-	931,770	1,667,288
Assessments and impact fees	-	-	1,929,744	-	-	-	-	2,573,583
Total revenues	463,614	20,269	1,930,989	3,672	601,439	1,229,316	1,165,028	6,641,159
Expenditures:								
Construction and acquisitions	191,559	9,095	-	-	652,763	-	-	849,717
Education	-	-	-	-	-	1,211,946	1,493,724	2,705,670
Benefits paid	-	-	-	-	-	-	-	-
Other	-	-	1,612,223	-	-	-	-	2,466,575
Total expenditures	191,559	9,095	1,612,223	-	652,763	1,211,946	1,493,724	6,021,962
Excess (deficiency) of revenues over expenditures	272,055	11,174	318,766	3,672	(51,324)	17,370	(328,696)	619,197
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	301,151	301,151
Bond Proceeds	-	-	-	-	-	-	-	-
Transfers out	(325,097)	(33,000)	(89,418)	-	-	-	-	(447,515)
Total other financing sources (uses)	(325,097)	(33,000)	(89,418)	-	-	-	301,151	(146,364)
Net change in fund balances	(53,042)	(21,826)	229,348	3,672	(51,324)	17,370	(27,545)	472,833
Fund balances (deficit), beginning of year	1,204,019	138,991	458,640	34,957	1,075,966	386,155	-	5,444,420
Fund balances (deficit), end of year	1,150,977	117,165	687,988	38,629	1,024,642	403,525	(27,545)	5,917,253

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, 2017

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ -	165,825	-	165,825	-
NCLB/Title IIA	1,872	71,464	-	72,587	749
NCLB/Title VA	-	-	-	-	-
Local Entitlement	(106)	814,291	-	814,150	35
Preschool handicapped	-	7,496	-	7,531	(35)
Total federal education grant programs	1,766	1,059,076	-	1,060,093	749
Other State grant programs:					
PEPG Grant	2,235	-	1,500	-	3,735
Scarborough Education Foundation	16,079	-	33,040	24,649	24,470
Finberg Trust	194,129	-	-	10,000	184,129
Other Donations	7,291	-	13,487	2,253	18,525
Proficiency Based Graduation	70,910	-	36,298	99,325	7,883
Technology Maintenance Fees	92,893	-	70,380	5,339	157,934
School Nutrition Special Programs	-	-	7,435	2,080	5,355
CC Admin Certification	852	-	8,100	8,207	745
Total other state grant programs	384,389	-	170,240	151,853	402,776
Total school categorical programs	\$ 386,155	1,059,076	170,240	1,211,946	403,525

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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.

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Fund
Balance Sheet
June 30, 2017

	General School Improvements	General Town Improvements	Totals
ASSETS			
Cash and cash equivalents	\$ -	157,053	157,053
Investments	286,604	833,251	1,119,855
Accounts Receivable	-	-	-
Interfund loans receivable	-	34,024	34,024
Total assets	\$ 286,604	1,024,328	1,310,932
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	270,498	383,853	654,351
Interfund loans payable	4,885	-	4,885
Total liabilities	275,383	383,853	659,236
Fund balance (deficit):			
Restricted	11,221	640,475	651,696
Unassigned	-	-	-
Total fund balance (deficit)	11,221	640,475	651,696
Total liabilities and fund balance	\$ 286,604	1,024,328	1,310,932

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2017

	General School Improvements	General Town Improvements	Totals
Revenues:			
Intergovernmental	\$ -	-	-
Taxes	56,000	164,500	220,500
Interest earned	89,791	132,294	222,085
Other	-	41,024	41,024
Total revenues	145,791	337,818	483,609
Expenditures:			
Capital Improvements	1,573,203	2,929,414	4,502,617
Total expenditures	1,573,203	2,929,414	4,502,617
Excess (deficiency) of revenues over expenditures	(1,427,412)	(2,591,596)	(4,019,008)
Other financing sources (uses):			
Transfers in	195,502	66,424	261,926
Transfers out	(1,391,110)	(224,960)	(1,616,070)
Proceeds of general obligation bonds	1,106,876	1,073,854	2,180,730
Total other financing sources (uses)	(88,732)	915,318	826,586
Net change in fund balances	(1,516,144)	(1,676,278)	(3,192,422)
Fund balances (deficit), beginning of year	1,527,365	2,316,753	3,844,118
Fund balances (deficit), end of year	\$ 11,221	640,475	651,696

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, 2017

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 209,783	25,335	2,964	238,082
Interfund loans receivable	16,350	-	-	16,350
Total assets	\$ 226,133	25,335	2,964	254,432
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	544	-	544
Total liabilities	-	544	-	544
Fund balances:				
Nonspendable Principal	149,701	13,367	500	163,568
Restricted Expendable Income	76,432	11,424	2,464	90,320
Total fund balances	226,133	24,791	2,964	253,888
Total liabilities and fund balances	\$ 226,133	25,335	2,964	254,432

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 956	116	13	1,085
Sale of lots/perpetual care deposits	8,390	-	-	8,390
Total revenues	9,346	116	13	9,475
Expenditures:				
Earnings retained by General Fund	-	293	-	293
Other	-	-	-	-
Total expenditures	-	293	-	293
Net change in fund balances	9,346	(177)	13	9,182
Fund balances, beginning of year	216,787	24,968	2,951	244,706
Fund balances, end of year	\$ 226,133	24,791	2,964	253,888

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, 2017

	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	Class of 1976 Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 1,021	92,327	99,200	183	12	1,114	13,474	318	2,469	10,894	1,253	150	3,013	225,428
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,021	92,327	99,200	183	12	1,114	13,474	318	2,469	10,894	1,253	150	3,013	225,428
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	(219)	4,647	(800)	183	12	1,114	13,474	(182)	443	7,394	1,253	150	(797)	26,672
Total net position	1,021	92,327	99,200	183	12	1,114	13,474	318	2,469	10,894	1,253	150	3,013	225,428
Total liabilities and net position	\$ 1,021	92,327	99,200	183	12	1,114	13,474	318	2,469	10,894	1,253	150	3,013	225,428

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2017

	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	Class of 1976 Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions														
Donations	\$ -	-	-	-	-	-	-	-	-	-	-	150	-	150
Interest and dividends	5	423	455	1	-	5	67	1	12	50	6	-	14	1,039
Total additions	5	423	455	1	-	5	67	1	12	50	6	150	14	1,189
Deductions:														
School scholarships	-	1,500	2,500	-	-	-	1,500	-	150	250	-	-	-	5,900
Total deductions	-	1,500	2,500	-	-	-	1,500	-	150	250	-	-	-	5,900
Changes in net assets	5	(1,077)	(2,045)	1	-	5	(1,433)	1	(138)	(200)	6	150	14	(4,711)
Net position, beginning 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
Net position, end of year	\$ 1,021	92,327	99,200	183	12	1,114	13,474	318	2,469	10,894	1,253	150	3,013	225,428

TOWN OF SCARBOROUGH, MAINE
Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
STUDENT ACTIVITIES:				
ASSETS				
Cash	\$ 287,186	524,773	478,806	333,153
LIABILITIES				
Payable to student groups	\$ 287,186	524,773	478,806	333,153

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Town of Scarborough Maine Comprehensive Annual Financial Report



General Long Term Debt

Proposed New Public Safety Building

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TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2017

	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>							
1997 Capital Improvements	5.60%	2017	110,000 to 2017	110,000		110,000	-
2006 Capital Improvements	4.00%		185,000 in 2017	185,000	-	185,000	-
2007 Capital Improvements	4.00%	2023	225,000 to 2017	225,000	-	225,000	-
2008 Capital Improvements	3.25%	2028	570,000 to 2017				
	3.35%		575,000 in 2018	1,145,000	-	570,000	575,000
2009 Capital Improvements	Varies	2029	310,000 to 2019	930,000	-	310,000	620,000
2009 Bond Refunding	3.00%	2020	185,000 to 2019				
	3.00%		115,000 in 2020	670,000	-	185,000	485,000
2010 Capital Improvements	Varies	2031	345,000 to 2021				
	Varies		280,000 to 2026				
	4.00%		100,000 to 2031	3,625,000	-	345,000	3,280,000
2011 Capital Improvements	2.00%	2031	360,000 to 2018				
	Varies		355,000 to 2021				
	Varies		115,000 to 2026				
	Varies		110,000 to 2031	2,910,000	-	360,000	2,550,000
2012 Capital Improvements	4.00%	2042	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	43,315,000	-	1,690,000	41,625,000
2013 Capital Improvements	3.00%	2043	\$ 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	24,425,000	-	1,145,000	23,280,000

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>							
2014 Capital Improvements	2.00%	2034	760,000 in 2017				
	2.00%		735,000 in 2018				
	2.00%		700,000 in 2019				
	2.00%		325,000 to 2021				
	2.00%		310,000 in 2022				
	3.00%		300,000 to 2024				
	3.00%		250,000 to 2029				
	4.00%		50,000 to 2034	5,255,000	-	760,000	4,495,000
2015 Capital Improvements	3.00%	2035	495,000 in 2017				
	4.00%		485,000 in 2018				
	4.00%		430,000 to 2020				
	Varies		335,000 to 2023				
	4.00%		320,000 to 2025				
	Varies		265,000 to 2029				
	3.00%		245,000 in 2030				
	3.00%	165,000 in 2031					
	3.00%	160,000 to 2034					
2016 Capital Improvements	3.00%	2036	150,000 in 2035	5,585,000	-	495,000	5,090,000
	2.00%		665,000 in 2017				
	2.00%		860,000 in 2018				
	2.00%		1,035,000 in 2019				
	2.00%		785,000 in 2020				
	2.00%		780,000 in 2021				
	2.00%		465,000 in 2022				
	2.00%		435,000 in 2023				
	2.50%		430,000 in 2024				
	3.00%		395,000 to 2026				
	3.00%		340,000 in 2027				
	4.00%		335,000 in 2028				
	4.00%		165,000 in 2029				
	3.00%		65,000 to 2036		7,540,000	-	665,000
2017 Capital Improvements	Varies	2037	360,000 to 2021				
	5.00%		295,000 in 2022				
	5.00%		190,000 in 2023				
	5.00%		185,000 to 2027				
	3.00%		55,000 to 2032				
	3.00%		35,000 to 2037				
					-	2,755,000	-
Total bonds				95,920,000	2,755,000	7,045,000	91,630,000
Total long-term debt		\$		95,920,000	2,755,000	7,045,000	91,630,000

Town of Scarborough Maine Comprehensive Annual Financial Report



Statistical Section

Project of the Year 2017: Renovation – The Holy Donut

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STATISTICAL SECTION

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

Contents

Table

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 61,708,817
Restricted	5,111,460	1,289,495	2,199,233	1,642,063	1,111,295	3,555,142	4,049,315	3,373,177	5,568,308	3,883,241
Unrestricted	5,178,473	5,441,922	2,916,603	(702,917)	2,127,242	6,347,111	3,907,583	(688,245)	(2,259,046)	(2,500,239)
Total governmental activities net position	\$ 45,942,290	\$ 48,552,425	\$ 52,703,981	\$ 53,971,108	\$ 57,577,795	\$ 59,725,950	\$ 61,844,176	\$ 59,788,743	\$ 62,397,727	\$ 63,091,819

Notes:

1) Total Net Position as restated for the fiscal years ended June 30, 2014 and forward. 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Program revenues:										
Charges for services										
General government	\$ 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	\$ 2,821,305
Public services	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	2,883,349
Public safety	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	3,094,403
Public works	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	1,740,432
Education	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	1,268,370
Interest on debt services	-	-	-	-	-	-	-	-	-	-
Operating grants and activities	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	9,486,212
Capital grants and contributions	112,751	112,090	122,376	170,480	174,652	97,351	159,089	54,304	149,582	161,912
General revenues:										
Property and excise taxes, levies for general purposes	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	65,631,946
Grants and contributions not restricted to specific programs	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	2,206,632
Unrestricted investment earnings	344,371	137,533	141,496	42,024	66,255	42,573	108,862	390,260	84,783	175,917
Total revenues	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	89,470,478
Expenses:										
General government	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	14,435,000
Public services	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	4,923,303
Public safety	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	11,496,900
Public works	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	8,245,900
Education	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	46,499,772
Interest on debt service	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	3,230,297
Total expenses	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	88,831,172
Net (expense)/revenue:	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	639,306
Change in Net Position	\$ 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	\$ 639,306

Table 3

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

	2008*	2009	2010 ¹	2011 ²	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 618	\$ 630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable Inventory					34	34	48	43	31	13
Restricted for Town			2,482	2,685	2,993	3,861	2,838	2,898	2,743	2,958
Restricted for Education			1,056	496	440	977	509	540	2,224	242
Committed - General Fund			634	630 ³	688 ³	374 ³	452 ³	519 ³	503 ³	400
Assigned - General Fund			1,469	2,223	1,606	1,825	1,584	2,305	2,140	1,676
Assigned - Education				-	200	200	800	425	426	2,102
Unassigned - General Fund			2,231	955	2,093	1,787	3,377	4,973	6,108	6,894
Unreserved	8,357	8,174	-	-						
Total general fund	\$ 8,975	\$ 8,804	\$ 7,872	\$ 6,989	\$ 8,054	\$ 9,058	\$ 9,608	\$ 11,703	\$ 14,175	\$ 14,285
All Other Governmental Funds										
Nonspendable Permanent Fund Principal			125	126	129	132	135	147	155	164
Nonspendable Inventory Special Revenues			26	21	27	27	14	26	36	36
Restricted Special Revenues			1,621	852	473	463	651	624	637	645
Restricted Capital Projects			2,483	1,941	20,027	22,904	9,495	5,409	2,317	651
Restricted Permanent Fund Interest			84	84	84	84	85	86	90	90
Committed - Special Revenues			4,820	4,292	4,309	4,362	4,446	4,439	4,752	5,246
Unassigned - Special Revenues			(129)	(115)	(262)	(683)	(1,083)	(1,365)	(1,550)	(1,746)
Unassigned - Capital Projects			(493)	(434)	(378)	(308)	(206)	(567)	1,527	-
Reserved	3,047	3,062	-	-						
Unreserved, reported in:										
Special revenue funds	4,589	5,039	-	-						
Capital projects funds	4,912	1,084	-	-						
Permanent funds										
Total all other governmental funds	\$ 12,548	\$ 9,185	\$ 8,537	\$ 6,767	\$ 24,409	\$ 26,981	\$ 13,537	\$ 8,799	\$ 7,964	\$ 5,086
Total Governmental Funds Fund Balances:			\$ 16,409	\$ 13,756	\$ 32,463	\$ 36,039	\$ 23,145	\$ 20,502	\$ 22,139	\$ 19,371

* 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.

³ Re-allocated Special Revenues to General Fund for 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 44,581	\$ 46,401	\$ 46,880	\$ 48,957	\$ 50,428	\$ 54,393	\$ 58,826	\$ 61,154	\$ 63,719	\$ 65,858
Licenses and permits	818	482	573	480	494	554	662	756	817	782
Intergovernmental	14,042	17,357	14,106	13,701	13,136	12,024	10,976	12,879	11,672	10,954
Interest earned	684	324	242	125	153	178	230	449	199	426
Other	9,288	7,545	7,849	7,549	8,420	8,883	8,966	10,376	10,418	11,193
Total revenues	69,413	72,109	69,650	70,812	72,631	76,032	79,660	85,614	86,825	89,213
Expenditures										
General government	4,483	4,615	4,742	6,144	4,403	4,957	5,201	4,829	4,951	5,932
Public services	3,103	4,033	3,766	4,831	3,841	3,931	4,146	4,612	4,690	4,922
Public safety	6,986	7,735	7,355	7,318	8,242	8,578	8,879	9,344	10,297	11,116
Public works	6,765	6,532	8,027	5,353	4,598	7,398	6,503	6,506	7,233	7,128
Education (Excludes School Debt)	31,695	33,105	33,127	33,364	33,220	37,295	40,149	45,614	43,681	45,541
Education Debt (Prin & Int)	4,419	4,475	4,174	4,142	3,758	3,653	4,150	4,606	5,119	5,761
County tax	1,735	1,837	1,886	1,923	1,976	2,075	2,194	2,355	2,493	2,569
Debt service (Principal-Town Only (1))	3,232	3,204	3,044	2,961	5,417	4,942	3,353	3,506	3,760	3,800
Debt service (Interest-Town Only)	1,488	1,867	1,911	1,810	1,151	1,109	1,118	1,100	1,164	1,058
Capital Outlay	9,305	10,196	5,167	6,037	6,347	16,988	21,840	9,942	3,626	4,415
Other	3,188	3,415	4,085	4,014	4,948	1,817	1,775	1,928	2,054	2,548
Total expenditures	76,399	81,014	77,284	77,897	77,901	92,743	99,308	94,342	89,068	94,790
Excess (deficiency) of revenues over (under) expenditures	(6,986)	(8,905)	(7,634)	(7,085)	(5,270)	(16,711)	(19,648)	(8,728)	(2,243)	(5,577)
Other financing sources (uses)										
Transfers in	3,695	3,453	1,982	1,477	2,061	1,845	1,371	1,071	1,410	3,208
Transfers out	(3,695)	(3,453)	(1,982)	(1,477)	(2,061)	(1,845)	(1,371)	(1,071)	(1,410)	(3,208)
Capital Lease proceeds	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	8,513	4,560	6,002	4,445	21,940	18,620	6,505	6,085	3,755	2,755
Total other financing sources (uses)	9,523	5,380	6,054	4,433	23,975	20,288	6,754	6,085	3,840	2,755
Net change in fund balances	\$ 2,537	(3,525)	(1,580)	(2,652)	18,705	3,577	(12,894)	(2,643)	1,597	(2,822)
Debt Service as a percentage of non-capital expenditures	7.03%	7.16%	6.87%	6.64%	9.18%	7.99%	5.77%	5.46%	5.76%	5.38%

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
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
2017	5,337,246	4,852,147	10,845,773	6,529,061	45,161,286	2,568,852	4,857,655	1,148,329	81,300,349

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
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
2017	59,432,090	101,590	5,873,919	28,925	200,984	65,637,508

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		
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%
2017	3,667,678,200	108,684,300	3,776,362,500	3,776,362,500	15.92	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
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
2017	4.743	10.563	0.680	0.240	0.046	(0.353)	15.92

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)

2008				2017			
<u>Taxpayer</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Taxpayer</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage of</u>
	<u>Assessed</u>		<u>Total Taxable</u>		<u>Assessed</u>		<u>Assessed</u>
	<u>Value</u>		<u>Value</u>		<u>Value</u>		<u>Value</u>
Maine Life Care Retirement \$	61,147,700	1	1.80%	Maine Life Care Retirement \$	64,488,200	1	1.71%
Hannaford Brothers	34,147,400	2	1.01%	Wal-Mart/Sam's Club	37,301,800	2	0.99%
Wal-Mart/Sam's Club	29,455,600	3	0.87%	Central Maine Power	31,955,300	3	0.85%
Shaw's Supermarket	18,593,200	4	0.55%	New England Expedition	30,303,600	4	0.80%
RPI Partners, LLC	16,939,300	5	0.50%	Hannaford Brothers	23,533,700	5	0.62%
Gavin Ruotolo	16,096,000	6	0.47%	Scarborough Gallery	20,401,000	6	0.54%
MMC Realty Maine Health	16,074,000	7	0.47%	Gavin Ruotolo	18,948,900	7	0.50%
Scarborough Gallery	15,025,600	8	0.44%	MMC Realty Maine Health	17,015,200	8	0.45%
ERP Operating LP	11,922,700	9	0.35%	RRE Foxcroft/Coach Lantern	13,126,900	9	0.35%
Davric Maine Corp	10,047,500	10	0.30%	Waterstone Scarborough LLC	12,592,200	10	0.33%
Total Principal Taxpayers	<u>229,449,000</u>		<u>6.75%</u>		<u>269,666,800</u>		<u>7.13%</u>
Total Assessed Value:	<u>\$ 3,397,230,200</u>				<u>\$ 3,776,362,500</u>		

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
2008	40,183,201	39,784,997	99.0%	387,631	40,172,628	99.97%
2009	42,397,139	41,890,825	98.8%	495,967	42,386,792	99.98%
2010	42,877,989	42,370,914	98.8%	488,503	42,859,417	99.96%
2011	44,928,747	44,325,013	98.7%	588,155	44,913,168	99.97%
2012	46,684,211	46,102,831	98.8%	565,722	46,668,553	99.97%
2013	50,125,493	49,483,773	98.7%	618,255	50,102,028	99.95%
2014	54,062,720	53,305,613	98.6%	736,216	54,041,829	99.96%
2015	55,877,372	55,321,988	99.0%	526,304	55,848,292	99.95%
2016	58,018,545	57,331,779	98.8%	451,068	57,782,847	99.59%
2017	60,119,691	59,602,001	99.1%	-	59,602,001	99.14%

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
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
2017	3,667,678,200	108,684,300	3,776,362,500	15.92	60,119,691

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
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
2017	91,630,000	5,049,838	-	96,679,838	20,023	11.40%	4,828

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 Debt
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Other Bond Adjustments</u>	<u>Total</u>	<u>Assessed Value</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Population*</u>	<u>Percentage of personal income</u>	<u>Debt Per Capita</u>
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
2017	91,630,000	5,049,838	96,679,838	3,776,362,500	2.43%	20,023	11.40%	4,576

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
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	2,139,692	8,459,692	76,071,959	11.12%
2017	7,045,000	3,348,228	10,393,228	81,300,349	12.78%

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>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>	<u>2017</u>
Debt limit	\$ 529,673	\$ 534,488	\$ 543,068	\$ 534,623	\$ 533,513	\$ 522,375	\$ 536,918	\$ 451,595	\$ 568,793	\$ 584,903
Total net debt applicable to limit	69,328	67,785	68,042	66,767	84,679	101,895	103,369	103,734	95,920	91,630
Legal debt margin	460,345	466,703	475,026	467,856	448,834	420,480	433,549	347,861	472,873	493,273
Total net debt applicable to the limit as a percentage of debt limit	13.09%	12.68%	12.53%	12.49%	15.87%	19.51%	19.25%	22.97%	16.86%	15.67%

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>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>	<u>2017</u>
Town of Scarborough:										
General Obligation Bonds	69,328	67,785	68,042	66,767	82,250	96,180	97,895	98,500	95,920	91,630
Capital Leases	2,025	2,223	1,641	1,105	687	623	598	396	200	-
Total Direct Debt	71,353	70,008	69,683	67,872	82,937	96,803	98,493	98,896	96,120	91,630
Cumberland County	535	481	327	126	3,352	3,254	3,458	3,457	3,321	3,464
Portland Water District	3,486	4,099	4,210	3,845	3,933	3,483	5,994	6,454	6,654	6,396
Total Overlapping Debt	4,021	4,580	4,537	3,971	7,285	6,737	9,452	9,911	9,975	9,860
ecomaine Waste Systems:										
Resource recovery system	2,393	1,601	792	231	-	-	-	-	-	-
Material recovery facility	231	182	125	120	-	-	-	-	-	-
Landfill closure/postclosure	1,956	1,242	1,266	1,302	1,371	1,405	1,436	1,467	1,504	1,318
Total Contingent Debt	4,580	3,025	2,183	1,653	1,371	1,405	1,436	1,467	1,504	1,318
Total Direct, Overlapping/Contingent	79,954	77,613	76,403	73,496	91,593	104,945	109,381	110,274	107,599	102,808

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)
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%
2017	20,023	803,703,197	40,139	45	2,966	2.80%

(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 2011-2015

(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

2008			2017			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	<u>Percentage of total Town Employment</u>
Town of Scarborough	1,346	1	Town of Scarborough	1,300	1	8.4%
Hannaford Brothers	1,169	2	Hannaford Brothers	1,050	2	6.8%
US Postal Service	632	3	US Postal Service	500	3	3.2%
Cabela's	292	4	Maine Medical Center	390	4	2.5%
NorDX	256	5	Wal-Mart	350	5	2.3%
Johnson & Jordan	250	6	Alere	290	6	1.9%
Wal-Mart	223	7	Cabela's	250	7	1.6%
Sam's Wholesale Club	173	8	NorDX	220	8	1.4%
Piper Shores	150	9	Piper Shores	210	9	1.4%
Scarborough Downs	150	10	Sam's Wholesale Club	190	10	1.2%

* Source: Scarborough Economic Development Corporation (SEDCO)

Total Payroll Employment: 15,469 in 2016, (Source: ME Dept of Labor, Annual 2016 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
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%
2017	3.0%	3.6%	2.8%

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.

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

Function:	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Govt:										
Town Clerk										
Certified Copies	2,098	4,887	4,988	5,820	5,068	4,624	5,596	5,577	5,962	5,762
Licenses	432	436	440	545	585	572	861	839	735	821
Permits				919	905	889	930	1,065	1,047	1,134
Beach Passes	3,436	3,487	2,358	2,443	2,701	2,934	2,763	2,665	2,496	4,775
Community Services										
Passports Applications	792	586	665	534	-	459	641	643	665	695
Tax Office										
Licenses & Permits	1,166	1,168	991	817	782	791	670	662	697	702
Tax Bill Issued			9,389	9,809	9,516	9,594	9,623	9,623	9,796	9,897
Excise Registrations			25,570	25,384	25,637	30,477	29,566	27,728	29,604	29,892
Planning:										
Permits	1,346	1,091	558	554	553	621	609	651	774	785
Certificates of Occupancy	207	204	222	176	173	174	217	198	262	267
Public Safety:										
Police:										
Physical arrests	817	1,152	619	989	1,026	898	826	895	697	521
Traffic violations	792	741	1,404	819	1,069	1,126	1,007	977	1,333	1,433
Fire:										
Number of calls answered	1,303	1,615	1,598	1,718	1,733	1,610	1,744	1,832	1,720	2,381
Number of Inspections	1,825	3,351	3,537	3,394	3,583	3,455	3,378	3,192	2,529	3,078
Rescue:										
Number of calls answered	2,069	2,088	1,946	2,125	2,141	2,116	1,950	2,359	3,029	2,900
Public Works:										
Street resurfacing (miles)	3.90	6.31	8.62	6.37	6.45	3.62	5.31	5.90	4.18	5.15
Pot holes repaired (qty used in tons)	42	35	24	24	24	13	29	12	4	48
No. times plows dispatched	33	27	24	26	30	60	35	28	19	21

Source: Town of Scarborough various departments

Note:
FY2012 Scarborough Public Library Processed Passport Applications

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

Function:	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Govt:									
Planning Vehicles	4	4	5	4	4	4	4	4	3
Technology Vehicles	3	3	3	3	3	4	4	4	3
Public Service:									
Community Services									
Vehicles	5	5	5	5	6	7	7	8	8
Parks	4	4	4	5	6	6	6	6	6
Public Safety:									
Police:									
Vehicles - Patrol Cars	8	8	8	12	12	12	12	12	12
Facilities	1	1	1	1	1	1	1	1	1
Fire:									
Vehicles - Response Trucks	10	10	10	11	12	12	12	12	12
Marine	2	2	2	2	2	2	2	2	2
Facilities	6	6	6	6	6	6	6	6	6
Rescue:									
Vehicles - Response Trucks	3	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	176.80
Traffic Signals	35	35	35	35	37	37	43	43	43
Generators	10	10	10	10	10	10	10	11	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>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>	<u>2017</u>
General Government:										
Full time	37	39	35	37	35	34	32	35	36	37
Part Time	59	53	72	55	57	61	52	64	14	50
Public Services:										
Full time	15	15	17	23	15	15	15	15	15	17
Part Time	130	159	134	146	148	160	139	125	123	156
Public Safety:										
Police										
Full time	52	52	50	52	53	55	53	53	55	67
Part Time	27	34	35	38	28	30	33	28	36	39
Fire										
Full time	4	4	4	5	5	5	8	8	8	9
Part Time	167	164	148	150	153	151	150	160	169	146
Rescue										
Full time	12	12	16	20	20	20	21	23	24	24
Part Time	14	15	10	11	11	10	0	0	0	0
Public Works:										
Full time	36	35	31	31	31	31	31	32	32	36
Part Time	3	3	4	1	1	3	1	1	2	5
Education:										
Full time	750	761	503	460	452	449	443	494	462	507
Part Time			268	262	302	296	246	327	323	274
Total:	1306	1346	1327	1291	1311	1320	1224	1365	1299	1367

Source: Town of Scarborough

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

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

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

March 1, 2018

Hilliard Lyons
10 W. Market Street, Suite 2450
Indianapolis, IN 46204

Re: Town of Scarborough, Maine – 2018 General Obligation Bonds - \$18,190,000

Ladies & Gentlemen:

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$18,190,000 aggregate principal amount of 2018 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 March 1, 2018. 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, 2018, at the respective rates per annum, as follows:

Dated: Date of Delivery

Due: November 1, as shown below

<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>
2019	\$935,000	5.00%	2034	\$510,000	4.00%
2020	935,000	5.00	2035	510,000	4.00
2021	935,000	5.00	2036	510,000	4.00
2022	930,000	5.00	2037	510,000	4.00
2023	930,000	5.00	2038	510,000	4.00
2024	695,000	5.00	2039	500,000	3.375
2025	695,000	5.00	2040	500,000	3.375
2026	695,000	5.00	2041	500,000	3.375
2027	690,000	5.00	2042	500,000	3.375
2028	690,000	5.00	2043	500,000	3.375
2029	635,000	4.00	2044	500,000	3.50
2030	635,000	4.00	2045	500,000	3.50
2031	580,000	3.00	2046	500,000	3.50
2032	580,000	3.00	2047	500,000	3.50
2033	580,000	4.00			

Bonds maturing on or before November 1, 2028 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2028, 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.

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

March 1, 2018

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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 a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, although bond counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, 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.

March 1, 2018

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4. The Bonds will **not** 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,

Bernstein, Shur, Sawyer & Nelson

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 \$18,190,000 2017 General Obligation Bonds, dated as of March 1, 2018 (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 is 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 from the MSRB via its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org. The Issuer incorporates by reference its Official Statement dated February 13, 2018 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, 2018, 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 to the Official Statement and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in clause (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 clause (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 to the Official Statement 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. 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 (04074), PO Box 360, Scarborough, ME 04070-0360; Telephone: (207) 730-4088.

Dated: _____, 20__

TOWN OF SCARBOROUGH,
MAINE
By: _____
Its Treasurer

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