



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

NEW ISSUE

Moody's: Aa3

S&P: AA

In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, adjusted current earnings of a corporation for the purpose of calculation of the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest on the Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

TOWN OF SCARBOROUGH, MAINE

\$6,505,000

2014 GENERAL OBLIGATION BONDS

Dated: May 15, 2014

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>
2014	\$490,000	2.00%	0.25	2024	\$250,000	3.00%	2.30
2015	760,000	2.00	0.35	2025	250,000	3.00	2.45
2016	760,000	2.00	0.50	2026	250,000	3.00	2.60
2017	735,000	2.00	0.70	2027	250,000	3.00	2.75
2018	700,000	2.00	1.00	2028	250,000	3.00	100
2019	325,000	2.00	1.25	2029	50,000	4.00	3.15
2020	325,000	2.00	1.50	2030	50,000	4.00	3.25
2021	310,000	2.00	1.75	2031	50,000	4.00	3.35
2022	300,000	3.00	2.00	2032	50,000	4.00	3.45
2023	300,000	3.00	2.15	2033	50,000	4.00	3.55

The 2014 General Obligation Bonds (the "Bonds" or the "2014 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, 2014 and semi-annually on each May 1 and November 1 thereafter until maturity, or redemption prior to maturity.

The legal opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Portland, Maine, Bond Counsel, will be provided to the initial purchaser and will indicate that the Bonds are valid general obligations of the Town of Scarborough, Maine (the "Town") and unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). Bonds issued for school projects are not subject to the property tax limit set forth in Section 5721-A of the Maine Revised Statutes, as amended. The Treasurer has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the initial purchaser.

Bonds maturing on and before November 1, 2023 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after November 1, 2024 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2023 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 May 15, 2014.

BAIRD

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

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

TABLE OF CONTENTS

<p>CERTIFICATE CONCERNING OFFICIAL STATEMENT i</p> <p>THE BONDS</p> <p style="padding-left: 20px;">Description of the Bonds 1</p> <p style="padding-left: 20px;">Optional Redemption Prior to Maturity 1</p> <p style="padding-left: 20px;">General Provisions Regarding</p> <p style="padding-left: 40px;">Redemption of the Bonds 2</p> <p style="padding-left: 20px;">Record Date; Payment 3</p> <p style="padding-left: 20px;">Authorization and Purpose 4</p> <p style="padding-left: 20px;">Amortization of the Bonds 5</p> <p style="padding-left: 20px;">Source of Payment and Remedies 5</p> <p style="padding-left: 20px;">Tax Matters 7</p> <p style="padding-left: 20px;">Book-Entry-Only System 10</p> <p style="padding-left: 20px;">Ratings 11</p> <p style="padding-left: 20px;">Continuing Disclosure 12</p> <p style="padding-left: 20px;">CUSIP Identification Numbers 12</p> <p style="padding-left: 20px;">Financial Advisor 12</p> <p style="padding-left: 20px;">Statutory References 13</p> <p style="padding-left: 20px;">Conditions Precedent to Delivery 13</p> <p>TOWN OF SCARBOROUGH</p> <p style="padding-left: 20px;">General 14</p> <p style="padding-left: 20px;">Government 15</p> <p style="padding-left: 20px;">Municipal Services 15</p> <p style="padding-left: 20px;">Public Education 16</p> <p style="padding-left: 20px;">The Scarborough Public Library 18</p> <p style="padding-left: 20px;">Labor Relations 19</p> <p style="padding-left: 20px;">Building Permits 19</p> <p style="padding-left: 20px;">Economic Development 20</p> <p style="padding-left: 20px;">Economic Characteristics 22</p> <p>TOWN FINANCES</p> <p style="padding-left: 20px;">Budgetary Process 23</p> <p style="padding-left: 20px;">Capital Improvement Plan 24</p> <p style="padding-left: 20px;">Property Tax Limit 24</p> <p style="padding-left: 20px;">Investment Policy 24</p> <p style="padding-left: 20px;">Fund Balance Policy 25</p> <p style="padding-left: 20px;">Debt Management Policy 25</p> <p style="padding-left: 20px;">Financial Statements 26</p> <p style="padding-left: 20px;">Funds 27</p> <p style="padding-left: 20px;">Comparative Balance Sheet 28</p> <p style="padding-left: 20px;">Comparative Statement of Revenues, Expenditures and Changes in Fund Balances 29</p> <p style="padding-left: 20px;">Property Taxation 30</p> <p style="padding-left: 20px;">Tax Levy and Collections 31</p> <p style="padding-left: 20px;">Zoning Map 32</p> <p style="padding-left: 20px;">Largest Taxpayers 33</p> <p style="padding-left: 20px;">Current Tax Base and Tax Base Growth 33</p>	<p>TOWN FINANCES (continued)</p> <p style="padding-left: 20px;">Tax Increment Financing Districts and Affordable Housing Districts 33</p> <p style="padding-left: 20px;">Revenues from the State 34</p> <p>INDEBTEDNESS</p> <p style="padding-left: 20px;">Limitations and Exclusions 35</p> <p style="padding-left: 20px;">Debt Summary 36</p> <p style="padding-left: 20px;">Debt Service Component of Operating Expenses 36</p> <p style="padding-left: 20px;">Debt Ratios 36</p> <p style="padding-left: 20px;">Projected Debt Service Requirements 37</p> <p style="padding-left: 20px;">Projected Principal Payments, by Issue 38</p> <p style="padding-left: 20px;">Overlapping Debt 39</p> <p style="padding-left: 20px;">Contingent Debt 39</p> <p style="padding-left: 20px;">Total General Obligation, Overlapping and Contingent Debt 40</p> <p style="padding-left: 20px;">Future Financing 40</p> <p>RETIREMENT</p> <p style="padding-left: 20px;">A. Defined Benefit Pension Plan 42</p> <p style="padding-left: 20px;">B. Defined Benefit Pension Plan – Teachers Group 43</p> <p style="padding-left: 20px;">C. Defined Contribution Plan 43</p> <p style="padding-left: 20px;">D. Deferred Compensation Plan 44</p> <p style="padding-left: 20px;">E. Other Post Employment Benefits 44</p> <p>ENVIRONMENTAL MATTERS 45</p> <p>LITIGATION 45</p> <p>APPENDIX A: FINANCIAL STATEMENTS</p> <p>APPENDIX B: PROPOSED FORM OF LEGAL OPINION</p> <p>APPENDIX C: PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE</p>
---	---

**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

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

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

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

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

Ruth D. Porter
Treasurer
Town of Scarborough, Maine

**OFFICIAL STATEMENT
TOWN OF SCARBOROUGH, MAINE
\$6,505,000
2014 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 2014 General Obligation Bonds (the “Bonds” or the “2014 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated May 15, 2014. The Bonds will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest, payable on November 1, 2014, and semi-annually thereafter on May 1 and November 1 of each year until maturity, or redemption prior to maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>Nov. 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Nov. 1,</u>	<u>CUSIP</u>
\$490,000	2014	806075YN1	\$250,000	2024	806075YY7
760,000	2015	806075YP6	250,000	2025	806075YZ4
760,000	2016	806075YQ4	250,000	2026	806075ZA8
735,000	2017	806075YR2	250,000	2027	806075ZB6
700,000	2018	806075YS0	250,000	2028	806075ZC4
325,000	2019	806075YT8	50,000	2029	806075ZD2
325,000	2020	806075YU5	50,000	2030	806075ZE0
310,000	2021	806075YV3	50,000	2031	806075ZF7
300,000	2022	806075YW1	50,000	2032	806075ZG5
300,000	2023	806075YX9	50,000	2033	806075ZH3

It is expected that the Bonds will be available for delivery at DTC on or about May 15, 2014.

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, 2023 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2023, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine, at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any (“Optional Redemption”).

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Optional Redemption

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

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

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

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

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

Cancellation

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

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected when held by a Securities Depository by lot and when not held by a Securities Depository by the Town by lot or in such other manner, as the Town in its discretion may deem appropriate.

RECORD DATE; PAYMENT

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

AUTHORIZATION AND PURPOSE

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

<u>Project</u>	<u>Order Number(s)</u>	<u>Referendum Vote</u>	<u>Authorized</u>	<u>Financed by the Bonds</u>
Municipal Projects				
2013-2014 Municipal Equipment	14-30		\$471,424	
2013-2014 Municipal Projects	14-30		2,333,676	
2012-2013 Municipal Projects	13-07		<u>129,040</u>	
Total Municipal Projects			\$2,934,140	\$2,934,140
School Projects				
2013-2014 School Projects	14-30		\$1,331,045	
2011-2014 Wentworth School	11-68 & 11-100	Nov. 8, 2011	<u>1,969,815</u>	
Total School Projects			\$3,300,860	\$3,300,860
Land Acquisition	03-116 & 14-30	Nov. 4, 2003	270,000	<u>270,000</u>
Totals				\$6,505,000

Abandoned Projects or Excess Bond Proceeds

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

Wentworth School Project

By referendum vote on November 8, 2011, the voters of the Town authorized the issuance of up to \$39,077,594 in bonds to provide funds to finance construction and equipping of a new intermediate school to replace the existing Wentworth Intermediate School (the "Wentworth Intermediate School

Project”). A portion of the proceeds of the Town’s 2012 Bonds, in the issue amount of \$18,540,000 plus Bond Premium in the amount of \$1,460,000, were issued to provide the initial \$20,000,000 portion of funds for this project; 2013 Bonds, in the issue amount of \$15,275,000 plus Bond Premium in the amount of \$802,000, were issued to provide an additional \$16,077,000 portion; consolidated issue amount being \$33,815,000, leaving \$5,262,000 of authorized but unissued bonds. The Bonds of this financing, in an amount of \$1,969,815, represent a further portion of eligible authorized, but unissued, debt for the Wentworth Intermediate School Project; leaving \$3,292,185 of authorized but unissued bonds available for financing future eligible expenses for the Wentworth Intermediate School Project.

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

The CIP Projects

<u>Unit</u>	<u>CIP Year</u>	<u>Project</u>	<u>Amount to Bond</u>	<u>Years to Bond</u>	<u>Totals By Term</u>
Muni Proj	2013-2014	MIS Replacement Telecom Sys	\$83,426	3	\$83,426
Muni Eq	2013-2014	CS 4x4 Truck Replacement w/plow	36,104	4	
Muni Eq	2013-2014	PW Pickup Truck #4006	39,140	4	
Muni Eq	2013-2014	PW Fuel Island - Fuel Mgmt Sys	53,980	4	
					129,224
Muni Eq	2013-2014	PW Plow Truck #4024	159,985	5	1,878,245
Muni Eq	2013-2014	PW Plow Truck #4025	159,985	5	
Muni Eq	2013-2014	PW Crash Attenuator	22,230	5	
Muni Proj	2013-2014	Pleasant Hill Rd Engin'g	205,000	5	
School Proj	2013-2014	CIP Bus Purchase	314,220	5	
School Proj	2013-2014	MS Tech FY 2014	61,100	5	
School Proj	2013-2014	Security System Upgrade	385,000	5	
School Proj	2013-2014	2014 Building Envelope	50,000	5	
School Proj	2013-2014	MS Tech FY14 New	387,300	5	
School Proj	2013-2014	DW Tech FY 14 New	83,425	5	
School Proj	2013-2014	DW HVAC/Mechanical	50,000	5	
Muni Proj	2013-2014	Pine Point Rd Sidewalk	112,250	7	112,250
Muni Proj	2013-2014	259 US Rte 1 - Waterproofing	40,000	8	40,000
Muni Proj	2013-2014	Pine Point Rd/ Eastern Trail	75,000	10	578,000
Muni Proj	2013-2014	Mid-Level Road Rehabilitation	503,000	10	
Land	2003-2004	Comstock Farm (22 Berry Rd)	270,000	15	2,654,815
Muni Proj	2013-2014	Black Point Sidewalk Project	415,000	15	
School Proj	2011-2012	Wentworth School	1,969,815	15	
Muni Proj	2012-2013	PW Mid-Level Road Rehabilitation	129,040	16	129,040
Muni Proj	2013-2014	259 US Rte 1 - Tri -Gen Energy	500,000	20	900,000
Muni Proj	2013-2014	Jasper Street Reconstruction	400,000	20	
			<u>\$6,505,000</u>		<u>\$6,505,000</u>

AMORTIZATION OF THE BONDS

<u>Nov 1,</u>	<u>Muni Eq</u>	<u>Muni Proj</u>	<u>Total Muni</u>	<u>School</u>	<u>Land</u>	<u>The Bonds</u>
2014	\$100,746	\$105,045	\$205,791	\$266,209	\$18,000	\$490,000
2015	100,746	234,340	335,086	406,914	18,000	760,000
2016	100,746	234,340	335,086	406,914	18,000	760,000
2017	100,746	209,340	310,086	406,914	18,000	735,000
2018	68,440	206,651	275,091	406,909	18,000	700,000
2019		166,300	166,300	140,700	18,000	325,000
2020		166,300	166,300	140,700	18,000	325,000
2021		151,300	151,300	140,700	18,000	310,000
2022		141,300	141,300	140,700	18,000	300,000
2023		141,300	141,300	140,700	18,000	300,000
2024		91,300	91,300	140,700	18,000	250,000
2025		91,300	91,300	140,700	18,000	250,000
2026		91,300	91,300	140,700	18,000	250,000
2027		91,300	91,300	140,700	18,000	250,000
2028		91,300	91,300	140,700	18,000	250,000
2029		50,000	50,000			50,000
2030		50,000	50,000			50,000
2031		50,000	50,000			50,000
2032		50,000	50,000			50,000
2033		50,000	50,000			50,000
Totals	\$471,424	\$2,462,716	\$2,934,140	\$3,300,860	\$270,000	\$6,505,000

SOURCE OF PAYMENT AND REMEDIES

General

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case such ad valorem taxes which may be levied, subject to certain procedural limitations under Section 5721-A of the Maine Revised Statutes as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it (see THE BONDS – SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). Bonds issued for the School Department, including various annual School CIP and Bonds issued to finance the Wentworth Intermediate School Project, are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Treasurer has certified that a tax base sharing agreement does not now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property

in these districts to pay costs of the development project within the districts. Within the limits established by statute, the Town has the right to designate additional development districts or affordable housing development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims. The opinion of Bond Counsel will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to, and may be limited by, bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and is subject to general principles of equity.

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

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

Limitation on Municipal Property Tax Levy

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

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

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

The Town may increase or exceed the Property Tax Levy Limit by a majority vote of the entire Town Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, this action,

however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote.

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

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

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

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended.

The debt service of bonds issued for school projects is includable in the school budget, and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of such bonds.

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

TAX MATTERS

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

Original Issue Discount

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

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting

section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

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

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

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

Changes in Federal Tax Law

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

Extent of Opinion

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

RATINGS

The Bonds are rated "Aa3" by Moody's Investors Service ("Moody's") and "AA" by Standard & Poor's, Public Finance Ratings ("S&P"). The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and their explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur

in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding debt obligations, including the Bonds.

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

CONTINUING DISCLOSURE

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

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*”. Since its 2004 filing, 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 list the filings history 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>	<u>Filed With</u>
2013	02/28/2014	243	EMMA
2012	01/30/2013	214	EMMA
2011	01/20/2012	204	EMMA
2010	01/24/2011	208	EMMA
2009	01/22/2010	206	EMMA
2008	03/09/2009	252	NRMSIRs
2007	02/07/2008	222	NRMSIRs
2006	03/20/2007	263	NRMSIRs
2005	01/30/2006	214	NRMSIRs
2004	03/16/2005	259	NRMSIRs

CUSIP IDENTIFICATION NUMBERS

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

FINANCIAL ADVISOR

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

STATUTORY REFERENCES

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

CONDITIONS PRECEDENT TO DELIVERY

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

No Litigation

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

Approval of Legality

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

Certification of the Bonds

The Bonds will be certified as to their genuineness by U.S. Bank, National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

Certificate With Respect to Treasurer

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

Certificate With Respect to Official Statement

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

TOWN OF SCARBOROUGH

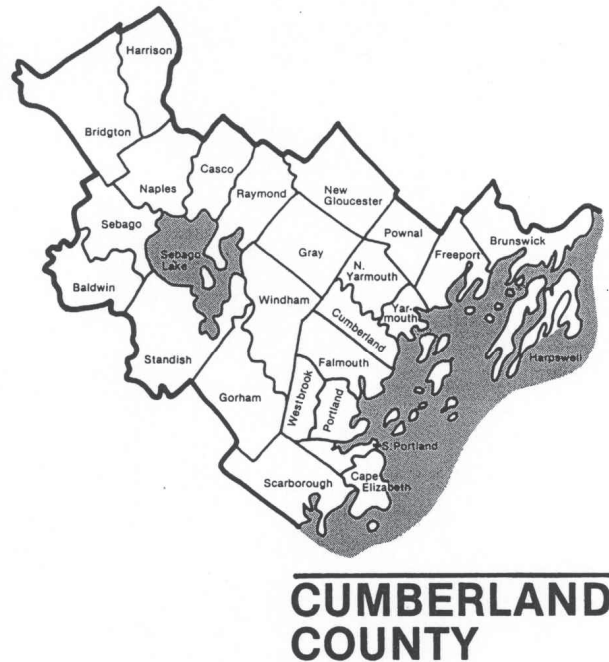
GENERAL

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

Beach, about two miles in length, going north to Higgins Beach, which succeeds and continues to the Spurwink River at the Town's line. On the western side of Prouts Neck, is a small harbor facing Pine Point and Ferry Rock, nearly enclosing from the sea a considerable basin into which waters of several streams are discharged.

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

A 1,500-acre tract of land between Prouts Neck, then called Black Point, and the Spurwink River was granted to Capt. Thomas Cammock, a nephew of the English Earl of Warwick. The Indian name for the area was "Owascoag", which signifies the place of much grass. In 1633, Capt. Cammock and his wife moved from Richmond's Island to Prouts Neck, and Capt. Cammock was the first legal proprietor in Scarborough. In the course of a few years other settlers joined Cammock, mostly as tenants. By 1650 there were 50 homes at the Black Point settlement. In 1651 there developed a further principal settlement inland, named Dunstan. The Town was incorporated as the 6th town in the Province of Maine on July 14, 1658 and was named for Old Scarborough, England. By October, 1676 Scarborough comprised three settlements of more than 100 houses. In 1681 a strong fortification was erected at Black Point, but the



inhabitants were so harassed by the attacks of Native Americans that, in 1690, the Town was wholly abandoned. A resettlement appears to have been in 1702, by a band of seven persons who came in a sloop from Lynn, Massachusetts. Scarborough is the birthplace of William King (1768-1852), the State's first governor. The studio and home of the famous artist Winslow Homer are located at Prouts Neck. The Black Point Inn, built by the Kaler family in 1878 and originally known as "The Southgate", is also located at Prouts Neck and is included in the National Registry of Historic Hotels of America. The Scarborough Marsh, a great salt marsh in the Town comprised of approximately 3,100 acres, is Maine's largest tidal marsh.

Scarborough is an affluent suburban coastal community, beautifully situated on the Maine coast. The Town has primarily single-family dwellings, of which 80.3% are owner-occupied. The land area of the Town is comprised of residential, local business, industrial, medical, commercial and resource protection zones, as well as recreation, oceanfront, open space, farmland and woodland areas. The area of the Town totals 27,919 acres or approximately 54 square miles.

GOVERNMENT

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

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

MUNICIPAL SERVICES

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

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

Public Safety

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

The Fire Department operates from one central fire station and five sub-stations lead by a Fire Chief, a Deputy Fire Chief of Operations/Suppression and a deputy Chief of Emergency Medical Services. The department's personnel include two full-time Administrative Assistants, four career Paramedic Lieutenants, 20 career Firefighter/EMTs and 147 per diem and call Firefighters. Through its Fire Department, the Town operates three Marine Units, on a seasonal basis.

Public Works

The Public Works Department is comprised of five divisions. The *Administrative Division* includes a Director of Public Works, who oversees all of the department's divisions, a Deputy Director, and administrative assistant and a receptionist. The *Operations Division* is comprised of a Supervisor and 16 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling and processes "Excavator Licenses," "Street Opening Permits," and "Driveway Coordination Forms." The *Vehicle Maintenance Division* consists of a Supervisor, a Parts Manager and six fleet technicians. This division is responsible for the maintenance of all Town-owned vehicles including Fire Trucks, Rescue Vehicles, Police Cruisers, School Buses, Public Works equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment and for overseeing the town-wide fuel distribution program. The *Traffic/Electrical Division* is manned by one person who oversees the town-wide alarm system, traffic signals and associated equipment. A *GIS Division* consists of a Project & Data Coordinator who manages a town-wide GIS program, data integration and storm water programs documentation.

In 1996 the Town ceased using its landfill for solid waste disposal, and has closed the site in conformance with the State of Maine Department of Environmental Protection procedures, but is permitted to continue operating a demolition debris landfill at the site, in its existing capacity, until 2027, under a waiver granted by the State. The current cost of closure is estimated to be \$421,284; annual post-closure monitoring cost is estimated to be \$4,050 per year. The Town transports its solid waste to ecomaine's facility which maintains a waste-to-energy resource recovery system for which the Member Municipalities (as defined herein) are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing. In 1991, six participating municipalities entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility at ecomaine's demolition debris and recycling facility in Gorham. See "INDEBTEDNESS – CONTINGENT DEBT – ecomaine" herein.

PUBLIC EDUCATION

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

also “TOWN FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, an Assistant Superintendent one Business Manager, one Director of Special Education, one Director of Curriculum/Assessment, one Director of Facilities & Maintenance, 10 Principals or Assistant Principals, 297 teachers and 253 other professional and non-professional staff.

Schools

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	226
Eight Corners School	K-2	250 ⁽¹⁾	231
Pleasant Hill School	K-2	200 ⁽¹⁾	169
Benjamin Wentworth Intermediate	3-5	750 ⁽¹⁾	700
Scarborough Middle	6-8	800 ⁽¹⁾	792
Scarborough High	9-12	1,200	1,033

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

Enrollment Trends

April 1,	Grades					Total Enrollment
	K-2	3-5	6-8	9-12	Other	
2013	623	742	805	1,051	1	3,222
2012	646	781	780	1,054	6	3,267
2011	679	767	778	1,066	5	3,295
2010	725	754	796	1,070	6	3,351
2009	750	728	810	1,048	7	3,343
2008	714	772	828	1,024	9	3,347
2007	718	790	797	993	8	3,306
2006	724	790	803	1,007	0	3,324
2005	727	799	805	977	0	3,308
2004	723	777	811	923	0	3,234

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 2013/2014, the Scarborough School Department’s assessment is 4.72% of the total of the 2013/2014 Part I cost and the 2013/2014 Part II cost for PATHS. This represents the enrollment average for October 1, 2013, being 24.0 FTE students from Scarborough of the 508.5 average student total enrollment for PATHS.

THE SCARBOROUGH PUBLIC LIBRARY

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

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

The Scarborough Public Library operates as a private, non-profit, tax-exempt entity. A 14-member Board of Trustees (comprised of Town residents including one member of the Town Council and the President of the Friends of the Library) is responsible for policy, planning and fiscal control of the Corporation. Funds to operate the library come primarily, but not exclusively, from the Town. Each year, a library budget is presented to the Town Council using the same procedures required of Town departments. The library’s current collection exceeds 75,500 items of print and audiovisual materials. The Library averages 2,300 visitors per week and circulates approximately 223,000 items per year, with a Library Director who oversees a staff of six full-time and 16 part-time employees and various volunteers.

LABOR RELATIONS

The Town employs approximately 564 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	33	July 1, 2012	June 30, 2015
SPA	Dispatchers	11	July 1, 2012	June 30, 2015
SPA	Paramedics	24	July 1, 2011	June 30, 2014
SEA	Teachers	297	Sept 1, 2013	Aug 31, 2016
SAA	School Administrators	11	July 1, 2013	June 30, 2015
SESPA	School Staff and Teacher's Aids	116	July 1, 2011	June 30, 2014
SEA	School Custodians	29	July 1, 2011	June 30, 2012 ⁽²⁾
SEA	Bus Drivers	22	July 1, 2011	June 30, 2014
SEA	Food Service Workers	23	July 1, 2011	June 30, 2012 ⁽²⁾

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 expired on June 30, 2012. Since the Spring of 2012, the School Board negotiating team has been engaged in talks with the MEA for the unit(s) and have been unable to reach agreement. The process has gone through fact-finding and mediation with the Maine Department of Labor, and has been filed for arbitration with hopes for a settlement by July of 2014.

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		
2013	4	\$24,397.2	80	\$29,681.0	77	\$121,727.1	407	\$104,750.0	568	\$280,555.3
2012	7	9,762.4	65	40,770.1	63	90,026.9	420	84,749.3	555	225,308.7
2011	1	3,559.3	75	59,434.3	45	68,636.5	336	60,781.8	457	192,411.9
2010	1	0.0	70	96,903.9	58	84,399.5	401	62,448.9	530	243,752.3
2009	16	30,286.2	53	21,820.3	47	62,154.1	268	61,243.5	384	175,504.1
2008	10	35,447.4	80	55,599.8	75	100,517.1	359	79,765.4	524	271,329.7
2007	19	56,828.5	123	13,410.1	75	32,653.6	364	6,366.0	581	109,258.2
2006	86	40,296.6	72	12,103.9	86	24,508.5	356	9,163.6	600	86,072.6
2005	6	2,495.0	298	5,637.5	107	26,146.9	300	10,086.7	711	44,366.1
2004	14	26,077.8	222	11,033.8	120	32,104.1	286	10,286.1	642	79,501.8

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
Hannaford Brothers	Supermarket Chain & Corp Office	1,014	6.91%
Postal Service Dist Ctr	Distribution	589	4.01
Maine Medical Center	Hospital	389	2.65
Wal-Mart	Retail Department Store	380	2.59
Cabela's	Sports Equipment	314	2.14
NorDX	Medical Laboratory	207	1.41
Piper Shores	Nursing Home	207	1.41
Alere	Diagnostic Services	200	1.36
Sam's Wholesale Club	Wholesale Department Store	180	1.23

SOURCE: Town of Scarborough, Maine Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2013, Table 16. The table does not show municipal governments.

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
2013	59,272	50,633	24,860	153,839	90,567	31,049	68,308	478,528	419,256
2012	47,878	47,939	24,205	150,115	85,660	30,569	65,653	452,018	404,140
2011	48,315	42,048	22,410	148,707	80,754	31,407	59,716	433,354	385,040
2010	37,570	43,877	22,326	145,410	77,601	29,637	57,432	413,853	376,283
2009	47,569	41,367	21,975	129,496	71,543	26,808	54,504	393,262	345,693
2008	59,956	53,132	21,863	119,227	61,807	26,815	50,302	393,102	333,145
2007	64,601	38,068	21,611	121,064	20,875	28,777	43,324	338,320	273,719
2006	74,371	31,443	19,950	126,021	19,906	27,932	42,248	341,872	267,501
2005	68,042	27,163	18,554	126,485	15,767	29,575	40,514	326,100	258,057
2004	62,306	23,339	17,834	132,589	14,957	28,798	39,129	318,951	256,645

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

ECONOMIC CHARACTERISTICS

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

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

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

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

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

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

Unemployment	Town of Scarborough	Cumberland County	State of Maine	USA
2013	4.7%	5.3%	6.7%	7.4%
2012	6.7	5.8	7.3	8.1
2011	5.1	6.0	7.5	8.9
2010	5.4	6.3	7.9	9.6
2009	5.6	6.4	8.0	9.3
2008	3.3	4.0	5.4	5.8
2007	2.9	3.5	4.6	4.7
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1
2004	2.9	3.3	4.6	5.5

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

TOWN FINANCES

BUDGETARY PROCESS

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

Budgets for Fiscal Year Ending June 30,

EXPENDITURES	2010	2011	2012	2013	2014
General government	\$4,598,652	\$4,620,106	\$4,520,293	\$4,556,921	\$4,817,259
Public services	3,726,138	3,774,310	3,806,964	3,853,161	3,390,605
Public safety	7,840,302	8,145,502	8,470,702	8,695,056	9,158,814
Public works	6,539,503	6,349,595	6,397,756	6,477,260	6,294,820
Education	35,199,614	35,084,868	34,515,785	37,370,562	39,474,516
County Tax	1,885,984	1,922,952	1,975,585	2,075,183	2,193,813
Debt service	4,750,145	4,814,046	4,909,870	4,732,060	4,508,353
CIP	1,055,426	789,928	909,450	1,406,500	923,700
TOTAL EXPENDITURES	65,595,764	65,501,307	65,506,405	69,166,703	70,761,880
REVENUES					
Taxes	47,284,994	49,180,051	50,743,766	54,262,319	58,209,370
Licenses and permits	522,920	555,285	572,635	594,725	507,030
Intergovernmental	9,932,412	8,209,181	7,299,634	7,239,617	6,527,630
Interest earned	100,000	95,000	30,000	20,000	15,000
Other	4,557,973	4,909,859	5,037,836	4,849,813	5,201,258
TOTAL REVENUES	62,398,299	62,949,376	63,683,871	66,966,474	70,460,288
OTHER SOURCES					
Operating transfers	1,083,322	896,602	918,292	1,174,388	(40,549)
Prior year fund balance	1,700,000	1,300,000	762,186	367,948	200,000
Overlay	(274,183)	(100,849)	(209,944)	(362,107)	(346,359)
Bond and note proceeds	688,326	456,178	352,000	1,020,000	488,500
TOTAL OTHER	3,197,465	2,551,931	1,822,534	2,200,229	301,592
TOTAL BUDGET	\$65,595,764	\$65,501,307	\$65,506,405	\$69,166,703	\$70,761,880

CAPITAL IMPROVEMENT PLAN

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

PROPERTY TAX LEVY LIMIT

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

Fiscal year:	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
State Personal Income Factor:	2.28%	1.78%	1.66%	1.43%	1.05%
Town Prop Growth Factor:	<u>2.64</u>	<u>0.89</u>	<u>0.41</u>	<u>0.17</u>	<u>0.78</u>
Growth Limitation Factor:	4.92%	2.67%	2.07%	1.60%	1.83%
Property Tax Levy Limit:	\$13,211,025	\$13,749,067	\$14,428,637	\$14,359,273	\$15,158,240
Property Tax Levy:	<u>13,426,693</u>	<u>14,136,022</u>	<u>14,346,334</u>	<u>14,432,024</u>	<u>16,091,860</u>
Over/(below) Levy Limit:	\$215,668	\$386,955	(\$82,303)	\$72,751	\$933,620

INVESTMENT POLICY

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

FUND BALANCE POLICY

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

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

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013 ⁽³⁾
Committed, Assigned & Unassigned ⁽¹⁾					
General Fund Balance	\$8,173,847	\$4,755,708	\$3,807,948	\$4,587,125	\$5,246,376
Total Revenues (Current Year)	65,367,223	64,114,724	65,932,351	66,904,627	70,898,619
Fund Bal as % Revenues	12.50%	7.42%	5.78%	6.86%	7.40%
Unassigned ⁽²⁾ General Fund Balance	\$6,355,529	\$3,286,399	\$954,650	\$2,093,626	\$2,847,456
Total Revenues (Current Year)	65,367,223	64,114,724	65,932,351	66,904,627	70,898,619
Fund Bal as % Revenues	9.72%	5.13%	1.45%	3.13%	4.02%

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

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

⁽³⁾ Amounts posted in the 2013 Financial Statements are overstated for "Restricted" and understated for "Unassigned". This table shows the correct amounts, which will be re-stated in the 2014 Financial Statements.

DEBT MANAGEMENT POLICY

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

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

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

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

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Section 204.6 of the Town’s Charter provide for independent annual audits of the Town’s accounts and establish procedures for such audits. The Town, in conformance with this statute and its Charter currently engages the services of 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 2013 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, 2012. This is the eighth 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,)**

	2013	2012	2011	2010	2009
ASSETS					
Cash and cash equivalents	\$9,948,470	\$1,257,920	\$5,554,730	\$4,062,681	\$4,691,357
Investments	752,899	8,748,556	2,412,731	4,410,997	4,803,188
Receivables:					
Accounts receivable	1,110,371	828,253	563,698	546,871	617,828
Intergovernmental	124,122	191,841	182,202	45,238	
Taxes receivable	137,001	172,971	168,995	166,781	136,958
Tax liens	844,343	757,577	730,719	651,207	559,400
Interfund receivable	2,683,412	3,004,027	2,904,940	2,794,632	3,152,886
Tax acquired property	7,231	7,231	7,231	7,231	7,231
Inventory	34,010	34,010	0	0	0
TOTAL ASSETS	15,641,859	15,002,386	12,525,246	12,685,638	13,968,848
LIABILITIES					
Accounts payable	1,685,130	2,402,854	1,092,572	1,158,183	1,057,383
Accrued payroll	3,922,340	3,656,473	3,676,889	3,581,414	3,459,260
Accrued absences	120,329	62,853	30,366	22,559	22,425
Taxes collected advance	45,560	68,580	65,091	50,845	69,250
Deferred tax revenue	810,854	757,593	671,053	634,571	556,721
TOTAL LIABILITIES	6,584,213	6,948,353	5,535,971	5,447,572	5,165,039
EQUITY⁽¹⁾					
Fund balances:					
Reserved	-	-	-	2,482,358	629,962
Unreserved:	-	-	-		
Undesignated	-	-	-	3,286,399	6,355,529
Designated	-	-	-	1,469,309	1,818,318
Non-spendable	34,010	34,010	0	-	-
Restricted	3,777,260 ⁽²⁾	3,432,898	3,181,327	-	-
Committed	374,000	687,603	629,908	-	-
Assigned	2,024,920	1,805,896	2,223,390	-	-
Unassigned	2,847,456 ⁽²⁾	2,093,626	954,650	-	-
TOTAL EQUITY	9,057,646	8,054,033	6,989,275	7,238,066	8,803,809
TOTAL LIABILITIES AND EQUITY	\$15,641,859	\$15,002,386	\$12,525,246	\$12,685,638	\$13,968,848

Prepared from Audited Financial Statements.

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

⁽²⁾ Amounts posted in the 2013 Financial Statements are overstated for "Restricted" and understated for "Unassigned". This table shows the correct amounts, which will be 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,)

	2013	2012	2011	2010	2009
REVENUES					
Taxes	\$54,317,932	\$50,413,387	\$48,942,881	\$46,879,920	\$46,401,191
Licenses and permits	553,504	494,439	479,746	573,438	482,314
Intergovernmental	10,462,944	10,541,991	11,728,400	11,875,110	13,526,908
Interest earned	42,573	66,255	42,024	141,496	137,533
Other	5,521,666	5,388,555	4,739,300	4,644,760	4,819,277
TOTAL REVENUES	70,898,619	66,904,627	65,932,351	64,114,724	65,367,223
EXPENDITURES					
General government	4,956,930	4,401,899	4,677,260	4,701,884	4,533,475
Public services	3,931,386	3,841,168	3,787,489	3,730,927	3,703,541
Public safety	8,577,811	8,241,916	7,967,270	7,720,965	7,399,328
Public works	6,681,399	6,598,823	6,040,273	6,224,169	6,259,412
Education	39,344,449	37,085,827	38,174,127	37,337,662	37,551,686
County tax	2,075,183	1,975,585	1,922,952	1,885,984	1,836,509
Debt service	4,942,403	5,416,558	4,771,048	4,956,091	5,070,061
Capital improvements	1,257,490	924,372	833,353	1,262,059	2,177,893
TOTAL EXPENDITURES	71,767,051	68,486,148	68,173,772	67,819,741	68,531,905
EXCESS OF REVENUES OVER EXPENDITURES	(868,432)	(1,581,521)	(2,241,421)	(3,705,017)	(3,164,682)
OTHER FINANCING SOURCES:					
Operating transfers in	1,015,621	1,723,391	1,120,962	1,551,027	2,570,284
Operating transfers out	(683,335)	(144,986)	(170,203)	(111,543)	(395,967)
Refunding bonds	7,065,000	24,605,000	-	-	-
Premium	321,961	2,998,094	-	-	-
Refunding escrow	(7,347,335)	(27,124,969)	-	-	-
Proceeds from Capital Lease	365,033	0	0	51,585	819,682
Bond or note proceeds	1,135,100	589,750	407,440	648,205	0
TOTAL OTHER FINANCING:	1,872,045	2,646,280	1,358,199	2,139,274	2,993,999
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	1,003,613	1,064,758	(883,222)	(1,565,743)	(170,683)
FUND BALANCE, BEGINNING OF YEAR⁽¹⁾	8,054,033	6,989,275	7,872,497	8,803,809	8,974,492
FUND BALANCE, END OF YEAR	\$9,057,646	\$8,054,033	\$6,989,275	\$7,238,066	\$8,803,809

Prepared from Audited Financial Statements

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

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2013/2014 due dates are October 15, 2013 and March 17, 2014. All taxes paid after the due dates are subject to interest, at the rate of 7.0% per annum.

Real Estate Taxes

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

Business Personal Property Taxes

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

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

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

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

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

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

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

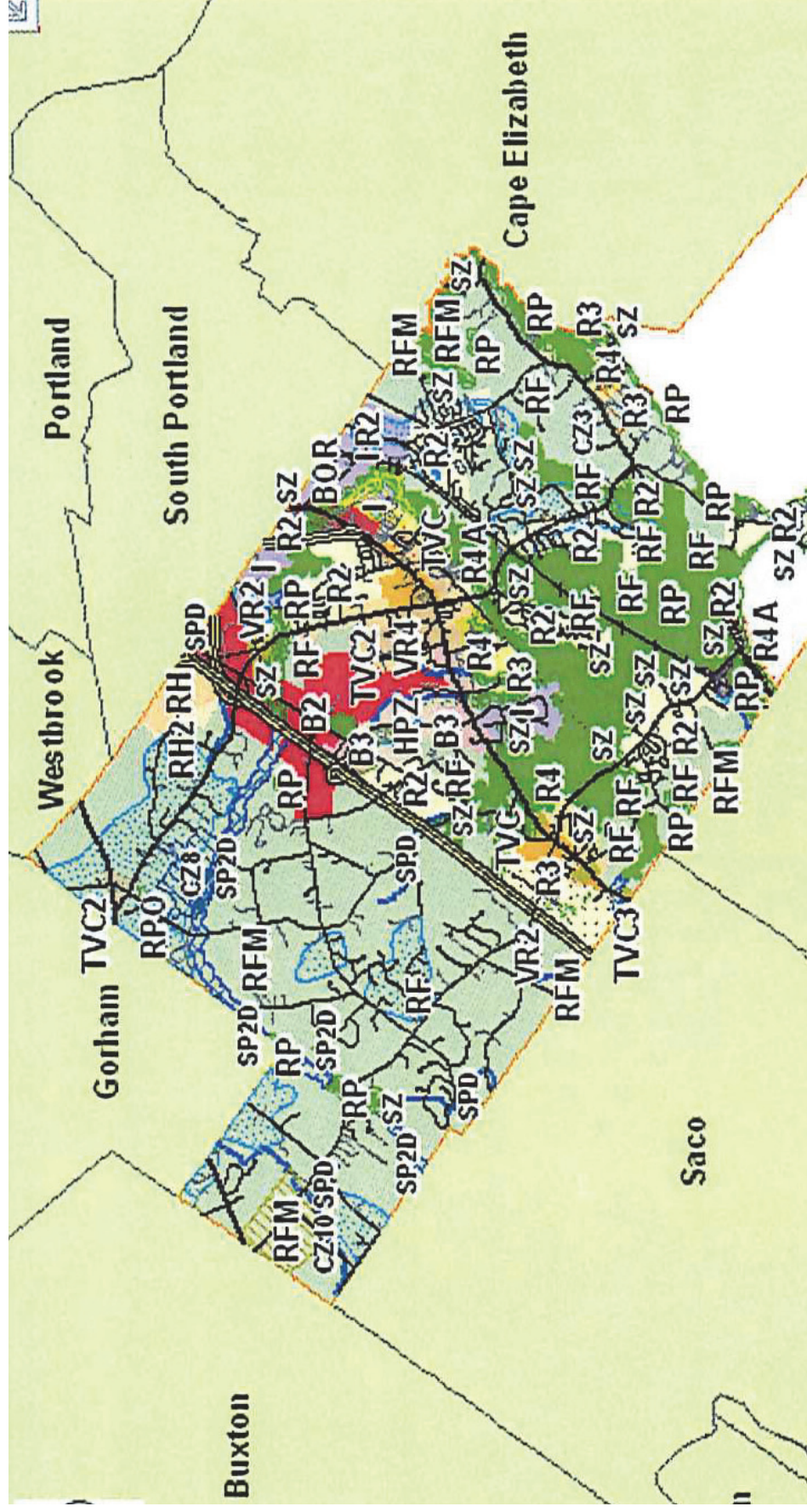
TAX LEVY AND COLLECTIONS

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Commit. (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 3/1/14
2014	\$3,579,450	\$3,660,306	\$14.77	\$54,063	---- In Process ----		
2013	3,482,500	3,631,675	13.80	50,117	\$49,484	98.72%	98.74%
2012	3,556,750	3,564,150	13.03	46,532	46,103	98.76	99.55
2011	3,564,150	3,556,552	12.63	44,919	44,325	98.66	99.94
2010	3,620,450	3,524,772	12.15	42,826	42,319	98.82	99.95
2009	3,563,250	3,487,005	12.15	42,367	41,891	98.80	99.95
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01	99.95
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.25	100.00
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.19	100.00
2005	2,538,800	2,057,589	17.34	35,678	35,423	99.13	100.00
2004	2,158,300	2,002,987	16.46	32,969	32,747	99.33	100.00

ZONING MAP

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

Town of Scarborough, Maine



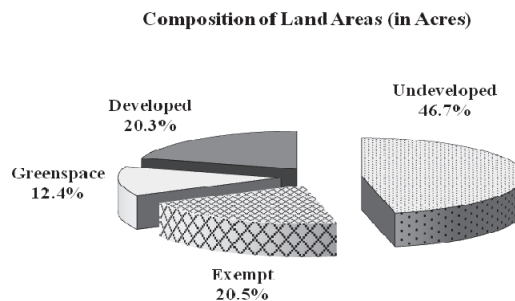
LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2013				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$61,933,200	\$1,118,600	\$63,051,800	\$870,115	1.74%
Wal-mart/Sam's Club	Wholesale/Retail	33,674,000	6,554,700	40,228,700	599,156	1.11
New England Exped.	Retail/Restaurants	35,132,100	0	35,132,100	484,823	0.97
MMC Realty	Maine Health	25,398,600	3,212,700	28,611,300	394,836	0.79
Hannaford Brothers	Supermarket/Corp Off	16,931,300	7,655,900	24,587,200	339,303	0.68
Scarborough Gallery	Retail/Restaurants	22,757,000	0	22,757,000	314,047	0.63
Gavin Ruotolo	Commercial Leases	18,603,700	148,000	18,751,700	258,773	0.52
Central Maine Power	Utility	14,595,300	11,100	14,606,400	201,568	0.39
Shaw's	Supermarket	8,911,600	4,985,600	13,897,200	191,781	0.38
RRE Foxcroft & Coach Lantern	Apartments	13,009,800	243,600	13,253,400	182,897	0.36
Top Ten Taxpayers as a % of Total		\$250,946,600	\$23,930,200	\$274,876,800	\$3,837,299	7.57%

CURRENT TAX BASE AND TAX BASE GROWTH

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

By Land Area (acres)	2014
Undeveloped ⁽¹⁾	13,182
Exempt	5,792
Greenspace ⁽²⁾	3,504
Developed	<u>5,735</u>
Total	28,213



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

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

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enable a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing ("TIF") district or an affordable housing development district (a "housing district") for a period of up to 30 years and adopts a development program (the "Development Program") stating the means and objectives for the development of that district. The municipality may designate, or "capture", all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased property taxes it receives in future years generated by the

“captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones, transit-oriented TIF districts or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3 of the Maine Revised Statutes, as amended.

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

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

REVENUES FROM THE STATE

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

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. 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	Homestead Exemption	General Assist.	BETE	Other State Aid	Total From State
2013	\$1,124,864	\$4,305,941	\$572,101	\$805	\$244,266	\$442,248	\$6,690,225
2012	1,122,837	4,712,801	296,978	1,780	152,738	407,849	6,694,983
2011	1,075,523	5,680,516	287,798	969	161,090	579,967	7,785,863
2010	1,120,132	5,913,102	352,995	3,022	140,591	907,012	8,436,854
2009	1,358,911	7,069,802	339,355	8,264	23,864	881,691	9,681,886

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, 2014 the Town’s equalized state valuation (“equalized State Valuation”) was \$3,579,450,000. The 15% debt limit is \$536,917,500. On June 30, 2013 the Town’s long-term debt was \$96,180,000 or 2.69% of the equalized State Valuation.

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

DEBT SUMMARY

Series	Date of Issue	Issue Amount	Date of Final Mat	As of 6/30/2013	Payments 2013/2014	Projected 6/30/2014
1994	10/15/1994	\$6,775,000	10/15/2014	\$460,000	(\$230,000)	\$230,000
1995	12/15/1995	6,160,000	11/01/2015	795,000	(265,000)	530,000
1997	4/15/1997	4,230,000	11/01/2016	440,000	(110,000)	330,000
2004	3/15/2004	14,628,000	11/01/2033	215,000	0	215,000
2005	3/15/2005	10,665,000	11/01/2034	870,000	(305,000)	565,000
2006	5/15/2006	7,014,000	11/01/2020	2,550,000	(515,000)	2,035,000
2007	5/15/2007	4,000,000	11/01/2021	1,025,000	(225,000)	800,000
2008	6/1/2008	8,513,000	11/01/2027	4,740,000	(595,000)	4,145,000
2009	5/1/2009	4,560,000	11/01/2028	3,055,000	(400,000)	2,655,000
2009	10/1/2009	1,780,000	11/01/2019	1,225,000	(185,000)	1,040,000
2010	4/15/2010	6,002,000	11/01/2030	5,035,000	(470,000)	4,565,000
2011	6/15/2011	5,600,000	11/01/2030	4,515,000	(540,000)	3,975,000
2012	5/8/2012	46,545,000	11/01/2041	45,570,000	(615,000)	44,955,000
2013	4/1/2013	25,685,000	11/01/2042	25,685,000	(335,000)	25,350,000
Sub-totals				96,180,000	(4,790,000)	91,390,000
2014	5/15/2014	19,421,410	11/01/2033	0	0	6,505,000
Totals				\$96,180,000	(\$4,790,000)	\$97,895,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2009	2010	2011	2012	2013	2014
Total Current Year Debt Service:	\$8,853,561	\$8,209,555	\$8,304,376	\$8,224,935	\$8,098,392	\$8,664,024
Budgeted Operating Expense:	64,898,002	65,595,764	65,501,307	65,506,405	69,116,703	70,761,880
Debt Service as % Oper. Expense:	13.64%	12.52%	12.68%	12.56%	11.72%	12.24%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2013	18,919	\$3,579,450	\$3,660,306	\$96,180,000	2.69%	\$5,083.78
2012	18,919	3,556,750	3,572,000	82,250,000	2.31	4,347.48
2011	18,919	3,564,150	3,556,552	66,767,000	1.87	3,529.10
2010	18,919	3,620,450	3,524,771	68,042,000	1.88	3,616.95
2009	18,812	3,563,250	3,487,005	67,785,000	1.90	3,603.29
2008	18,812	3,531,150	3,397,230	69,328,000	1.96	3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76
2004	16,970	2,158,300	2,023,583	62,952,163	2.92	3,709.61

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt			Projected Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	Total Debt	Principal	Interest	Total Debt	
2014	\$4,790,000	\$3,874,024	\$8,664,024	\$0	\$0	\$0	\$8,664,024
2015	4,990,000	3,926,873	8,916,873	490,000	142,727	632,727	9,549,599
2016	5,060,000	3,490,979	8,550,979	760,000	136,200	896,200	9,447,179
2017	5,125,000	3,033,238	8,158,238	760,000	121,000	881,000	9,039,238
2018	5,305,000	2,854,340	8,159,340	735,000	106,050	841,050	9,000,390
2019	5,190,000	2,669,371	7,859,371	700,000	91,700	791,700	8,651,071
2020	5,325,000	2,474,770	7,799,770	325,000	81,450	406,450	8,206,220
2021	5,470,000	2,249,810	7,719,810	325,000	74,950	399,950	8,119,760
2022	5,155,000	2,047,094	7,202,094	310,000	68,600	378,600	7,580,694
2023	4,965,000	1,883,383	6,848,383	300,000	61,000	361,000	7,209,383
2024	3,565,000	1,725,016	5,290,016	300,000	52,000	352,000	5,642,016
2025	3,270,000	1,586,243	4,856,243	250,000	43,750	293,750	5,149,993
2026	3,310,000	1,450,275	4,760,275	250,000	36,250	286,250	5,046,525
2027	3,260,000	1,306,994	4,566,994	250,000	28,750	278,750	4,845,744
2028	3,270,000	1,176,913	4,446,913	250,000	21,250	271,250	4,718,163
2029	3,045,000	1,057,950	4,102,950	250,000	13,750	263,750	4,366,700
2030	3,000,000	942,306	3,942,306	50,000	9,000	59,000	4,001,306
2031	3,050,000	830,681	3,880,681	50,000	7,000	57,000	3,937,681
2032	2,890,000	719,906	3,609,906	50,000	5,000	55,000	3,664,906
2033	2,890,000	608,338	3,498,338	50,000	3,000	53,000	3,551,338
2034	2,210,000	502,913	2,712,913	50,000	1,000	51,000	2,763,913
2035	1,730,000	417,263	2,147,263				2,147,263
2036	1,250,000	350,813	1,600,813				1,600,813
2037	1,250,000	293,963	1,543,963				1,543,963
2038	1,250,000	240,538	1,490,538				1,490,538
2039	1,250,000	191,244	1,441,244				1,441,244
2040	1,250,000	142,656	1,392,656				1,392,656
2041	1,250,000	94,069	1,344,069				1,344,069
2042	1,250,000	45,481	1,295,481				1,295,481
2043	565,000	10,594	575,594				575,594
TOTAL	\$96,180,000	\$42,198,033	\$138,378,033	\$6,505,000	\$1,104,427	\$7,609,427	\$145,987,460

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

FY end June 30,	1994	1995B	1997	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Debt
2014	230	265	110		305	515	225	595	185	470	540	615	335	0	4,790
2015	230	265	110	215	315	530	225	580	185	470	540	575	350	490	5,480
2016		265	110		250	505	225	570	185	470	525	1,065	575	760	5,820
2017			110			185	225	570	185	345	360	1,690	1,145	760	5,885
2018						190	25	575	185	345	360	2,400	915	735	6,040
2019						195	25	185	185	345	355	2,825	765	700	5,890
2020						210	25	185	115	345	355	3,210	770	325	5,650
2021						220	25	185	100	345	355	3,475	765	325	5,795
2022							25	185	100	280	115	3,685	765	310	5,465
2023								185	100	280	115	3,520	765	300	5,265
2024								185	100	280	115	2,170	715	300	3,865
2025								185	100	280	115	1,870	720	250	3,520
2026								185	100	280	115	1,585	1,045	250	3,560
2027								185	100	100	110	1,335	1,430	250	3,510
2028								185	100	100	110	1,310	1,465	250	3,520
2029									100	100	110	1,330	1,405	250	3,295
2030									100	100	110	1,355	1,435	50	3,050
2031										100	110	1,775	1,065	50	3,100
2032											110	1,815	1,075	50	2,940
2033												1,800	1,090	50	2,940
2034												685	1,525	50	2,260
2035												685	1,045		1,730
2036												685	565		1,250
2037												685	565		1,250
2038												685	565		1,250
2039												685	565		1,250
2040												685	565		1,250
2041												685	565		1,250
2042												685	565		1,250
2043												685	565		1,250
6/30/2013	460	795	440	215	870	2,550	1,025	4,740	1,225	5,035	4,515	45,570	25,685	6,505	102,685
Pd 2014	(230)	(265)	(110)	0	(305)	(515)	(225)	(595)	(185)	(470)	(540)	(615)	(335)	0	(4,790)
6/30/2014	230	530	330	215	565	2,035	800	4,145	1,040	4,565	3,975	44,955	25,350	6,505	97,895

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, 2014 the Town's equalized State Valuation of \$3,579,450,000 is 9.03% of the County's equalized State Valuation of \$38,619,800,000. The Town's share is 9.27%, or \$3,366,295, of the County's \$36,320,000 (unaudited) long-term debt projected outstanding as of December 31, 2013.

CONTINGENT DEBT

Portland Water District

The Water Division of the Portland Water District ("PWD") also provides water to the inhabitants of 11 cities and towns and one water district within the Greater Portland Area (the "PWD Municipalities"), including the Town. The Water Division's debt is not a debt or obligation of the PWD Municipalities. However, under Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (previously codified at Title 30, Section 3211 of the Maine Revised Statutes, as amended) (the "Act"), and pursuant to an agreement with ten of the 12 PWD Municipalities, (the "Section 6103 Members"; the exceptions being the Town of Standish and the Yarmouth Water District), in compliance with subsection 6 of the Act, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes (the "Water System Debt"). In the event of a default by PWD in the payment of the principal of, or interest on, its Water System Debt, the Trustees of the PWD have the authority to issue a warrant for payment of amounts necessary to cure the default to the assessors in each Section 6103 Member municipality within the PWD, including the Town. Such assessment would be allocated, pro-rata, to each Section 6103 Member municipality based upon 100% of its respective equalized State Valuation. On this basis, at December 31, 2013 the Town was contingently responsible for approximately 14.56%, or \$5,351,971 of the PWD's \$36,766,515 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, 2013, 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, 2013 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 \$15,951,872 at June 30, 2013 (the most current information available). The Town's proportionate share of these estimated landfill closure and post-closure care costs is 8.81% or \$1,404,660.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$96,180,000			\$96,180,000
County of Cumberland ⁽¹⁾		\$3,366,295		3,366,295
Portland Water District ⁽¹⁾			\$5,351,971	5,351,971
ecomaine (RRS)			0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			404,660	404,660
Total A/O June 30, 2013	\$96,180,000	\$3,366,295	\$5,756,631	\$105,302,926

NOTE: ⁽¹⁾ Projected, as of fiscal year ended December 31, 2013.

FUTURE FINANCING

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

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

Parks and Conservation Lands

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

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

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

Additional CIP

The Town has a variety of CIP projects that have been authorized by the Town Council but the projects have not matured to the extent that significant funds need be available over the next several months, have been abandoned, or have been completed under budget but the authorization for the unspent balance has not yet been rescinded. Projects listed as \$0 in the “Remaining Unissued” column are included in the table, as the respective project was part of a prior years’ CIP and with this financing will have extinguished their authorization. The following projects may be financed, if completed, by future bond issues:

<u>CIP Year</u>	<u>Bond Order</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Previously Bonded</u>	<u>Authorized Unissued</u>	<u>2014 Bonds</u>	<u>Remaining Unissued</u>
2003/2004	03-116	Purchase Parks & Land	\$2,500,000	(\$1,070,730)	\$1,429,270	(\$270,000)	\$1,159,270
2009/2010	09-105	Purchase Parks & Land	1,000,000	0	1,000,000		1,000,000
2004/2005	05-008	System Wide ADA	183,000	(153,500)	29,500		29,500
2005/2006	06-018	Fire Dept Training Build	150,000	0	150,000		150,000
2008/2009	08-008	Dunston Sidewalk	550,000	(375,340)	174,660		174,660
2007/2008	08-025	Municipal Bldg	325,000	(194,620)	130,380		130,380
2007/2008	08-026	Facilities Support Equip	30,000	(25,160)	4,840		4,840
2007/2008	08-027	Syst Wide Asbestos	225,000	(215,300)	9,700		9,700
2007/2008	08-028	Pleasant Hill/Blue Point	70,000	(55,000)	15,000		15,000
2007/2008	08-029	Blue Point Fence	25,000	(7,500)	17,500		17,500
2007/2008	08-030	Long Range Planning	160,000	(80,000)	80,000		80,000
2008/2009	08-122	Broadturn Road	61,700	0	61,700		61,700
2008/2009	08-122	Pub Safety Bldg Site Study	100,000	(25,000)	75,000		75,000
2008/2009	08-123	Bleacher Safety	45,000	(42,000)	3,000		3,000
2008/2009	08-123	Auditorium Wall & Stage	25,000	0	25,000		25,000
2008/2009	08-123	HS Café AC	125,000	(100,000)	25,000		25,000
2008/2009	08-123	WI Asbestos Abatement	25,000	0	25,000		25,000
2008/2009	08-123	DW & WI Bldg Envelope	65,000	(30,000)	35,000		35,000
2008/2009	08-123	MS & WI Bldg Modif.	100,000	(40,000)	60,000		60,000
2009/2010	10-011	Old County Rd Drain	1,350,000	(1,150,000)	200,000		200,000
2009/2010	10-011	Running Hill Swr	1,450,000	0	1,450,000		1,450,000
2010/2011	11-030	PW Backhoe	121,000	(103,815)	17,185		17,185
2010/2011	11-030	Martin Ave/Broadturn Rd	115,000	(60,000)	55,000		55,000
2010/2011	11-030	Haigis Pky/Route One	2,235,000	(2,141,500)	93,500		93,500
2010/2011	11-031	District Wide Energy Cons	45,000	(13,000)	32,000		32,000
2011/2012	12-028	PW Plow Truck	180,000	(176,600)	3,400		3,400
2011/2012	12-028	PW Loader	172,000	(152,400)	19,600		19,600
2011/2012	11-068	Wentworth School	39,077,594	(33,815,000)	5,262,594	(1,969,815)	3,292,779
2012/2013	13-007	PW Mid-level Road	483,000	(353,400)	129,600		129,600
2012/2013	13-007	PW Fogg Road Study	230,000		230,000		230,000
2012/2013	13-007	DW Movable Equip	25,000		25,000		25,000
			\$51,248,294	(\$40,379,865)	\$10,868,429	(\$2,239,815)	\$8,628,614

Wentworth Intermediate School

By referendum vote on November 8, 2011, the voters of the Town authorized the issuance of up to \$39,077,594 in bonds to provide funds to finance construction and equipping of a new intermediate school to replace the existing Wentworth Intermediate School (the “Wentworth Intermediate School Project”). A portion of the proceeds of the Town’s 2012 Bond proceeds, in the issue amount of \$18,540,000 plus Bond Premium in the amount of \$1,460,000, were issued to provide the initial \$20,000,000 portion of funds for the project; 2013 Bonds, in the issue amount of \$15,275,000 plus Bond Premium in the amount of \$802,000, were issued to provide an additional \$16,077,000 portion;

consolidated issue amount being \$33,815,000, leaving \$5,262,594 of authorized but unissued bonds. The Bonds of this financing, in an amount of \$1,969,815, represent a further portion of eligible authorized, but unissued, debt for the Wentworth Intermediate School Project; leaving \$3,292,779 of authorized but unissued bonds available for financing future eligible expenses for the Wentworth Intermediate School Project.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

The Town is a “participating local district” pursuant to Regular Plan AC and Special Plan 1C of the Consolidated Plan for Participating Local Districts (the “Consolidated Plan”) (“CPPLD”) and contributes to Maine Public Employees Retirement System’s (“MainePERS”) successor to the Maine State Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS as successor to the Maine State Retirement System (“MSRS”). MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local districts, including the Town. The authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433-0046 or by calling (800) 451-9800. Such report is also available at [http://www.msrs.org/Publications/Publications.htm#Annual Reports](http://www.msrs.org/Publications/Publications.htm#Annual%20Reports).

Funding Policy

Plan members (Town employees other than those served by the Teachers Retirement Plan, described in B, below) are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan (“CRP”), non-teaching school personnel or other qualified educators not participating in the MainePERS’s teacher group (see below) had its separate, individual existing unfunded actuarial liability calculated. The Town will pay this initial unpooled unfunded liability (“IUUAL”) on a scheduled basis, in addition to making the normal contribution to the plan. The Town’s IUUAL with MainePERS was fully funded in 2007. The current employer rate is 6.5% of annual covered payroll for School employees participating in the District Plan, 6.5% for Town employees and 12.8% for Police and Fire/Rescue. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement Board of Trustees. The Town’s contributions to the MainePERS-CRP for the year ended June 30, 2013, 2012 and 2011 were \$436,099, \$353,904 and \$256,871, respectively. The Town has paid 100% of its MainePERS-CRP requirement since 2007.

Employer Contribution Rates

The MainePERS Board of Trustees has increased employer contribution rates for the PLD Consolidated Plan based upon actuarial recommendations. The following table shows the rates for fiscal year ended June 30, 2013, new rates for fiscal year ended June 30, 2014 and for fiscal year ended June 30, 2015:

<u>Plan</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Regular AC	5.3%	6.5%	7.8%
Special 1C	12.2%	12.8%	13.4%

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

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

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

Funding Policy

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,176,000 (16.33%) for the fiscal year 2013. This amount has been reported as an intergovernmental revenue and retirement expenditure in the Town's GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 16.36% of their compensation. This cost is charged to the applicable grant. Beginning on July 1, 2013, as a result of the State Biennial budget, the School Department will be responsible for approximately half of the normal cost of the teachers' plan. This approximates 2.65% of compensation.

C. DEFINED CONTRIBUTION PLAN

The Town has instituted a contributory Internal Revenue Code Section 401(a) plan which is available to all eligible employees of the Town. The Town contributes to the International City Manager's Association ("ICMA") Money Purchase Plan, which is a defined contribution pension plan administered by the ICMA. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All municipal employees of the Town have the option of participating in the plan or the MSRS. Contributions made by the employer vest upon completion of three years of service. An employee who leaves the employment of the Town is entitled to all contributions and earned income in his account at that time. Each employee must contribute a minimum of 6% of his or her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings.

During the year, the Town's required and actual contributions amounted to \$305,448, which was 6% of the participating employees and 12% of the Town's Manager's current year covered payroll. The covered

payroll amounted to \$4,971,022 while the Town's total payroll was \$11,386,526. Employee's required contributions amounted to \$291,077, which was 6% of the Town's current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Money Purchase Plan held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

D. DEFERRED COMPENSATION PLAN

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

E. OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB 45. An OPEB liability actuarial valuation was completed by such consultant in October 2012 for the year ended June 30, 2012. 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:	\$85,964
Amortization of unfunded cost:	168,129
Interest:	<u>5,032</u>
Annual required contribution:	\$259,125

Funding Status and Funding Progress - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2012 was:

Annual required contribution:	\$259,125
Interest on NET OPEB Obligation:	9,374
Amortization adjustment to ARC:	<u>(13,553)</u>
Annual OPEB cost:	254,947
Actual contribution:	<u>(24,773)</u>
Increase in Net OPEB obligation:	230,174
Net OPEB – beginning of year:	<u>921,025</u>
Net OPEB – end of year:	\$1,151,199

Percent contributed:	13%
Unfunded actuarial accrued liability:	\$3,023,581

Covered payroll:	\$8,974,368
Unfunded actuarial accrued liability as a percentage of covered payroll:	33%

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

ENVIRONMENTAL MATTERS

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

The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town's financial condition or ability to pay debt service on the Bonds as and when due.

LITIGATION

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

[This page left intentionally blank.]

APPENDIX A

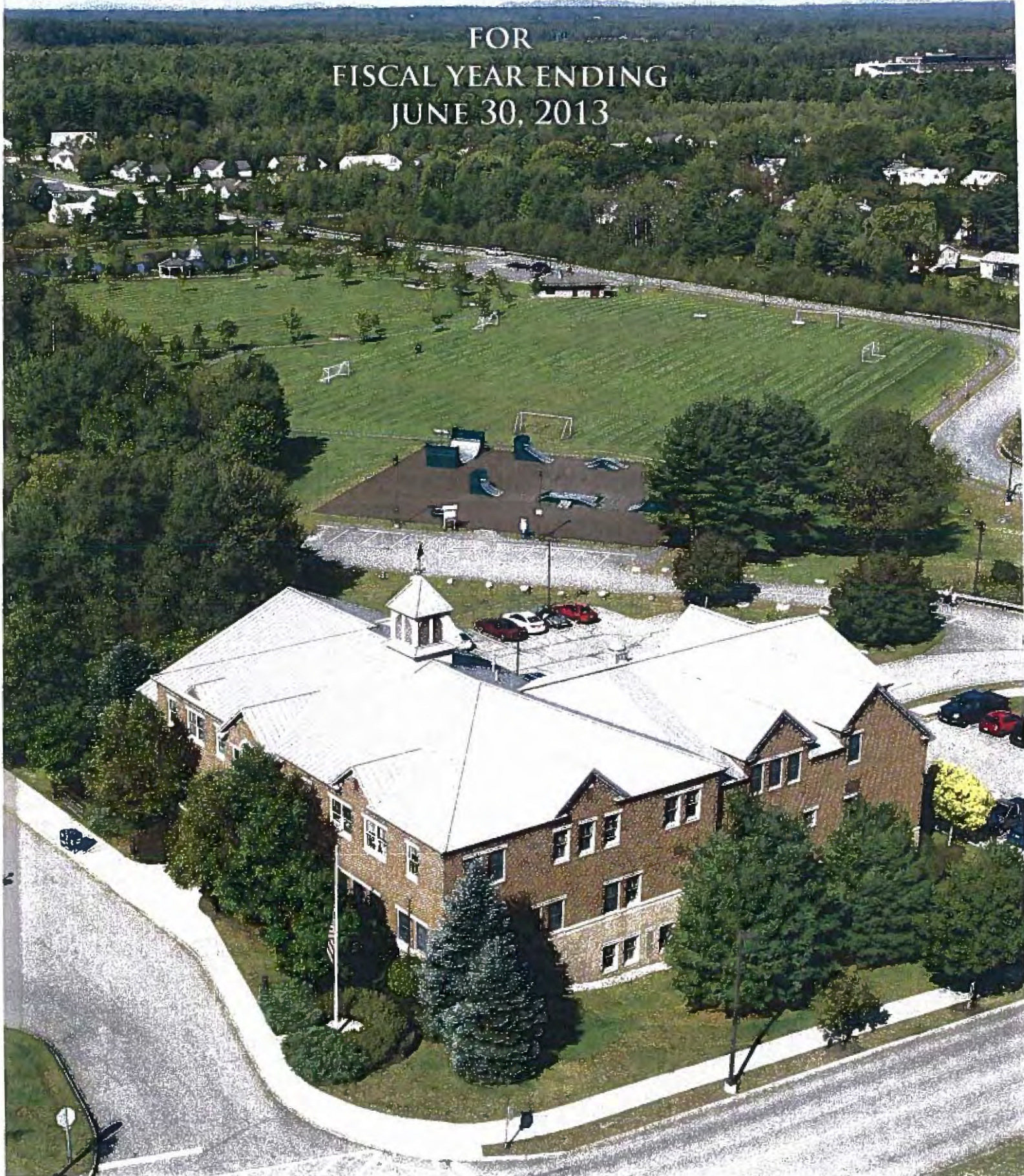
**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2013**

(With Report of Independent Auditors' Thereon)

[This page left intentionally blank.]

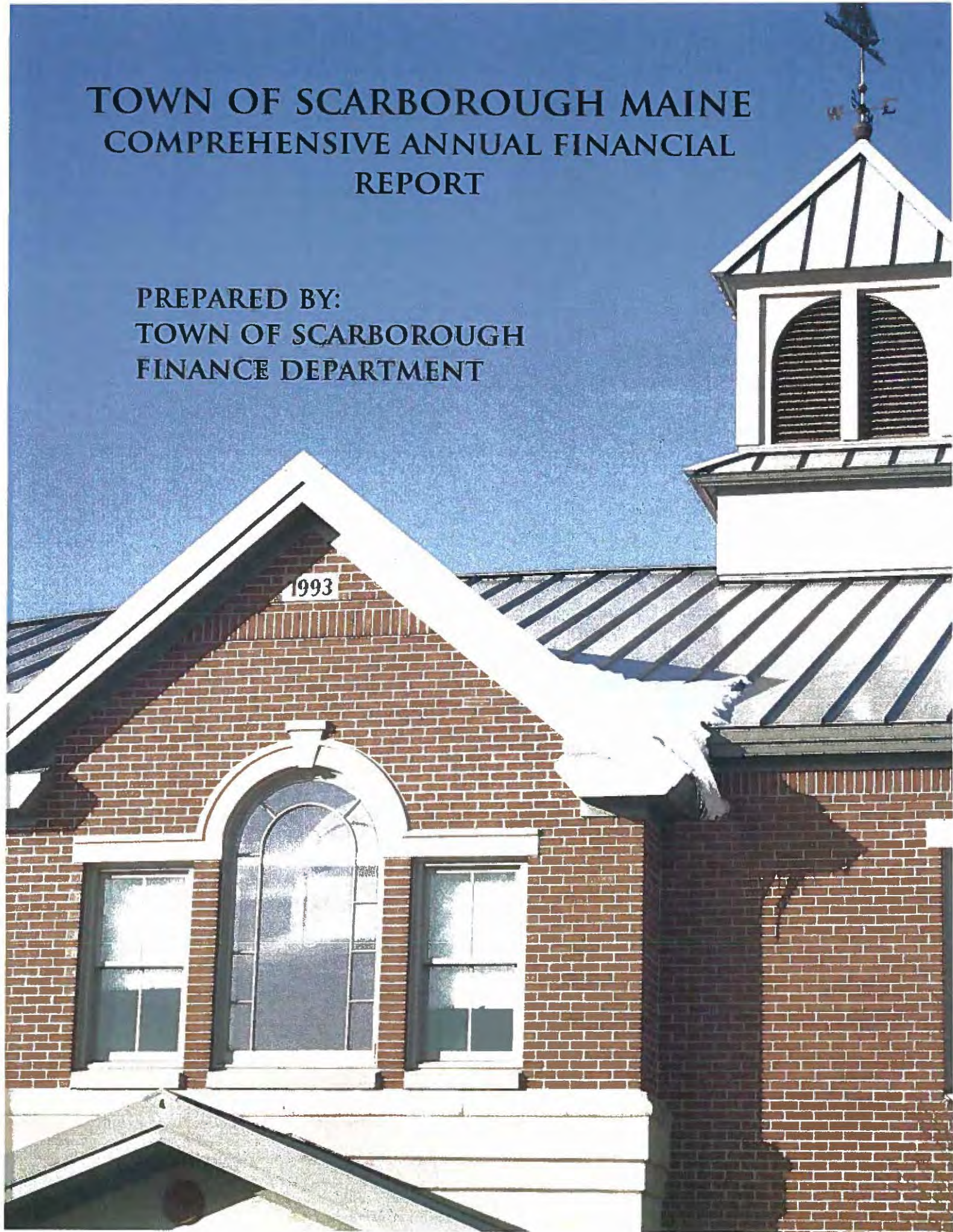
TOWN OF SCARBOROUGH MAINE COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR
FISCAL YEAR ENDING
JUNE 30, 2013



TOWN OF SCARBOROUGH MAINE COMPREHENSIVE ANNUAL FINANCIAL REPORT

PREPARED BY:
TOWN OF SCARBOROUGH
FINANCE DEPARTMENT



TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2013

Table of Contents

	<u>Statement</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		1-10
Certificate of Achievement for Excellence in Financial Reporting		11
Organizational Chart		13
List of Elected and Appointed Officials		14
FINANCIAL SECTION		
Independent Auditors' Report		17-19
Management's Discussion and Analysis		23-35
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	39
Statement of Activities	2	40
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	41
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	43
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	6	44
Statement of Fiduciary Net position – Fiduciary Funds	7	45
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	8	46
Notes to Basic Financial Statements		47-70
Required Supplementary Information		
Schedule of Funding Progress		71
	<u>Exhibit</u>	
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	75
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis	A-2	76-78
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	82
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	87-88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	89-90

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2013

Table of Contents, continued

	<u>Exhibit</u>	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –		
School Categorical Funds	C-3	91
Nonmajor Capital Project Funds:		
Balance Sheet	D-1	95
Statement of Revenues, Expenditures and Changes in Fund Balance	D-2	96
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	100
Private-purpose Trust Funds:		
Combining Statement of Fiduciary Net position	F-1	103
Combining Statement of Changes in Fiduciary Net Position	F-2	104
Agency Funds:		
Statement of Changes in Assets and Liabilities	F-3	105
General Long-term Debt:		
Statement of Changes in General Long-term Debt	G	109-110

Table

STATISTICAL SECTION

Statistical Information:

Net Position by Component - Last Ten Fiscal Years	1	115
Changes in Net Position - Last Ten Fiscal Years	2	116
Fund Balances of Governmental Funds - Last Ten Fiscal Years	3	117
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	4	118
General Governmental Expenditures by Function - Last Ten Fiscal Years	5	119
General Government Tax Revenue by Source - Last Ten Fiscal Years	6	120
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	7	121
Property Tax Rates Direct and Overlapping Governments – Last Ten Fiscal Years	8	122
Principal Property Taxpayers – Current Year and Ten Years Ago	9	123
Property Tax Levies and Collections – Last Ten Fiscal Years	10	124
Assessed Valuations and Tax Levies – Last Ten Fiscal Years	11	125
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	12	126
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures - Last Ten Fiscal Years	13	127
Legal Debt Margin Information – Last Ten Fiscal Years	14	128
Direct, Overlapping and Contingent Debt – Last Ten Fiscal Years	14A	129
Demographic and Economic Statistics - Last Ten Fiscal Years	15	130
Principal Employers – Current Year and Ten Years Ago	16	131
Unemployment Data – Last Ten Fiscal Years	17	132
Operating Indicators by Function - Last Ten Fiscal Years	18	133
Capital Asset Statistics by Function – Last Five Fiscal Years	19	134
Town Government Employees by Function Last Ten Fiscal Years	20	135
Departmental Listings by Division, Department and Function	21	136

INTRODUCTION

SCARBOROUGH
MAINE



[This page left intentionally blank.]



Town of Scarborough, Maine

February 27, 2014

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

Richard J Sullivan Jr, 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, 2013.

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

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

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

TOWN'S ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

The Town of Scarborough is located on the southern coast of the State of Maine in the southeastern most section of the County of Cumberland, the State's most populous county. Scarborough is bordered by the Spurwink River and the Atlantic Ocean on its eastern side and is bordered by the communities of Westbrook, South Portland, Cape Elizabeth, Gorham, Buxton, Saco and Old Orchard Beach.

The Town, first settled in 1633, was incorporated as the sixth town in the Province of Maine on July 14, 1658. The Town operates under a charter first adopted on October 7, 1969 and provides for a Town Council and Town Manager form of government. The legislative body consists of a seven-member town council. A seven-member school board has general authority for the public

schools. The Town Council is responsible for passing ordinances, adopting the annual budget, appointing committees and hiring both the Town Manager and the Town Assessor. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the government, and for appointing the administrators of the various departments.

Although legally separate entities, we have two component units, Scarborough Economic Development Corporation and the Public Library.

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

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

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

Portland Water District
ecomaine (formerly Regional Waste)

Scarborough Sanitary District
Biddeford Saco Water District

In accordance with the provisions of Article V of the Town Charter, the annual budget serves as the foundation for Scarborough's financial planning and control. The Town's budget year begins July 1 and ends June 30 of the following year. The Charter provides that the Town Manager submit a budget, to the Town Council, at least 60 days prior to the beginning of each fiscal year. The Finance Committee reviews the proposed budget and makes recommendations to the Town Council. With prior public notification, the Council orders a public hearing. If the Council does not adopt the annual budget prior to July 1, then the budgets presented by the Town Manager and the Board of Education becomes the budget for the fiscal year. Department Administrators and the Board of Education may make transfers of appropriations within their departments. Transfers of appropriations between departments, however, require the approval of the Town Council. Once the Council approves the school's budget, the school budget is sent to the voters in a Budget Validation Referenda for final approval. This must happen within 14 days of the Town Council vote. If the voters do not approve the budget, it goes back to the School Board for revision, the Council has to approve it, and then it goes to the citizens. This process continues until the voters approve a budget.

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

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. Maine's economy continues to struggle, having gained only 8,000 of the 28,000 jobs lost during the Great Recession. According to the New England Economic Partnership (NEEP), Maine's job growth will continue at the painfully slow rate of 0.7% per quarter through 2017, resulting in 617,000 jobs -- still below the pre-recession threshold of 620,000 jobs. While the rate of growth will be slow, it will be positive. As a whole, the state will add approximately 1,000 jobs annually between 2013 and 2017.

Recovery from the Great Recession is somewhat impeded by Maine's demographics. Maine ranks as the oldest state in the nation, when comparing the median age of its population. The state must find ways to attract in-migration to infuse the labor force with the talent necessary to attract and keep the growth industries of the next decade.

Industries responsible for growth within the state include professional and business services as well as the hospitality sectors. The Portland region is responsible for much of the new growth. Three new hotels are under construction within the City of Portland, while business services and bioscience continue to grow throughout the southern Maine region.

Although job growth in the state is tentative, the housing market shows signs of recovery. The existing home market is improving, with growth in the median price returning to prerecession levels. Permits for new homes are also increasing, due in part to the seasonal and second home markets. After falling nearly 60% from the 2006 peak, new home construction permits are also on the rise. NEEP forecasts that new home permitting will reach 4,500 to 5,000 per year. This level of permitting is still 20% below the 2006 peak, but it is a clear improvement.

Local Economy. The Portland region and, in particular, Scarborough once again have a much different economic profile and outlook than the state. While the area was not immune to the Great Recession, recovery is on a much faster track than the state as a whole.

Scarborough exceeded its pre-recession peak employment in 2012, and in 2013, exceeded that level by 290 employees. The town added 162 jobs last year, of which, 107 were in manufacturing. Between 2011 and 2013, the town added 777 jobs.

In terms of diversity, three sectors dominate Scarborough's job market: health care (18%), retail trade (17%) and manufacturing (12%). Of the new jobs added in manufacturing, 95 of them were in pharmaceutical and medicine manufacturing. The average earnings for a job in this sector was \$137,776.

A Scarborough medicine-manufacturing business added 80 new jobs in the fall as they staffed up to produce this year's flu testing kits. The company added employees and invested in site improvements at their Scarborough Industrial Park location. A bioscience firm, moved to Scarborough this summer. While they took over existing space, they brought some 40 employees to town, with the expectation that they will be near 50 employees by the end of the year. The Maine Department of Motor Vehicles moved a new branch office to the shopping area, The Gateway Shoppes, bringing new customers to the retailers on Expedition Drive. Scarborough in

the second half of 2013 has also had a bank and two insurance companies opened branches. The Town's largest taxpayer, Piper Shores, completed an \$8 million renovation on their common facilities early in 2013. They have also added 17 new staff members. A 15,000 square foot electronics distribution center opened their doors in April of this year, bringing investment and new employees to the region. They are the first post-recession major investment in the Haigis Parkway corridor.

From an image perspective, Scarborough made national press when Google designated the town as Maine's Digital Capital for 2013. Likewise, two national television shows, filmed episodes in Scarborough this fall. "Born to Explore" and "Trip Flip", both featured Maine's beaches and followed local lobster harvesters. All of these will enhance Scarborough's image across the United States.

Comprehensive Plan. During the 2013 fiscal year, the Long Range Planning Committee (LRPC) worked on a range of initiatives relating to the implementation of the Town's Comprehensive Plan; requests for zoning amendments by property owners; and efforts on watershed and storm water planning, all with an eye toward continuing to help Scarborough manage growth and development in a proactive way.

In fiscal year 2013, transportation planning was also a focus in the Oak Hill area with an emphasis on making our town center more pedestrian friendly. To this end, the Town Council established a new Transportation Committee with a directive to examine the Oak Hill corridor. Using the 2011 Oak Hill Pedestrian Study as their guide, the committee and staff worked on initiatives to improve the environment for pedestrians, including:

- planning for a new sidewalk along Black Point Road from Oak Hill to the Eastern Road;
- a signalized crosswalk at the Eastern Trail crossing of Black Point Road; and
- improved pedestrian crossings on Route One.

These efforts have resulted in concept designs and funding approvals by the Town Council.

More specifically the LRPC worked with the property owners near the vicinity of Holmes Road and Beech Ridge Speedway, on new light industrial zoning to provide an additional area in Scarborough for industrial uses, given that the existing industrial parks no longer have available space to expand. Zoning changes, approved by the Town Council, were structured to require buffering and protection to the adjacent residential homes and rural lands.

Also in fiscal year 2013, the LRPC finalized a zoning update for the Pine Point area designed to ensure that the Pine Point section of Scarborough, maintains its historical context as a traditional mixed-use beach community. Small business, marine related potential coupled with year-round and seasonal residences are all part of the life in the Pine Point area that this zoning is designed to facilitate. This zoning, with input from the area property owners, was approved by the Town Council in September of 2012.

Throughout the year, the committee also worked closely with Scarborough Downs and surrounding property owners on zoning adjustments in that area. This was an effort to provide

this significant parcel of 450 acres with greater zoning flexibility for future commercial, residential and mixed-use development and open space conservation, but with expectations for thoughtful master planning as development occurs. The location and size of these properties are likely to draw increased development interest, so the LRPC has felt it critical to establish the proper zoning in advance.

Major Initiatives:

For the year. Fiscal year 2013 was a year of transition and transformation for the Code Enforcement office of the Planning Department. In February 2013, the Town's long-time Chief Code Enforcement Officer, Dave Gryskwicz, retired after more than 22 years of service to the Town of Scarborough. His knowledge and history of the zoning and building codes, as well as the helpful assistance he consistently provided to our customers, will definitely be missed. Scarborough experienced significant growth and development during his tenure with the Town of Scarborough and he played a key role in guiding and administering the zoning, permitting, and building inspections.

Development activity in the Town of Scarborough is increasing with more building construction, inspections, and construction oversight. Residential construction occurred at a brisker pace than in the recent past. Similarly, commercial and other non-residential building activity continues to expand over the course of this fiscal year. Further, the construction on the Town's new Wentworth intermediate school made significant progress. On the review and permitting side, Planning Staff coordinated and reviewed development plans and staffed seventeen Planning Board meetings. The Planning Board and staff reviewed a range of residential and non-residential development projects and issued final approvals for eight major projects. Given the location of many of these development projects in and around Oak Hill, this added investment in Oak Hill continues to reinforce this area as Scarborough's primary town and civic center.

The Fire Department continues its proactive work identifying potential grant opportunities to augment the funding we receive through local property tax revenues. During the past fiscal year, the department was awarded a regional fire prevention grant through the Federal Emergency Management Agency (FEMA) for \$286,368. This grant is a partnership with the Scarborough and Falmouth Fire Departments, the Southern Maine Community College, the Maine Center for Deafness, and the State Fire Marshal's Office to purchase and install smoke and carbon monoxide detectors free of charge in our resident's homes. One of our target audiences for this grant is the hard of hearing, which is why the Maine Center for Deafness joined the effort. The department was able to purchase specialized tactile alerting devices like strobe lights and bed shakers that interface with the smoke detectors to notify those residents that are deaf or hard of hearing. The detectors and other supplies have arrived and our firefighters are scheduling home visits to conduct safety surveys, provide in-home fire safety education, and install free detectors and long-life batteries that are good for 10 years.

The Fire Department received a total of \$57,201.68 during this past fiscal year in Emergency Management Performance Grant funding which represents 50% of the eligible expenses incurred through our Emergency Management Agency (EMA) program. Part of that funding included the town's emergency response and preparedness for Hurricane Sandy. That storm impacted Scarborough but didn't trigger a disaster declaration resulting in FEMA public assistance.

The EMA's primary duties are preparing for disasters and keeping the town's Emergency Operations Plan up to date and accurate. Following the recent school incidents in Sandy Hook, CT. and elsewhere, there was a renewed priority to revisit those plans. The school department and several key municipal departments worked throughout the year with a broad committee of stakeholders to explore ways to minimize our risk for similar types of incidents, and be better prepared to respond in the unlikely event that it becomes necessary. The citizens and parents of Scarborough's students should rest assured that our school facilities have solid plans to deal with these types of incidents.

Twenty-five years ago, Scarborough and three other communities started a unique intern program with the Southern Maine Community College (SMCC). Students who enrolled in the fire science associates degree program at SMCC could apply to this program and live in the fire stations instead of a dorm room. The program has been mutually beneficial because it provides a cadre of trained firefighters to assist with our staffing needs while providing a real-life practical experience for the college students. Scarborough currently has thirteen students in the program living at five of our six stations. Over the years, more than two hundred students graduated from our program, many of which have become career members in several departments including Boston and New York City.

The Police Department created a Special Enforcement Unit. Utilizing two officers, hired with funds from a federal grant and an officer whose assignment to the Maine Violent Offenders Task Force came to an end, the department was able to assign these three seasoned officers to work with the Special Enforcement Sergeant to deal with topical issues. These officers will work flexible hours in both uniformed and non-uniformed attire based upon the particular needs of the community. Since this unit will require a full time supervisor to coordinate these efforts, we have promoted an additional Sergeant.

During the last fiscal year, Scarborough Police Department dealt with the criminal misuse of technology on an ever-increasing basis.

The investment in technologies that the Police Department made and equipment in our patrol vehicles is credited with saving the lives of three individuals. The number one priority of the Town of Scarborough Police Department's Mission being the protection of life, it is rewarding that our officers have been able to save lives by utilizing the training and equipment that has been provided by our community.

Putting technology to its best use, the Police Department developed a Cold Case Facebook Page to ask for the public's assistance in finding justice in two unsolved homicide cases. Although homicide cases come under the jurisdiction of the Maine State Police, the members of the Scarborough Police Department are diligent about assisting in whatever way possible to bring closure to these two cases. Our Cold Case Files facebook page was developed in order to tap into the valuable resources within the community. Investigations are much like puzzles. Each small piece in itself may appear to be trivial but when placed with other pieces of information it can lead an investigator in the right direction. Often people see or hear things that they do not believe to be important. The observation they made then becomes very relevant when combined with other facts of the case. The Scarborough Police Department is the first department in the state to initiate a cold case facebook page. The Maine State Police and the Attorney General's office, both of whom supported the project, have indicated that they have received very valuable

information as a result of this effort. The Scarborough Police Department remains committed to solving these two crimes.

In 2013, Public Works spent \$448,000 on paving projects. While liquid asphalt prices have leveled, the cost of pavement remains high at \$67.00 - \$70.00 per ton. Of the \$448,000 spent, \$395,000 funded full paving projects. Ten roads received overlay treatments of varying thickness based on their condition and amount of daily traffic. A total of 7.47 miles of road was completed. The remaining \$53,000 was spent for paving related to other projects such as culvert replacement, spot surface repair and other new structure installation.

The vehicle maintenance division of public works is responsible for the upkeep of the town-wide fleet of equipment. Safety in the workplace has always been a priority and when it comes to town/school vehicles, our safety standards reflect the same. We co-ordinate the inspection and testing of town vehicles to ensure they meet Federal and State regulations. Therefore, residents can feel confident that any vehicle used to transport their children or provide a town service is in safe condition.

A town-wide GIS update was initiated during the year. The GIS system updated is a resource used by most town departments. Some of the services provided are: 1) Assessing and parcel updates. 2) 911 Street mapping. 3) Asset tracking. 4) Data analysis. 5) Preparation in presentation pieces. GIS services are made available to staff and residents alike.

The Town's departments, continue to focus on transportation planning and improvements. Over the course of the year, the Town of Scarborough Planning and Public Work's departments coordinated closely with the Maine Department of Transportation (DOT) on the construction of the Dunstan Corner intersection improvements, which included relocating Payne Road's intersection with Route One to provide much needed separation and capacity between this intersection and the Broadturn and Pine Point Road intersection. This project also included improvements to all the major approaches to Route One in this section of town. The new sidewalks, crosswalks and signalization will improve the environment and safety for pedestrians and motorists traveling in the Dunstan area of the Town of Scarborough. This significant transportation improvement project was the result of a multi-year study and design effort that will position the Dunstan area to emerge as a more vibrant neighborhood center with an improved capacity for new private investment.

For the future.

In coordination with the Scarborough Transportation Committee, the Town of Scarborough also applied to the Maine DOT for funding under the "safe routes to school" program and was successful in receiving funding for new sidewalks along Gorham Road between the school campus and Sawyer Road. With the Town's efforts on Black Point Road; Maine DOT funding for Gorham Road; and pedestrian improvements being implemented by private development in and around the Oak Hill area, significant progress will be made in making this area a more attractive, walkable place for area residents, businesses and visitors.

The Fire Department has had an apparatus replacement program in place since the 1940s. This program was designed to help the town keep up with timely replacement of major apparatus at the end of their service life before safety concerns or costly repairs become issues. Ladder trucks and pumper vehicles are on a 25-year replacement schedule and this year, the Ladder Truck 2 has been in service for 25 years. During the November election, the voters approved a referendum authorizing \$900,000.00 in bonds to fund the replacement of this important piece of equipment. The new Ladder 2 truck is under construction and scheduled to be delivered in 2014.

New investment in Scarborough is the envy of the region. Driving through the Route One Corridor shows a significant development in the Oak Hill area is apparent. A bank, Starbucks and an 82-bed assisted living facility are all underway. McDonalds was rebuilt from the ground up. The owner of a successful Mexican restaurant will be redeveloping the old Cumberland Farms building on Route One in the Oak Hill area. Additionally, development projects approved but not started include a 16,000 square foot office building and Phase II of the Bessey Square mixed use complex, both in Oak Hill. A 4,500 square foot wellness center was approved just south of Oak Hill. A new service station and restaurant pad are approved for the Payne Road/ Haigis Parkway area.

The Town of Scarborough continues the use and experimentation of magnesium chloride as a replacement for road salt on a major portion of our roads. Implementing this plan in 2013 resulted in using less salt, less sand, and reduced labor costs during spring clean-up. We were fortunate that cost savings and an increased level of service occurred simultaneously. Overall savings amounted to \$13,500.00.

The BenjaminWentworth Intermediate School, for grades three through five, with an enrollment of 703, has numerous building security and mechanical (heating, lighting) issues and is not conducive to currently accepted best practices in intermediate education. After a failed referendum in 2006, the citizens approved the construction of a new intermediate school in November 2011. Construction started in the fall 2012 and full occupancy is expected in the fall 2014.

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

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

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 2013 value by \$60,479,000 from 2012. For the 2012 tax year, the valuation was \$3,571,196,300 compared to the 2013 valuation of \$3,631,675,000.

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, 2013</u>
\$506,314 in 2009	\$21,784
\$507,075 in 2010	\$21,611
\$603,735 in 2011	\$26,233
\$581,380 in 2012	\$212,162
\$641,719 in 2013	\$641,719

The Town Council authorized the use of \$600,000 from school and town fund balances, for fiscal year 2012. Of this amount, the fund balance actually utilized was \$0. For 2013, the Town Council authorized \$200,000 from the School's fund balance to help offset the loss of education state revenues, which again, the Town did not actually utilize. For 2014, the Town Council again is budgeting \$200,000 from the School's fund balance to assist with their funding needs.

OTHER INFORMATION

Independent Audit. The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of Macpage LLC was engaged to perform the annual audit for the Scarborough Town Council for fiscal year 2013. This audit is designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditor's report is presented as the first component of the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Scarborough for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This is the eighth-consecutive year that the Town of Scarborough has submitted and achieved this prestigious award. In order to receive the Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements. I would like to thank the Town Council and Town Manager, Thomas Hall for the support that they give to both the town departments and to the community. I also need to give special thanks to all of the other department heads and Karen Martin of Scarborough Economic Development Corporation (SEDCO) with whom we work every day.

Additionally, I would like to recognize the following former employees:

Harvey Rosenfeld, SEDCO Director 24 years of service,
Paul Lesperance, Assessor 29 years of service,
Wendy Frazier, Deputy Tax Collector 25 years of service and
David Gryskwicz, Chief Code Enforcement Officer – 22 years of service.

These employees, have all worked for the Town of Scarborough, have recently retired or moved to other job venues. I would like to thank them for all their efforts over the years helping to improve the working environment and for their service to the citizens of the Town of Scarborough.

Finally, I would like to take this opportunity to thank all of the department's full and part time employees, volunteers, and supporters for all of the time, hard work and dedication that you all invest in our community to ensure that it remains a wonderful place to live and work.

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**

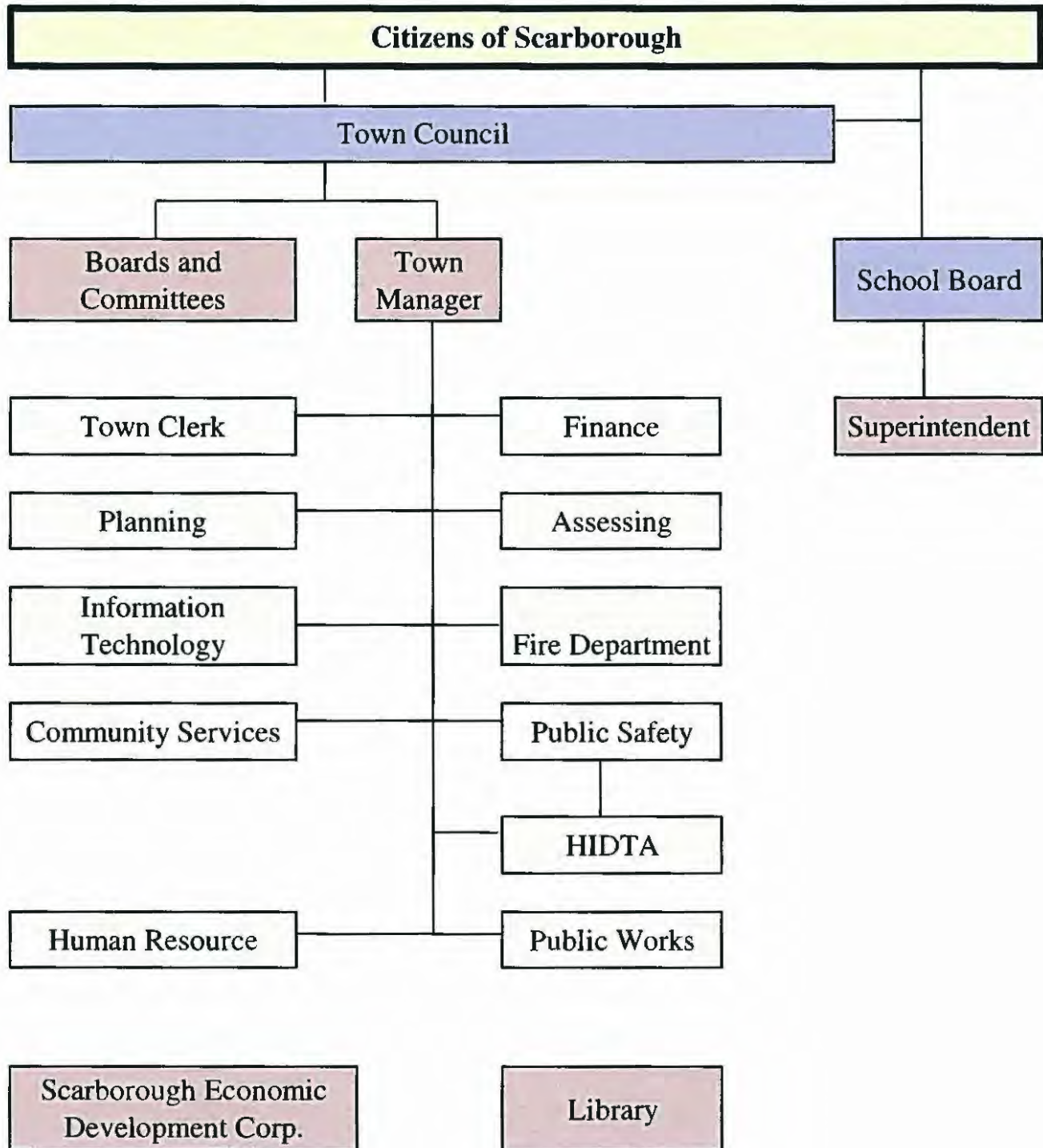
June 30, 2012

Executive Director/CEO

[This page left intentionally blank.]

Town of Scarborough, Maine

Organizational Chart



Principal Executive Officers 2012-2013

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	Ronald D. Ahlquist, Chairperson	Elected - 3 Year Term	11/21/2013
	James E. Benedict	Elected - 3 Year Term	11/19/2014
	Judith L Roy	Elected - 3 Year Term	11/21/2013
	Jessica L. Holbrook	Elected - 3 Year Term	11/18/2015
	Edward NMI Blaise, III	Elected - 3 Year Term	11/18/2015
	Richard J. Sullivan, Jr.	Elected - 1 Year Term	11/19/2014
	Katherine A St. Clair	Elected - 3 Year Term	11/19/2014
Municipal Employees:			
Town Manager	Thomas J. Hall	Appointed – 3 Year Term	12/31/2014
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	William H. Healey	Appointed/Indefinite	N/A
Chief of Police	Robert A. Moulton	Appointed/Indefinite	N/A
Zoning Administrator	Brian E. Longstaff	Appointed/Indefinite	N/A
Director of Public Works	Michael E. Shaw	Appointed/Indefinite	N/A
Fire Chief	B. Michael Thurlow	Appointed/Indefinite	N/A
Town Planner	Daniel B. Bacon	Appointed/Indefinite	N/A
Assistant Town Planner	Robert Jay Chace	Appointed/Indefinite	N/A
Recreation Director	Bruce W. Gullifer	Appointed/Indefinite	N/A
Human Resource/General Ass't.	Jaclyn Mandrake	Appointed/Indefinite	N/A
Community Development Director	Karen D. Martin	Appointed/Indefinite	N/A
School Board:			
Members, Board of Education	Christine A. Massengill, Chair	Elected -3 Year Term	11 - 2014
	John B. Cole	Elected - 3 Year Term	11 - 2013
	Aymie Hardesty	Elected - 3 Year Term	11 - 2013
	Christopher J. Caiazzo	Elected – 3 year Term	11 - 2015
	Kelly Noonan Murphy	Elected - 3 Year Term	11 - 2014
	Jacqueline A. Perry	Elected - 3 Year Term	11 - 2015
	Donna L. Beeley	Elected - 3 Year Term	11 - 2014
Superintendent of Schools	Dr. George Entwistle, III	Appointed/Indefinite	N/A
Assistant Superintendent of Schools/Adult Education Director	Jo Ann Sizemore	Appointed/Indefinite	N/A
Business Office Manager	Kate Bolton	Appointed/Indefinite	N/A
School Lunch Director	Judy Campbell	Appointed/Indefinite	N/A
Federal Project Administrators:	Monique Culbertson/ Kate Bolton	Appointed/Indefinite	N/A

FINANCIAL SECTION



[This page left intentionally blank.]

Independent Auditors' Report

Town Council
Town of Scarborough, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine (the Town), as of and for the year ended June 30, 2013, 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.

Macpage LLC

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax

macpage.com

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client arrangements, delivery of services and maintenance of client relationships.



Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2013 and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 – 35, and Schedule of funding Progress on page 61, 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 – 10, supplementary statements and schedules on pages 75 – 110, and statistical tables on pages 115 – 136, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements and schedules are the responsibility of management and was derived from and relates 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.

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, 2012, 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, 2012 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, 2012 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, 2012 combining statements for the General Fund Balance Sheet, Exhibit A-1, and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, Exhibit A-2, are fairly stated in all material respects, in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of Town of Scarborough, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Scarborough, Maine's internal control over financial reporting and compliance.

Maepage LLC

South Portland, Maine
February 27, 2014

[This page left intentionally blank.]

MD&A



[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2013

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, 2013. 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 \$59,725,950 (net position). Of this amount, \$6,347,111 represents unrestricted net position, which is available to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$2,148,155. This represents a 3.7% increase over last year's net position.
- As of June 30, 2013, the Town's governmental funds reported combined fund balances of \$36,039,292 an increase of \$3,576,625 compared with the prior year. Approximately 7.83% of this amount or \$2,820,562 is available for spending at the Town's discretion (*assigned and unassigned fund balance*).
- Total nonspendable fund balance increased by \$3,430 from \$189,885 to \$193,315. Restricted fund balance increased by \$4,272,452 from \$24,016,310 to \$28,288,762. Total committed fund balance decreased by \$260,023 from \$4,996,676 to \$4,736,653. Assigned fund balance increased by \$219,024 from \$1,805,896 to \$2,024,920. Finally, the unassigned fund balance for the governmental funds decreased by \$658,258 from \$1,453,900 to \$795,642.
- With respect to fund balances in the governmental funds, of the \$7,557,215 reported as committed (authorized by town council), assigned (authorized by town manager) and unassigned fund balance, \$4,281,025 are special revenue funds authorized for specific projects and (\$308,150) is for various municipal projects. The remaining amount of \$3,584,340 is available for the discrete purposes for which these funds are collected.
- The Town of Scarborough's Fund Balance Policy establishes an unrestricted fund balance goal of 8.33% of the total operating expenditures. Unrestricted Fund Balance includes the total of the general fund committed, assigned and unassigned fund balances. As of June 30, 2013, unrestricted fund balance for the general fund was \$4,185,453 or 5.83% of the total general fund expenditures of \$71,767,051. The Town continues to work towards achieving the 8.33% goal in future fiscal years.
- Total debt increased by \$13,930,000 from the prior year. Total debt retired was \$11,755,000. Total debt issued was \$25,685,000 in general obligation bonds. This included \$6,620,000 of bonds advanced refunded.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

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

The government-wide financial statements include not only the Town of Scarborough (known as the *primary government*), but also the legally separate Public Library and Scarborough Economic Development Corporation for which the Town of Scarborough is financially accountable. Financial information for these component units are reported separately from the financial information presented for the Town of Scarborough itself. The government-wide financial statements can be found on pages 39 – 40 of this report.

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

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

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

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

The basic governmental funds financial statements can be found on pages 41 · 42 of this report.

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

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

The Municipal Building Fund, General Town Improvement and General School Improvement accounts are not considered major funds and are provided in the form of combining statements elsewhere in this report. The Wentworth School Construction Project is considered major fund and shows as a separate fund on Statements 3 and 4 of the basic financial statements. As of June 30, 2013, the Town borrowed \$36,077,000, excluding the bond premium, towards this project not to exceed \$39,077,594. The Town may borrow the remaining funds if needed. The non-major capital projects fund financial statements are found on pages 99 – 100 of this report.

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

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

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

The permanent fund financial statements can be found on pages 99 – 100 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 103 - 105 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 – 70.

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 75 – 110 of this report.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of the Town's financial position. In the case of the Town of Scarborough, assets and deferred outflows of resources exceeded liabilities by \$59,725,950 as of June 30, 2013.

By far the largest portion of the Town of Scarborough's Net Position (83.42%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets. The Town of Scarborough uses these capital assets to provide services to our citizens; consequently, these assets are not available for future spending. Although the Town of Scarborough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Below is a summary of the Town of Scarborough's Net Position for the current year and the prior two years.

Town of Scarborough's Net Position
Governmental Activities

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current and other assets	\$ 44,406,380	\$ 38,231,976	19,020,393
Long term assets	1,821,073	2,351,534	2,545,939
Capital Assets	<u>126,890,790</u>	<u>113,358,707</u>	<u>110,729,418</u>
Total Assets	<u>173,118,243</u>	<u>153,942,217</u>	<u>132,295,750</u>
 Total deferred outflows of resources	 <u>2,544,244</u>	 <u>1,942,469</u>	 <u>-</u>
Total Deferred outflows	<u>2,544,244</u>	<u>1,942,469</u>	<u>-</u>
 Liabilities:			
Long term liabilities outstanding	100,973,990	84,996,464	64,415,337
Other liabilities	<u>14,962,547</u>	<u>13,310,427</u>	<u>13,909,305</u>
Total Liabilities	<u>115,936,537</u>	<u>98,306,891</u>	<u>78,324,642</u>
 Net assets:			
Net investment in capital assets	49,823,697	54,339,258	53,031,962
Restricted	3,555,142	1,111,295	1,642,063
Unrestricted	<u>6,347,111</u>	<u>2,127,242</u>	<u>(702,917)</u>
Total Net Position	<u>\$ 59,725,950</u>	<u>\$ 57,577,795</u>	<u>\$ 53,971,108</u>

\$3,555,142 (5.95%) of the Town of Scarborough's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position, for \$6,347,111, may be used to meet the Town of Scarborough's ongoing obligations to its citizens and creditors.

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

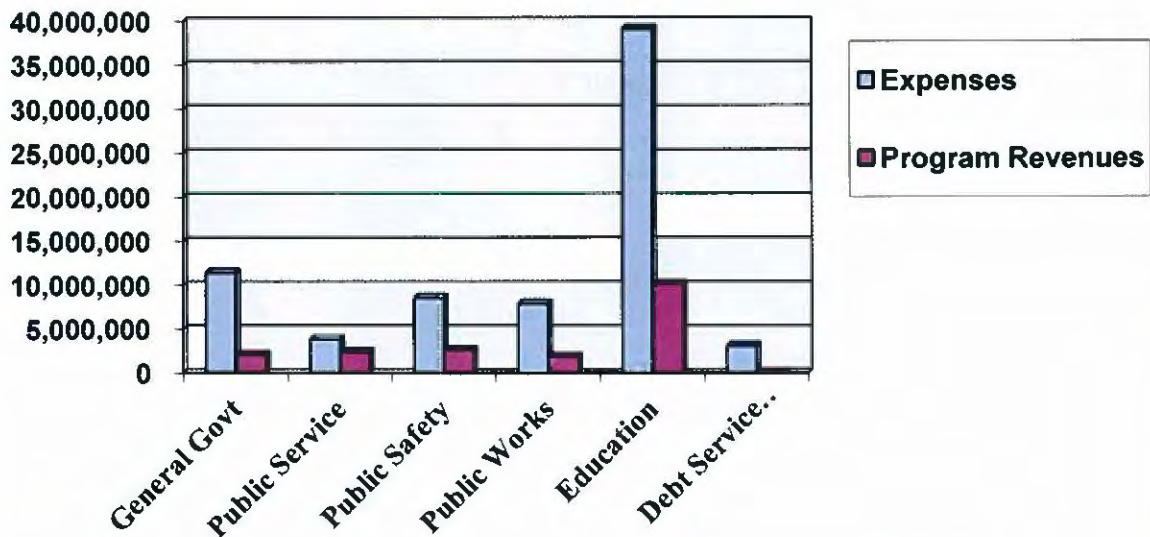
GOVERNMENTAL ACTIVITIES. The increase pertaining to the Town of Scarborough's net position of \$2,148,155 is due to the governmental activities of the Town. While the Town of Scarborough's non-tax revenues decreased by \$507,342, tax revenues increased by \$3,874,627. Increase in taxes is due in part to an increase in the overall assessed valuation of \$60,479,000 from \$3,571,196,300 to \$3,631,675,300. Additionally, both vehicle and boat excise tax collections increased.

Key components of this increase are shown below.

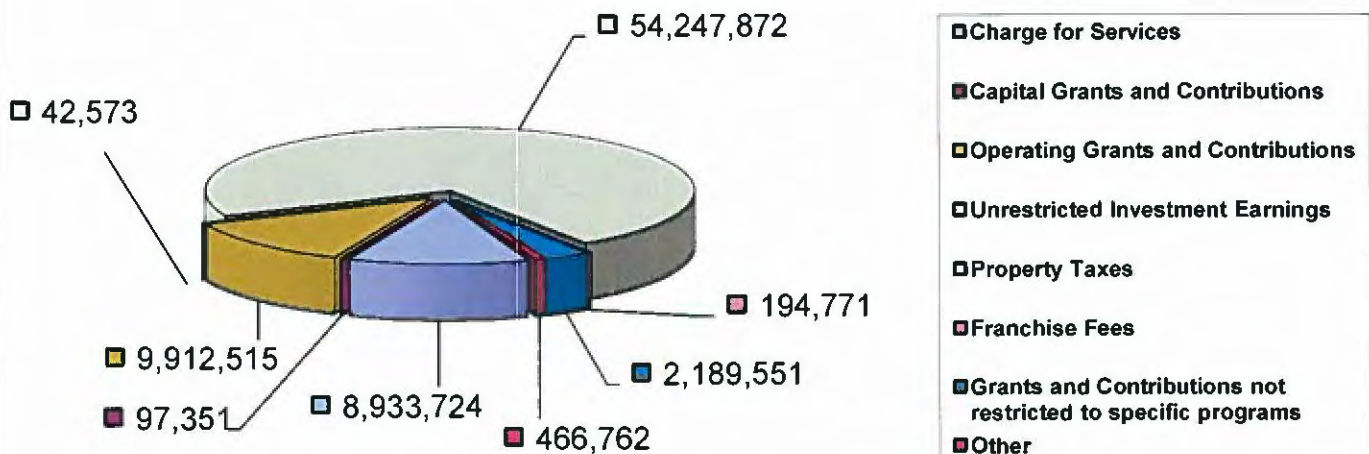
Town of Scarborough's Changes in Net Position

	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 8,933,724	\$ 8,339,215
Operating grants and contributions	9,912,515	11,093,321
Capital grants and contributions	97,351	174,652
General Revenues:		
Property and excise taxes, levied for general purposes	54,247,872	50,373,245
Franchise Tax	194,771	198,132
Grants and contributions not restricted to specific programs	2,189,551	2,125,222
Unrestricted investment earnings	42,573	66,255
Other	466,762	347,792
Total revenues	76,085,119	72,717,834
Expenses:		
General government	11,413,745	11,537,425
Public Services	3,851,672	3,868,072
Public Safety	8,555,020	8,691,510
Public Works	7,874,408	7,805,045
Education	39,167,124	34,346,445
Interest on Debt Service	3,074,995	2,862,650
Total expenses	73,936,964	69,111,147
 Increase in net position	 2,148,155	 3,606,687
 Net position beginning	 57,577,795	 53,971,108
 Net position ending	 \$ 59,725,950	 \$ 57,577,795

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE TOWN'S FUNDING

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

Governmental Funds. The general government functions are contained in the General, Special Revenue, Capital Project and Permanent Funds. The focus of the Town of Scarborough's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Scarborough's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use by the Town Council of the Town of Scarborough.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

At June 30, 2013, the Town of Scarborough's governmental funds reported combined fund balances of \$36,039,292. This is an increase of \$3,576,625 in comparison with the prior year. Approximately 2.2% of this amount \$795,642 constitutes *unassigned fund* balance which 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 (\$193,315), 2) restricted for particular purposes (\$28,288,762), 3) committed for particular purposes (\$4,736,653) or 4) assigned for a particular purpose (\$2,024,920).

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

Governmental Fund Balance Comparison

	<u>2013</u>	<u>2012</u>
General Fund	\$ 9,057,646	\$ 8,054,033
Wentworth School Construction	20,596,380	18,343,824
Haigis Parkway	(601,113)	(151,599)
Other Governmental Funds	6,986,379	6,216,409
Total	\$ 36,039,292	\$ 32,462,667

As noted earlier, governmental funds reported combined fund balances of \$36,039,292, an increase of \$3,576,625 compared with the prior year fund balances of \$32,462,667. Of the \$7,557,215 reported as unrestricted fund balance (total of committed, assigned and unassigned), \$3,679,912 are for special revenue fund projects authorized for specific purposes. The capital projects fund has a deficit of (\$308,150) to be funded in future periods from TIF revenues. \$4,185,453 is available for general fund committed and assigned purposes for which these funds are collected.

The remaining \$28,482,077 of fund balance is restricted to indicate that it is not available for new spending because it has already been allocated for the following:

\$ 3,861,453	Deficit Fund Balances in Special Revenues and Capital Projects Funds
1,907,108	Town Capital Projects
370,880	Town Grants
216,391	Perpetual Care of Municipal Cemeteries
22,065,288	Education Funding - including Wentworth School - major fund
60,957	Food Service and Fuel Inventory
<u>\$ 28,482,077</u>	Total Governmental Fund Restricted Fund Balance

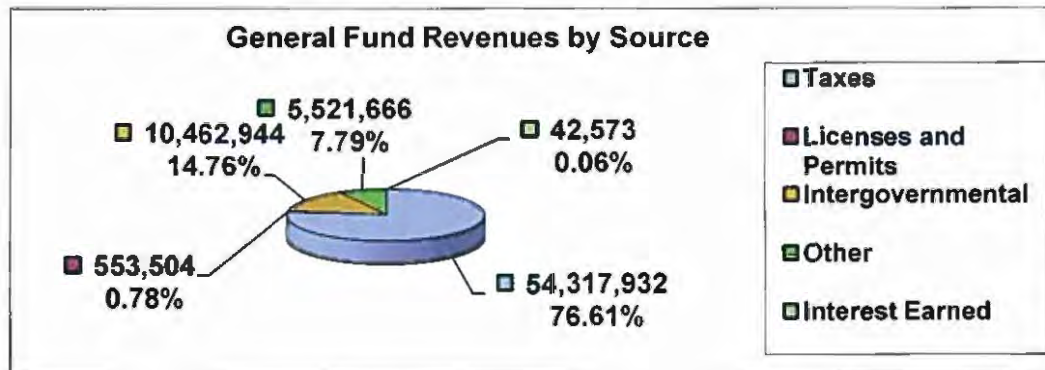
Capital Projects Fund Highlights

During this fiscal year, the Town of Scarborough's fund balances for Capital Projects increased \$2,946,689 from \$19,648,949 in 2012 to \$22,595,638 in 2013. Expenditures increased \$12,099,239, from \$4,120,021 in 2012 to \$16,219,260 in 2013. These increases in fund balance and expenditures are due to additional bond proceeds and continuing construction activity on the Wentworth School Construction Project. This project is scheduled for completion in the fall of 2014.

General Fund Highlights

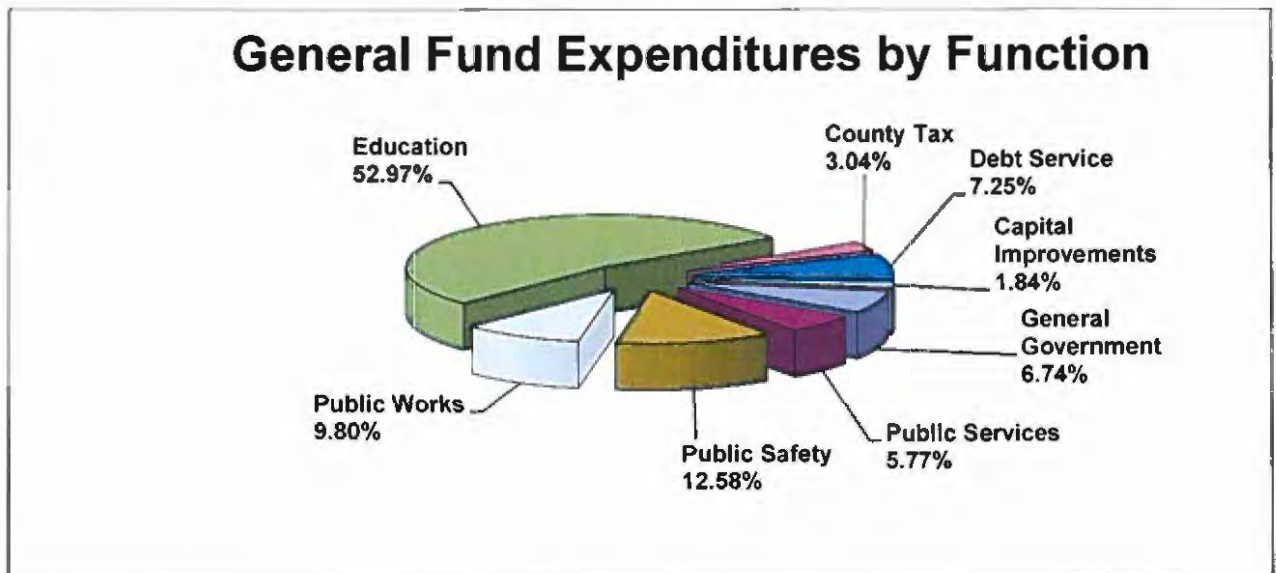
The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2013, total fund balance was \$9,057,646 reflecting an increase of \$1,003,613 compared to the prior year. Unassigned fund balance in the General Fund was \$1,786,533 compared to total fund balance of \$9,057,646. 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 2.49% of total general fund expenditures while total fund balance represents 12.62% of that same amount.

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



Property Tax revenues increased \$3,608,857 from 2012 to 2013 compared to the 2011 to 2012 increase of \$1,519,868. A comparison of the actual revenues to estimated revenues can be found on page 44 of the financial statements.

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



Actual revenues modestly exceeded estimates by \$756,145 while expenditures came in under budget by \$1,481,351.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

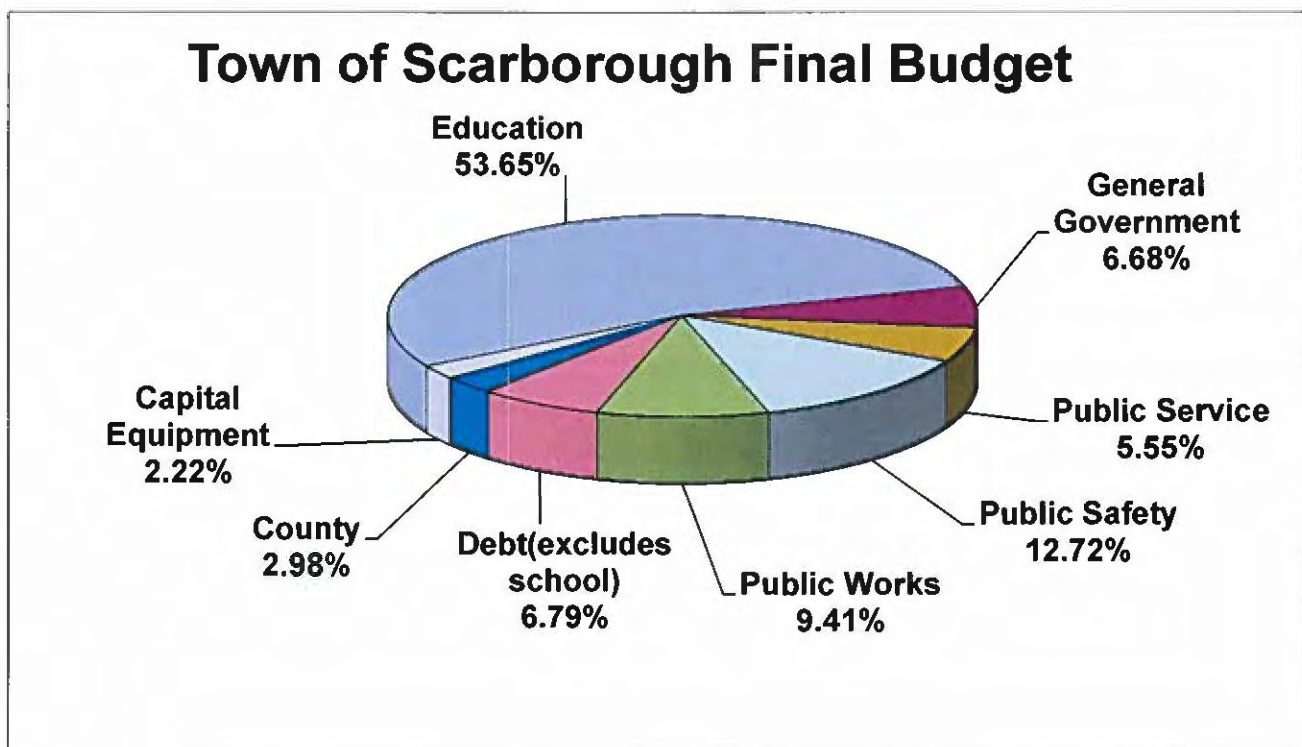
Total general fund expenditures increased \$2,749,246 or 4.20% compared to the prior year. The factors for this increase are:

- General Government increased 4.32% because of hiring new technology staff,
- Public Service increased 2.35% due to the child care program increase in customers and an increase in general assistance,
- Public Safety increased 4.08% due to the increase in fire and police personnel,
- Public Works increased 1.25%,
- Education increased 6.15% to offset increased costs for contractual personnel and benefit costs,
- County Tax increased 5.04% to help offset the costs of Cumberland County,
- Town Debt (excludes school debt) decreased 8.75% and
- Capital Improvements increased 36.04%. These capital expenditures will vary year to year depending on the type of capital improvement scheduled and approved by the Town Council.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the Town's General Fund represents the original budget and any previously appropriated funds set aside for honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2013, a total of \$1,824,920 was set aside for prior year encumbrances and commitments. There were no budget amendments in fiscal 2013. The final operating budget for fiscal year 2013 amounted to \$69,649,893 compared to \$66,048,824 for fiscal year 2012. Most of this increase was the result of the Town Council approving an increase in the education budget.

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



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2013, amounts to \$126,104,292 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, improvements, machinery, equipment, and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was 11.247%. This increase is construction in progress on the Wentworth School construction project.

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>2013</u>	<u>2012</u>
Land	\$ 6,386,622	\$ 6,321,343
Buildings	51,862,825	53,028,226
Vehicles	5,559,483	5,182,281
Equipment & Furniture	1,647,901	1,561,895
Infrastructure	43,605,593	44,084,775
Construction in Progress	17,828,366	3,180,189
Total	\$ <u>126,890,790</u>	\$ <u>113,358,707</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, 2013 related mostly to the improvements to the roads and culverts.

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

Long-term Debt. As of June 30, 2013, the Town had long-term bonds outstanding of \$96,180,000 compared to \$82,250,000 in the prior year resulting in a 16.94% increase. This debt is backed by the full faith and credit of the Town of Scarborough.

During fiscal year ending June 30, 2013, the Town of Scarborough issued \$25,685,000 in bonds. Included in this bond issue was \$18,620,000 of new money for various capital projects, the largest of which is the Wentworth School Construction Project for \$15,275,000.

Also, as part of this bond issue, we advance refunded all of the 2004 bonds remaining (\$3,920,000) except the principal payment due November 1, 2014 for \$215,000. Additionally, we continued the partial advance refunding on our outstanding 2005 bonds (\$2,945,000).

Of the \$1,620,703, original issue premium, \$139,156.25 was used to pay the underwriter's discount; \$125,000 in issuance costs and \$7,347,334.68 was paid to the escrow agent. The premiums and deferred charge on refunding have been capitalized on the statement of net assets and are being amortized over the life of the bonds.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Underwriting.

The Bonds were purchased by the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price of \$27,166,547, which purchase price reflects an Underwriter's discount, from the initial offering prices of the Bonds, in the amount of \$139,156 and a premium in the amount of \$1,620,703. The contract relating to purchasing the Bonds provides that the Underwriter will purchase all of the Bonds, if any Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The initial public offering prices of the Bonds may change, from time to time by the Underwriter. The Town has been advised by the Underwriter that (i) it presently intends to make a market in the Bonds, (ii) it is not, however, obligated to do so, (iii) any market making may be discontinued at any time and (iv) there can be no assurance that an active public market for the Bonds will develop. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices stated on the cover page thereof. [Source: OFFICIAL STATEMENT DATED MARCH 22, 2013, page 15]

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

	Outstanding Debt General Obligation Bonds		
	2013	2012	2011
Municipal	\$ 25,312,482	\$ 25,944,118	\$ 26,117,843
Education	62,846,518	48,200,882	32,037,157
Sewer	8,021,000	8,105,000	8,612,000
Total Debt	\$ 96,180,000	\$ 82,250,000	\$ 66,767,000

Moody's Investors Service has given the Town of Scarborough a bond rating of "Aa3" and affirmed the Aa3 rating on all of the town's outstanding debt. Per Moody's Investors Service rating report dated March 15, 2013, "The Aa3 rating reflects the town's satisfactory financial position, stable tax base with favorable wealth levels and an above average debt burden with slow amortization. Additionally, Moody sights the Town's stable tax base with above average wealth levels as a strength and recognizes these challenges (maintaining sufficient reserve levels, reducing the General Fund subsidy of tax increment financing (TIF) district debt and addressing rising expenditures including education with limited revenue raising ability).

Standard and Poor's Rating Services (S&P) has assigned an "AA" long-term rating to the Town of Scarborough, Maine's series 2013 general obligation (GO) bonds and affirmed its AA long-term rating and underlying rating (SPUR) on the town's existing GO debt. S&P's rating reflects their opinion of the Town's:

- Stable local economy, supported by its geographic location in the greater Portland metropolitan statistical area (MSA);
- Very strong income levels, coupled;
- With high market value per capita ratios;
- Still good financial position despite the recent use of reserves to cover revenue shortfalls; and
- Moderate debt burden.

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 2014 were to:

1. maintain essential services,
2. maintain infrastructure,
3. maximize non-property tax revenues and
4. limit expenditure increases to 3%.

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

The Town of Scarborough, in cooperation with its school department, has worked to develop a five-year capital budget plan to manage and plan for the long term capital needs of our community.

The 2014 Town of Scarborough budget includes funding for four paramedic fire fighter positions to start January 2014. Additionally, the assessed valuation for 2014 was \$3,660,305,700 compared to 2013 assessed value of \$3,631,675,300 for an increase of \$28,630,400.

The 2014 property tax rate of \$14.77 is 7.03% higher than the 2013 tax rate of \$13.80

The Town's assessed valuation increased from \$3,631,675,300 in 2013 to \$3,660,305,700 in 2014.

During the past economic downturn, the Town of Scarborough appropriated portions of its unassigned fund balance to help offset the impact of the recession. Below is a listing of the approved use of unassigned fund balance since 2008. For fiscal years 2013 and 2014, the Town of Scarborough appropriated \$200,000 to help offset the costs associated with the education budget.

2008	\$ 550,000
2009	\$ 799,770
2010	\$1,700,000
2011	\$1,150,000
2012	\$ 600,000
2013	\$ 200,000
2014	\$ 200,000

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

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Below is a comparison of the 2012, 2013 and 2014 budgets (excluding carryforwards).

	2014	2013	2012
Administration	\$ 1,953,976	\$ 2,002,568	\$ 2,051,195
Finance Department	1,013,837	988,051	1,013,337
Information Systems	942,328	790,865	694,061
Planning Department	907,118	792,249	784,199
Community Services	2,246,928	2,162,670	2,146,873
Library	891,884	834,313	795,835
Economic Development	224,182	177,620	233,979
General Assistance/Affordable Hsg	27,611	22,373	22,160
Fire/Rescue/EMA Department	3,904,485	3,736,655	3,619,050
Public Safety Department	5,254,329	5,071,609	4,882,337
Public Works Department	6,294,820	6,477,260	6,397,756
Debt Service	4,508,353	4,732,060	4,909,870
Capital Equipment	923,700	1,406,500	909,450
Total Municipal Operating	29,093,551	29,194,793	28,460,102
Education	39,474,516	37,420,562	35,652,462
County Tax	2,193,813	2,075,183	1,975,585
Total Operating Budget	41,668,329	39,495,745	37,628,047
School Special Revenues	-	-	741,478
School Food Services	1,415,040	1,445,586	1,455,273
Capital Improvement-Municipal	2,683,426	1,821,605	1,909,750
Capital Improvement-School	1,705,425	650,000	185,250
TIFs and Overlay	1,223,908	1,159,998	963,007
Total Budget	\$ 77,789,679	\$ 73,767,727	\$ 71,342,907

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Scarborough's finances for all those with an interest in the Town of Scarborough'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 rporte@ci.scarborough.me.

[This page left intentionally blank.]

BASIC FINANCIAL STATEMENTS



[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Statement of Net Position
June 30, 2013

	Governmental Activities	Component Units Public Library	Economic Development
ASSETS			
Cash and cash equivalents	\$ 12,532,850	90,917	39,037
Investments	29,201,684	589,004	-
Receivables:			
Accounts	1,212,314	-	-
Intergovernmental	415,873	-	15,452
Taxes receivable	137,001	-	-
Tax liens	844,343	-	-
Tax acquired property	7,231	-	-
Inventory	55,084	1,019	-
Prepaid items	-	6,634	-
Notes receivable	1,821,073	-	-
Capital assets, not being depreciated	25,001,488	-	-
Capital assets, net	101,889,302	1,006,787	12,007
Total Assets	173,118,243	1,694,361	66,496
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,544,244	-	-
Total deferred outflows of resources	2,544,244	-	-
LIABILITIES			
Accounts payable and other current liabilities	5,289,078	24,298	170
Accrued payroll and other related liabilities	3,922,340	31,059	2,534
Taxes collected in advance	45,560	-	-
Accrued interest	615,664	-	-
Noncurrent liabilities:			
Due within one year	5,089,905	-	-
Due in more than one year	100,973,990	-	-
Total Liabilities	115,936,537	55,357	2,704
NET POSITION			
Net investment in capital assets	49,823,697	1,006,787	12,007
Restricted for:			-
Nonexpendable trust principal	132,358	88,349	-
Expendable trust - income portion	84,033	-	-
Town grants and projects	2,362,021	-	-
Education	976,730	-	-
Unrestricted	6,347,111	543,868	51,785
Total Net Position	\$ 59,725,950	1,639,004	63,792

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2013

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	Component unit	Component unit
					Governmental activities	Public Library	Economic Development
Primary government:							
Governmental activities							
General government	\$ 11,413,745	1,525,062	451,649	97,351	(9,339,683)	-	-
Public services	3,851,672	2,363,475	805	-	(1,487,392)	-	-
Public safety	8,555,020	2,449,062	124,752	-	(5,981,206)	-	-
Public works	7,874,408	1,405,040	416,482	-	(6,052,886)	-	-
Education	39,167,124	1,191,085	8,918,827	-	(29,057,212)	-	-
Interest on debt service	3,074,995	-	-	-	(3,074,995)	-	-
Total governmental activities	73,936,964	8,933,724	9,912,515	97,351	(54,993,374)	-	-
Total primary government	\$ 73,936,964	8,933,724	9,912,515	97,351	(54,993,374)	-	-
Component units:							
Scarborough Public Library	\$ 1,078,900	-	1,048,294	-	-	(30,606)	-
Scarborough Economic Develop.	171,167	-	176,727	-	-	-	5,560
General revenues:							
Property taxes, levied for general purposes				\$ 49,827,578	-	-	-
Excise taxes				4,255,153	-	-	-
Payments in lieu of taxes				71,450	-	-	-
Interest and costs on taxes				93,691	-	-	-
Franchise Tax				194,771	-	-	-
Grants and contributions not restricted to specific programs:							
Homestead exemption and business equipment exemption				816,367	-	-	-
Other State aid				248,320	-	-	-
State Revenue Sharing				1,124,864	-	-	-
Unrestricted investment earnings				42,573	-	-	-
Other				466,762	-	-	-
Total general revenues				57,141,529	-	-	-
Change in net position					2,148,155	(30,606)	5,560
Net position beginning,					57,577,795	1,669,610	58,232
Net position ending					\$ 59,725,950	1,639,004	63,792

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

	General	Performance Bonds	Wentworth School Construction	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9,948,470	69,485	2,176,639	-	338,256	12,532,850
Investments	752,899	265,425	20,819,785	-	7,363,575	29,201,684
Receivables						
Accounts	1,110,371	-	-	-	101,943	1,212,314
Intergovernmental	124,122	-	-	-	291,751	415,873
Taxes receivable	137,001	-	-	-	-	137,001
Tax liens	844,343	-	-	-	-	844,343
Interfund loans receivable	2,683,412	-	-	-	420,253	3,103,665
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	34,010	-	-	-	21,074	55,084
Notes receivable	-	-	-	1,821,073	-	1,821,073
Total assets	\$ 15,641,859	334,910	22,996,424	1,821,073	8,536,852	49,331,118
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and other current liabilities	1,685,130	-	2,400,044	-	868,994	4,954,168
Accrued payroll and other related liabilities	3,922,340	-	-	-	-	3,922,340
Accrued compensated absences	120,329	-	-	-	-	120,329
Interfund loans payable	-	-	-	2,422,186	681,479	3,103,665
Taxes collected in advance	45,560	-	-	-	-	45,560
Performance bond deposits	-	334,910	-	-	-	334,910
Total liabilities	5,773,359	334,910	2,400,044	2,422,186	1,550,473	12,480,972
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	810,854	-	-	-	-	810,854
Total deferred inflows of resources	810,854	-	-	-	-	810,854
Fund balances						
Nonspendable Permanent Fund Principal					132,358	132,358
Nonspendable Inventory	34,010				26,947	60,957
Restricted for Town	3,861,453	-		-	2,362,021	6,223,474
Restricted for Education	976,730		20,596,380	-	492,178	22,065,288
Committed - General Fund	374,000	-	-	-	-	374,000
Committed - Education	-	-	-	-	-	-
Committed - Special Revenues	-	-	-	-	4,362,653	4,362,653
Assigned - General Fund	1,824,920	-	-	-	-	1,824,920
Assigned - Education	200,000	-	-	-	-	200,000
Unassigned Town	1,786,533	-	-	(601,113)	(389,778)	795,642
Total fund balances	9,057,646	-	20,596,380	(601,113)	6,986,379	36,039,292
Total liabilities, deferred inflows of resources and fund balances	\$ 15,641,859	334,910	22,996,424	1,821,073	8,536,852	
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.						126,890,790
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						810,854
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds						
Bonds payable, including issuance premiums						(101,895,067)
Deferred charge on refunding						2,544,244
Capital leases						(622,334)
Accrued interest						(615,664)
Landfill liability						(421,283)
Other postemployment benefits liability						(1,151,199)
Accrued compensated absences						(1,853,683)
Net position of governmental activities						\$ 59,725,950

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	General	Performance Bonds	Wentworth School Construction	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 54,317,932	-	-	-	75,000	54,392,932
Licenses and permits	553,504	-	-	-	-	553,504
Intergovernmental	10,462,944	-	-	-	1,561,010	12,023,954
Interest earned	42,573	-	29,071	90,888	15,338	177,870
Donations	-	-	-	-	34,591	34,591
Sale of lots	-	-	-	-	3,430	3,430
Assessments and impact fees	-	-	-	-	1,898,858	1,898,858
Other	5,521,666	-	-	-	1,425,053	6,946,719
Total revenues	70,898,619	-	29,071	90,888	5,013,280	76,031,858
Expenditures:						
Current:						
General government	4,956,930	-	-	-	-	4,956,930
Public services	3,931,386	-	-	-	-	3,931,386
Public safety	8,577,811	-	-	-	-	8,577,811
Public works	6,681,399	-	-	-	-	6,681,399
Education	39,344,449	-	14,114,495	-	2,321,582	55,780,526
County tax	2,075,183	-	-	-	-	2,075,183
Debt service	4,942,403	-	-	-	-	4,942,403
Capital improvements	1,257,490	-	-	-	2,721,925	3,979,415
Other	-	-	-	-	1,817,483	1,817,483
Total expenditures	71,767,051	-	14,114,495	-	6,860,990	92,742,536
Excess (deficiency) of revenues over expenditures	(868,432)	-	(14,085,424)	90,888	(1,847,710)	(16,710,678)
Other financing sources (uses):						
Transfers in	1,015,621	-	-	59,598	769,762	1,844,981
Transfers out	(683,335)	-	(84,564)	(600,000)	(477,082)	(1,844,981)
Proceeds from capital leases	365,033	-	-	-	-	365,033
Refunding bond issued	7,065,000	-	-	-	-	7,065,000
Premium paid on refunded debt	321,961	-	-	-	-	321,961
Premium paid on issued debt	115,100	-	1,147,544	-	-	1,262,644
Payment to refunding bond escrow agent	(7,347,335)	-	-	-	-	(7,347,335)
General obligation bonds	1,020,000	-	15,275,000	-	2,325,000	18,620,000
Total other financing sources (uses)	1,872,045	-	16,337,980	(540,402)	2,617,680	20,287,303
Net change in fund balances	1,003,613	-	2,252,556	(449,514)	769,970	3,576,625
Fund balances, beginning of year	8,054,033	-	18,343,824	(151,599)	6,216,409	32,462,667
Fund balances (deficit), end of year	\$ 9,057,646	-	20,596,380	(601,113)	6,986,379	36,039,292

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, 2013

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)	\$	3,576,625
--	----	-----------

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	\$16,988,410	13,532,082
Depreciation expense	(3,297,378)	
Net book value of dispositions	(158,950)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	53,261
--	--------

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	(159,620)
Landfill	4,050
Compensated absences	(20,820)
Other postemployment benefits liability	(230,174)

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.	65,001
---	--------

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.

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
 the governmental funds.

General obligation bond proceeds	\$ (19,065,000)	
General obligation bond payments	5,135,000	
Bond Premiums	(1,584,605)	
Amortization of Bond Premiums	240,580	
Deferred Charge on Refunding	727,335	
Amortization of Deferred Charge	(125,560)	(14,672,250)

Change in net position of governmental activities (see Statement 2)	\$	2,148,155
--	-----------	------------------

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, 2013

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 54,262,319	54,262,319	54,317,932	55,613
Licenses and permits	594,725	594,725	553,504	(41,221)
Intergovernmental	7,239,617	7,239,617	7,286,944	47,327
Interest earned	20,000	20,000	42,573	22,573
Unclassified	4,849,813	4,849,813	5,521,666	671,853
Total revenues	66,966,474	66,966,474	67,722,619	756,145
Expenditures:				
Current:				
General government	4,649,920	4,649,920	4,591,897	58,023
Public services	3,862,588	3,862,588	3,931,386	(68,798)
Public safety	8,856,983	8,856,983	8,577,811	279,172
Public works	6,553,011	6,553,011	6,681,399	(128,388)
Education	37,370,562	37,370,562	36,110,973	1,259,589
County tax	2,075,183	2,075,183	2,075,183	-
Debt service	4,732,060	4,732,060	4,942,403	(210,343)
Capital improvements	1,549,586	1,549,586	1,257,490	292,096
Total expenditures	69,649,893	69,649,893	68,168,542	1,481,351
Deficiency of revenues under expenditures	(2,683,419)	(2,683,419)	(445,923)	2,237,496
Other financing sources (uses):				
Transfers in	1,379,206	1,379,206	1,015,621	(363,585)
Transfers out	(204,818)	(204,818)	(683,335)	(478,517)
Utilization of surplus	851,138	851,138	-	(851,138)
General obligation bonds	1,020,000	1,020,000	1,020,000	-
Refunding bond issued	-	-	7,065,000	7,065,000
Premium paid on refunded debt	-	-	321,961	321,961
Premium received on issued bonds	-	-	115,100	115,100
Payment to refunding bond escrow agent	-	-	(7,347,335)	(7,347,335)
Overlay	(362,107)	(362,107)	-	362,107
Total other financing sources (uses)	2,683,419	2,683,419	1,507,012	(1,176,407)
Net change in fund balances - budgetary basis	-	-	1,061,089	1,061,089
Reconciliation to GAAP basis:				
Change in current portion of accrued compensated absences			(57,476)	
Net change in fund balances - GAAP basis			1,003,613	
Fund balance, beginning of year			8,054,033	
Fund balance, end of year	\$		9,057,646	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	184,649
Investments	239,210	-
Accounts receivable	-	-
Interfund loans receivable	-	-
Total assets	239,210	184,649
LIABILITIES		
Interfund loans payable	-	-
Accounts payable	-	-
Due to student groups	-	184,649
Total liabilities	-	184,649
NET POSITION		
Held in trust	\$ 239,210	-

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, 2013

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ -
Interest and dividends	123
Total additions	123
Deductions:	
School scholarships	6,400
Total deductions	6,400
Change in net position	(6,277)
Net position, beginning of year	245,487
Net position, end of year	\$ 239,210

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Scarborough Economic Development Corporation (SEDCO) encourages and assists with the development of business in the Town of Scarborough. The SEDCO board appoints the majority of their board and the Town council affirms their appointment. Additionally, the Town provides SEDCO with a majority of its revenues. All of the financial activity of SEDCO has been reported using the discrete presentation method. The Town provided \$162,065, or 95% of total revenues, to SEDCO for the year ended June 30, 2013.

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 \$847,425, or 81% of total revenues, to the Library for the year ended June 30, 2013.

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 Performance Bond Fund accounts for funds temporarily held by the Town until work is completed by developers. If the work is not completed, these funds are retained by the Town and the Town completes the required work. Although this fund does not meet the criteria of a major fund, the Town has elected to report it as a major fund in the governmental fund financial statements.

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

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

Additionally, the Town reports the following fund type:

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

D. Assets, Liabilities, and Equity

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

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

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

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

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 financial 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Town Council has by resolution authorized the Town Manager to assign fund balance. The Town Manager has authorized carry forward balances to be used to offset 2014 expenditures. This also includes encumbrances.

5. For Unassigned fund balance: The portion of fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance.

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

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

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

E. Recently Adopted Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units as defined in GASB Statement No. 14.

In June 2011, the GASB issued GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement will require amounts reported as deferred outflows and inflows of resources to be reported in a separate section following assets and liabilities, respectively, in a new statement of net position.

In March 2012, the GASB issued GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities.

The adoption of these statements did not have a significant impact on the Town’s financial statements.

F. Recent Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The Town is currently assessing the impact of this statement on its financial statement.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2012-2013 budget as adopted	\$66,733,628	\$66,733,628
Budgetary adjustments:		
Subsequent authorization	-	-
Prior year encumbrances and carryforwards	483,190	483,190
<u>Total adjusted budget</u>	<u>\$ 70,216,818</u>	<u>\$ 70,216,818</u>

B. Excess of Expenditures over Appropriations

The over-expenditure of Debt Service (excluding education) was offset by the premium relating to the April 2013 Bond Issue.

C. Deficit Fund Balance

At June 30, 2013, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$17,869. It is expected that the deficit will be adequately funded next year through development and user fees and any remaining deficit will be funded by the general fund.

Boat Launch Fund (a special revenue fund) had a deficit of \$36,812. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The Municipal Building Fund (a capital project fund) had a deficit of \$308,150. This deficit is expected to be adequately funded in future years with TIF revenues.

The Haigis Parkway Assessments Fund had a deficit of \$601,113. This deficit is expected to grow initially and then be adequately funded in future years with TIF revenues and assessment payments.

Included in the Town General Improvements are three projects with a deficit balance. The Black Point Sidewalk project had a deficit of \$582; Technology telecommunications project had a deficit of \$36,169 and the Higgins Beach Bath House project had a deficit of \$7,039. These deficits are expected to be funded with future bond revenues.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal policy with respect to custodial credit risk. As of June 30, 2013, the Town reported deposits of \$12,717,499 with a bank balance of \$12,831,740. Of the Town's bank balances of \$12,831,740, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or is secured by additional collateral pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$12,532,850
Reported in fiduciary funds	184,649
Total deposits	\$12,717,499

At June 30, 2013, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$90,917 and \$39,037 respectively, all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2013, 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	\$29,440,894	\$29,440,894	-	-
Total investments	\$29,440,894	\$29,440,894	-	-

Investments have been reported as follows:

Reported in governmental funds	\$29,201,684
Reported in fiduciary funds	239,210
Total investments	\$29,440,894

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 24, 2012, on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. These taxes were due in two installments, 50% on October 15, 2012 and 50% on March 15, 2013. 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, 2013 and the Town's value was 100% of the 2013 State valuation of \$3,482,500,000.

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 \$362,107 for the year ended June 30, 2013.

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

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

The following summarizes the June 30, 2013 levy:

Assessed value	\$ 3,631,675,300
Tax rate (per \$1,000)	13.80
Commitment	50,117,119
Supplemental taxes assessed	8,373
	50,125,492
Less - collections and abatements	49,483,773
Receivable at June 30	641,719
Consisting of:	
Taxes	31,254
Liens	610,465
Receivable at June 30	\$ 641,719
Collection rate	98.7%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,321,343	\$ 65,279	\$ -	\$ 6,386,622
Deposit on Ladder Truck	-	786,500	-	786,500
Construction in progress	3,180,191	14,652,495	4,320	17,828,366
Total capital assets, not being depreciated	9,501,534	15,504,274	4,320	25,001,488
Capital assets, being depreciated:				
Buildings	68,721,699	65,940	352,118	68,435,521
Vehicles	12,323,641	611,656	539,814	12,395,483
Equipment and furniture	5,487,511	430,091	143,901	5,773,701
Infrastructure	53,136,482	376,446	-	53,512,928
Total capital assets being depreciated	139,669,333	1,484,133	1,035,833	140,117,633
Less accumulated depreciation for:				
Buildings	15,693,474	1,231,340	352,117	16,572,697
Vehicles	7,141,361	917,882	436,745	7,622,498
Equipment and furniture	3,925,616	292,530	92,345	4,125,801
Infrastructure	9,051,709	855,626	-	9,907,335
Total accumulated depreciation	35,812,160	3,297,378	881,207	38,228,331
Total capital assets being depreciated, net	103,857,173	(1,813,245)	154,626	101,889,302
Governmental activities capital assets, net	\$113,358,707	\$13,691,029	\$158,946	\$126,890,790

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

Governmental activities:	
General government	\$ 330,614
Public services	33,297
Public safety	515,525
Public works, including depreciation of general infrastructure assets	1,216,510
Education	1,201,432
Total depreciation expense – governmental activities	\$ 3,297,378

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

	<u>Library</u>	<u>SEDCO</u>
Buildings	\$1,603,685	-
Furniture and fixtures	645,079	\$35,792
Books	892,673	-
Total	3,141,437	35,792
Less accumulated depreciation	(2,134,650)	(23,785)
Property and equipment, net	\$1,006,787	\$12,007
Depreciation expense	\$ 130,003	\$ 2,303

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, 2013, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$2,683,411	-
Haigis Parkway	-	2,422,186
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Recreational development	-	17,869
Credit enhancement agreements	9,168	
Boat Launch	-	36,812
Police asset forfeiture	-	1,380
Fire Department equipment	150	-
Scarborough Memorial Cemetery	-	800
Rescue equipment	-	42,543
Departmental grants and programs		136,315
Total Nonmajor Special Revenue Funds	9,318	235,719
Nonmajor Capital Project Funds:		
Higgins Beach Bath House	373,000	3
Cranberry Pines Road Improvement	33,873	
Hanson Road Improvement	633	
Haigis/Route One Intersection Improvements		56,512
Dunstan Fire Station Energy Improvements		75,760
Town wide Directional Signage		303
Pine Point Pier Project		1,788
Land Conservation – Fancy Farm		3,230
Municipal building fund	-	308,150
Total Nonmajor Capital Project Funds	407,506	445,746
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	3,430	-
Dunstan Perpetual Care	-	14
Total Permanent Funds	3,430	14
Total Other Governmental Funds	420,254	681,479
Private-purpose Trust Funds	-	-
Total all funds	\$3,103,665	\$3,103,665

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$1,015,621	\$ 683,335
Wentworth School Construction	-	84,564
Haigis Parkway Assessments	59,598	600,000
Nonmajor Governmental Funds	769,762	477,082
Total	\$1,844,981	\$1,844,981

These operating transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, 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	\$82,250,000	\$25,685,000	\$11,755,000	\$96,180,000	\$4,790,000
Premium	4,371,041	1,584,605	240,580	5,715,066	
Capital leases	687,335	365,033	430,034	622,334	175,526
Compensated absences	1,895,716	141,514	63,218	1,974,012	120,329
Other postemployment Benefits liability	921,025	230,174		1,151,199	
Landfill post-closure care costs	425,334	-	4,050	421,284	4,050
Governmental activity					
Long-term liabilities	\$90,550,451	\$28,006,326	\$12,492,882	\$106,063,895	\$5,089,905

As of June 30, 2013, the Town had authorized, but unissued debt totaling \$7,268,330. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

Advance Refunding

During the year ended June 30, 2013, the Town issued \$25,685,000 in general obligation bonds with interest rates ranging from 1.00% to 5.00%, a portion of which provided funds to advance refund the remaining callable general obligation bonds that were issued in 2004 and 2005, but not refunded in 2012. Total bond proceeds of \$27,305,703.25, which includes \$1,620,703.25 premium less \$139,156.25 for underwriter's discount and less \$125,000.00 for cost of issuance, provided funds in the amount of \$7,347,334.68 which were deposited in an irrevocable trust with an escrow agent and are invested in U.S. governmental securities to provide all future associated debt service payments, and call premium for the 2004 Bonds. As a result, the \$6,620,000 of prior general obligation bonds which had interest rates ranging from 3.50% to 5.00% have been defeased and the liability for these bonds have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$727,335. This amount is being amortized over the remaining life of the refunding debt. The refunding provided a Present Value Savings of \$254,457, or 3.8438% and an absolute savings of \$289,145.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

BONDS PAYABLE

Bonds payable at June 30, 2013 is comprised of the following:

General Obligation Notes and Bonds	Amount originally issued	Percentage applicable to			Interest rate	Final maturity date	Balance end of year
		<u>Town</u>	<u>School</u>	<u>Sewer</u>			
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	460,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	795,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	440,000
2004 Capital improvements	14,628,000	-	100.00%	-	Varies	2034	215,000
2005 Capital improvements	10,665,000	15.63%	84.37%	-	Varies	2034	870,000
2006 Capital improvements	7,014,000	91.53%	8.47%	-	Varies	2036	2,550,000
2007 Capital improvements	4,000,000	92.20%	7.80%	-	Varies	2022	1,025,000
2008 Capital improvements	8,513,000	84.15%	15.85%	-	Varies	2028	4,740,000
2009 Capital improvements	4,560,000	92.24%	7.76%	-	Varies	2029	3,055,000
2009 Capital improvements	1,780,000	80.00%	20.00%	-	2.00%	2020	1,225,000
2010 Capital improvements	6,002,000	83.98%	16.02%	-	2.00%	2031	5,035,000
2011 Capital improvements	5,600,000	80.96%	19.04%	-	Varies	2031	4,515,000
2012 Capital improvements	46,545,000	7.25%	75.16%	17.60%	Varies	2042	45,570,000
2013 Capital improvements	25,685,000	9.63%	90.37%	-	Varies	2043	25,685,000
Total							\$ 96,180,000

The annual requirements to amortize all debt outstanding as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	4,790,000	3,588,569	8,378,569
2015	4,990,000	3,357,610	8,347,610
2016	5,060,000	3,197,999	8,257,999
2017	5,125,000	3,033,237	8,158,237
2018	5,305,000	2,854,340	8,159,340
2019-2023	26,105,000	11,324,428	37,429,428
2024-2028	16,675,000	7,245,440	23,920,440
2029-2033	14,875,000	4,159,181	19,034,181
2034-2038	7,690,000	1,805,487	9,495,487
2039-2043	5,565,000	484,044	6,049,044
Totals	\$ 96,180,000	\$ 41,050,335	\$137,230,335

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, 2013 outstanding bonds	Percent of 2013 State assessed value of \$ 3,482,500,000	Amount	Margin
For school purposes	\$ 62,846,518	10.00%	\$348,250,000	\$285,403,482
For storm or sanitary sewer	8,021,000	7.50%	261,187,500	253,166,500
For municipal airport, water and special district purposes	-	3.00%	104,475,000	104,475,000
For all other purposes	25,312,482	7.50%	261,187,500	235,875,018
Total	\$ 96,180,000			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$522,375,000. The total debt margin based on this limit is \$426,195,000.

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building improvements and computer hardware and software. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The amount of assets capitalized under capital leases is \$1,396,196.

The following is a schedule of future minimum lease payments under capital leases and the present value of the minimum lease payments at June 30, 2013:

2014	\$ 194,191
2015	167,469
2016	154,747
2017	152,422
2018-thereafter	-
Total minimum lease payments	668,829
Less: amount representing interest	46,495
Present value of future minimum lease payments	\$ 622,334

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES

Overlapping Debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2013, the Town's State valuation of \$3,482,500,000 was 9.00% of the County's State valuation of \$38,690,850,000. The Town's share is 9.00% or \$3,253,775 of Cumberland County's \$36,149,699 long-term debt outstanding as of June 30, 2013.

The Town is also served by the Portland Water District. At June 30, 2013, the Town's share of self-supporting bonded water debt is 13.7324% or \$3,482,500 of total debt of \$31,085,441.

Contingencies

ecomaine, formerly Regional Waste Systems, a Maine Corporation with 21 participating municipalities ("Member Municipalities"), including the Town of Scarborough, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of ecomaine, payable from and secured by a pledge of ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal to the required debt service on the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. At June 30, 2012, outstanding "Incinerator Debt" of ecomaine totaled \$2,660,000 all of which was paid on July 1, 2012 thereby reducing the Scarborough's proportionate share to zero.

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2012, outstanding MRF debt totaled \$1,990,000 of which \$1,405,000 was paid on July 1, 2012 with the balance of \$585,000 paid on August 1, 2012, thereby reducing Scarborough's proportionate share to zero. ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$15,951,872 at June 30, 2013, the most recent data available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.81%, or \$1,404,660.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2013			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 96,180,000	-	-	\$96,180,000
Cumberland County	-	\$ 3,253,775	-	3,253,775
Portland Water District - water debt	-	3,482,500	-	3,482,500
ecomaine Waste Systems:				
Landfill closure/postclosure costs	-	-	1,404,660	1,404,660
Totals	\$ 96,180,000	\$6,736,275	\$1,404,660	\$104,320,935

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT AND OTHER CONTINGENCIES, CONTINUED

Arbitrage

Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. The Town has had several issues for which a rebate calculation is or has been required. As of June 30, 2013, substantially all such calculations have been performed and the Town is in compliance with all arbitrage requirements.

Grants

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

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.

LANDFILL CLOSURE AND POSTCLOSURE COSTS

Under existing State law, Maine communities had until December 31, 1995 to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town is operating a demolition debris landfill under a waiver granted by the State. The landfill is permitted to operate in its existing capacity until 2027. The estimated total current cost of landfill closure, \$421,284, 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, 2013. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

The total closure and postclosure care costs of \$421,284 have been accrued in the statement of activities. Presently, the State of Maine is providing partial funding for certain closure costs; however, future funding is based on availability of funds. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

FUND BALANCE CHANGES

For the period ending June 30, 2013, the General Fund includes three programs that previously were reported as Special Revenue Funds. This change is the result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Activity of these three programs are currently presented in Exhibits A-1, A-2 and A-2 Cont. Additionally, the fund balances reclassified from Special Revenue Funds to the General Fund are all presented as Committed Fund balance in the General Fund as follows:

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Unemployment Compensation	\$ 149,772	\$ 145,535
Hurd Park and Ferry Beach	523,196	211,253
Hunnewell House	<u>14,635</u>	<u>17,212</u>
Total reclassification	<u>\$ 687,603</u>	<u>\$ 374,000</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, 2013:

	General Fund	Wentworth Construction	Haigis Parkway Assess	Nonmajor Governmental
Fund Balances:				
Nonspendable-Permanent Funds	-	-	-	\$132,358
Nonspendable-Inventory	34,010	-	-	26,947
	<u>34,010</u>	-	-	<u>159,305</u>
Restricted				
Permanent Fund Interest	-	-	-	84,033
Deficits in Other Funds	\$2,040,380	-	-	-
Haigis Parkway	1,821,073	-	-	-
Credit Enhancement Agreements	-	-	-	43,055
Sawyer Road Improvements	-	-	-	65,955
Grants and Donations	-	-	-	45,428
Fire Department Equipment	-	-	-	22,601
Police Asset Forfeiture	-	-	-	193,841
Town Improvements	-	-	-	1,907,108
Education	976,730	20,596,380	-	492,178
	<u>4,838,183</u>	<u>20,596,380</u>	-	<u>2,854,199</u>
Committed				
Unemp. Comp/Beach Reserve/Hunnewell	374,000	-	-	-
Impact Fees/Reserves	-	-	-	4,362,653
	<u>374,000</u>	-	-	<u>4,362,653</u>
Assigned				
Carryforward Balances/Encumbrances	1,824,920	-	-	-
Education	200,000	-	-	-
	<u>2,024,920</u>	-	-	-
Unassigned	<u>1,786,533</u>		<u>(601,113)</u>	<u>(389,778)</u>
Total Fund Balances	<u>\$9,057,646</u>	<u>\$20,596,380</u>	<u>(\$601,113)</u>	<u>\$6,986,379</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES

At June 30, 2013, portions of the General Fund fund balance were assigned to future periods as follows:

	2013
General Fund:	
State Revenue Sharing	\$ (130,294)
Municipal Building – Building Repairs & Maint.	15,000
Human Resource – Long Term Disability	500
Human Resource Employee Recognition	3,000
Human Resource – Employee Assistance Program	500
Human Resource - Training	4,000
Finance – Accounting Training	4,000
Finance Collections Training	4,000
Assessing Department – Training	1,100
Information Systems Employee Training	3,400
Information Systems – Software Maintenance	7,300
Comprehensive Plan	14,711
SEDCO Marketing Cost	1,922
Marine Resource Office – Inventory Management	6,900
Cable Franchise Fees	45,380
Child Care	95,509
Summer Recreation	34,000
Town-Wide Computer Purchases	6,766
Planning – Watershed Map/Management Plan	30,530
Library 2014 Meeting Room Retrofit	671
Fire Department – Municipal Holding Tank	8,837
Fire Department – 2013 Fire Turnout Gear	19,553
Fire Department Ladder Truck	26,121
Police Department – 2006 QED Software	9,300
Police Department New Vehicles	105,463
Police Department – Tomar Pre-Emptive Device	13,138
Police Department Traffic Light Pre-Emptive	1,221
Police Department – Replace CSI Van	37,500
Police Department – Motorola Equipment	3,021
Public Works Alarm Maint. Route 1 to So. Portland Line	20,000
Encumbered purchase orders	266,392
Fund Balance Appropriated for the 2012 Budget	200,000
Reserve for Accrued Sick Pay	1,165,479
Total General Fund assigned fund balance	\$ 2,024,920

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONSOLIDATED RETIREMENT PENSION PLAN

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

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan, the Town had its separate, individual existing unfunded actuarial liability calculated which the Town fully funded in 2007. The current employer rate is 5.3% of annual covered payroll for School employees participating in the District Plan, 5.3% for Town employees, 12.2% for Police and Fire/Rescue. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the MPERS Consolidated Plan for the year ended June 30, 2013, 2012 and 2011 were \$436,099, \$353,904, and \$256,871 respectively and this is 100% of the amount required, that the Town paid.

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$3,176,000 (16.33%) for the fiscal year 2013. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEFINED CONTRIBUTION PENSION PLAN

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

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

During the year, the Town's required and actual contributions amounted to \$305,448 which was 6% of the participating employees and 12% of the Town Manager's current year covered payroll. The covered payroll amounted to \$4,971,022, while the Town's total payroll was \$11,386,526.

Employee's required contributions amounted to \$291,077, which was 6% of the Town's current year covered payroll.

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

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

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

During the year, the participating employees contributions amounted to \$424,326 and the Town contributions amounted to \$256,859. The Town contributes a match up to 4%. The covered payroll amounted to \$6,140,441.

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust, which is an agent multiple-employer plan. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2011 for fiscal year ending June 30, 2013.

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

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

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

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

Funding Status and Funding Progress – The Town's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2012 were as follows:

Annual required contribution	\$259,125
Interest on NET OPEB Obligation	9,374
Amortization adjustment to ARC	<u>(13,553)</u>
Annual OPEB Cost	254,947
<u>Actual contribution</u>	<u>(24,773)</u>
Increase in Net OPEB Obligation	230,174
<u>Net OPEB obligation – beginning of year</u>	<u>921,025</u>
<u>Net OPEB Obligation – end of year</u>	<u>\$1,151,199</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

<u>Fiscal Year Ended</u>	<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
2013	\$ 254,097	10%	\$ 1,151,199
2012	255,098	13%	921,025
2011	255,058	12%	699,212

The funded status of the plan as of June 30, 2013 was as follows:

Actuarial accrued liability	\$3,023,581
<u>Plan Assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$3,023,581
Covered payroll	8,974,368
Unfunded actuarial accrued liability as a percentage of covered payroll	33%

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

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

Actuarial valuation date	1-1-2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years, open amortization period

Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.00% - 8.70%
General inflation rate	3.0%

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

The Town has established two, Tax Increment Financing Districts (TIF) under the terms of applicable State laws. The TIF districts have been established to finance certain development programs located in the Town. The expenditures from these development programs will be recouped in future years via an incremental tax levied upon the Town's so-called "captured assessed value". The tax increment will be held in the form of a sinking fund which will be used expressly for the repayment of principal and interest on any indebtedness created to fund the expenditures of the development programs. The Scarborough Town Center Development District was amended in March 2012 to extend the number of years this TIF district to 2016.

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

The status of the various Tax Increment Financing Districts and Credit Enhancement Agreements are summarized below:

Scarborough Town Center Development District:	
Original assessed value	\$ 6,915,000
Maximum authorized captured value	6,900,000
Amount captured as of June 30, 2013	6,900,000
Haigis Parkway TIF:	
Original assessed value	8,563,500
Amount captured as of June 30, 2013	6,115,100
Enterprise Business Park CEA:	
New England Expedition CEA:	35,155,100
Bessey School Senior Housing CEA:	2,630,800
Foundation Center LLC CEA:	1,451,500

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, for which the Town either carries commercial insurance, participates in a public entity pool, or is effectively self-insured. Currently, the municipal departments participate in several public entity and self-insured pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchases, the Town is not aware of any material actual or potential claims liabilities which should be recorded at June 30, 2013. There have been no significant reductions in commercial insurance coverage from the prior year and no settlements have exceeded commercial insurance coverage in any of the past three years.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

NET POSITION

Net Position represents the difference between assets, deferred outflows and liabilities. Net Position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net Position 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 Position net investment in capital assets, was calculated as follows at June 30, 2013:

	Governmental <u>Activities</u>
Capital assets	\$ 165,119,121
Accumulated depreciation	(38,228,331)
Bonds payable	(88,159,000)
Premium liabilities net of amortization	(5,715,066)
Capital leases payable	(622,334)
<u>Unspent bond proceeds</u>	<u>17,429,307</u>
<u>Total invested in capital assets net of related debt</u>	<u>\$49,823,697</u>

The Town's Bonds payable is \$96,180,000 as stated in the footnote on page 59. For the purpose of determining Net Position invested in capital assets net of related debt, bonds payable totaling \$8,021,000, have been excluded from this calculation because the Town transferred ownership of the capital assets to other entities.

COMMITMENTS

Construction in progress of \$17,828,366 as of June 30, 2013 consists of road improvements, the commercial pier, Wentworth School construction and Higgins Beach Parking improvements. Except for the Wentworth school, the remaining projects are expected to be completed during the fiscal year ending June 30, 2013 and the school construction project by the fall 2014. The additional estimated costs to complete these projects are approximately \$20,000,000.

TOWN OF SCARBOROUGH, MAINE
Schedule of Funding Progress
Required Supplementary Information
June 30, 2013
(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]
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%

[This page left intentionally blank.]

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).

[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
General Fund
Comparative Balance Sheets
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 9,948,470	1,257,920
Investments	752,899	8,748,556
Receivables:		
Taxes receivable	137,001	172,971
Tax liens	844,343	757,577
Accounts receivable	1,110,371	828,253
Intergovernmental	124,122	191,841
Inventory	34,010	34,010
Interfund loans receivable	2,683,412	3,004,027
Tax acquired property	7,231	7,231
Total assets	\$ 15,641,859	15,002,386
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other current liabilities	1,685,130	2,402,854
Accrued payroll and other related liabilities	3,922,340	3,656,473
Accrued compensated absence (current)	120,329	62,853
Taxes collected in advance	45,560	68,580
Total liabilities	5,773,359	6,190,760
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	810,854	757,593
Total deferred inflows of resources	\$ 810,854	757,593
Fund balance:		
Nonspendable inventory	34,010	34,010
Restricted - Town	3,861,453	2,992,678
Restricted - Education	976,730	440,220
Committed - Town	374,000	687,603
Assigned - Town	1,824,920	1,605,896
Assigned - School	200,000	200,000
Unassigned - Town	1,786,533	2,093,626
Total fund balance	9,057,646	8,054,033
Total liabilities, deferred inflows of resources and fund balance	\$ 15,641,859	15,002,386

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, 2013
(with comparative totals for June 30, 2012)

	2013				Variance positive (negative)	2012 Actual
	2012 carryforward	Budget	Total Available	Actual		
Revenues						
Taxes:						
Property taxes	\$ -	49,912,119	49,912,119	49,827,578	(84,541)	46,218,721
Change in deferred property tax revenue	-	-	-	(53,261)	(53,261)	(86,540)
Excise taxes	-	4,048,500	4,048,500	4,255,153	206,653	3,995,263
Cable franchise tax	-	205,000	205,000	194,771	(10,229)	198,132
Interest and costs on taxes	-	96,700	96,700	93,691	(3,009)	87,811
Total taxes	-	54,262,319	54,262,319	54,317,932	55,613	50,413,387
Licenses and permits:						
Plumbing fees	-	26,400	26,400	30,654	4,254	8,689
Fees and Permits	-	147,700	147,700	143,872	(3,828)	156,398
Building permits	-	300,000	300,000	253,877	(46,123)	210,963
Electrical permits	-	44,000	44,000	41,917	(2,083)	36,782
Zoning Board of Appeals	-	11,000	11,000	7,000	(4,000)	10,039
License plate fees	-	60,625	60,625	59,259	(1,366)	59,568
Subdivision fees	-	5,000	5,000	16,925	11,925	12,000
Total licenses and permits	-	594,725	594,725	553,504	(41,221)	494,439
Intergovernmental:						
Education state subsidies	-	4,738,941	4,738,941	4,305,782	(433,159)	4,712,801
FEMA reimbursement	-	-	-	75,090	75,090	-
Federal HIDTA revenues	-	130,000	130,000	124,752	(5,248)	123,980
State Revenue Sharing	-	1,108,644	1,108,644	1,124,864	16,220	1,122,837
Homestead exemption	-	316,644	316,644	572,101	255,457	296,978
Business equipment tax exemption	-	243,996	243,996	244,266	270	152,738
LRAP (Local Road Assistance Program)	-	337,812	337,812	341,392	3,580	337,812
ecomaine payment in lieu of taxes	-	71,450	71,450	71,450	-	71,450
General assistance reimbursement	-	6,637	6,637	805	(5,832)	1,780
Adult education State subsidies	-	30,000	30,000	27,225	(2,775)	29,894
Medicaid	-	-	-	73,631	73,631	40,143
Other Federal and State revenues - School	-	25,000	25,000	77,266	52,266	64,909
Other Federal and State revenues - Town	-	230,493	230,493	248,320	17,827	552,669
Total intergovernmental	-	7,239,617	7,239,617	7,286,944	47,327	7,507,991
Interest earned	-	20,000	20,000	42,573	22,573	66,255
Unclassified:						
School Department miscellaneous	-	347,886	347,886	283,774	(64,112)	282,668
Adult education	-	16,000	16,000	6,857	(9,143)	13,546
Community services	-	1,665,397	1,665,397	1,820,045	154,648	1,788,101
Insurance reimbursements	-	22,000	22,000	25,436	3,436	39,620
Public Violations	-	56,700	56,700	64,539	7,839	67,212
Special duty police/fire	-	82,500	82,500	121,708	39,208	84,168
Inspection/review fees	-	57,100	57,100	130,849	73,749	170,082
Rescue donations	-	747,500	747,500	747,500	-	687,800
Rental income	-	46,947	46,947	46,947	-	45,700
Sale of Town-owned property	-	131,192	131,192	97,351	(33,841)	174,652
Salary reimbursement	-	687,786	687,786	745,513	57,727	749,383
Vehicle fuel reimbursement	-	586,641	586,641	510,190	(76,451)	535,667
Vehicle maintenance reimbursement	-	355,314	355,314	454,195	98,881	402,164
Lease revenue	-	-	-	365,033	365,033	-
Miscellaneous	-	46,850	46,850	101,729	54,879	347,792
Total unclassified	-	4,849,813	4,849,813	5,521,666	671,853	5,388,555
Total revenues	-	66,966,474	66,966,474	67,722,619	756,145	63,870,627

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

		2013				
	2012 carryforward	Budget	Total available	Actual	Variance positive (negative)	2012 Actual
Expenditures						
Current						
General government						
Town Council	\$ -	11,573	11,573	10,050	1,523	11,711
Administration	-	234,869	234,869	236,383	(1,514)	254,019
Town Clerk	-	167,238	167,238	158,018	9,220	150,410
Human resources	6,670	260,312	266,982	233,443	33,539	236,257
Personnel benefits	1,600	146,365	147,965	318,400	(170,435)	175,267
Finance	3,737	328,125	331,862	314,309	17,553	302,493
Purchasing	295	60,934	61,229	57,731	3,498	55,881
Taxation/Treasury	556	352,387	352,943	345,220	7,723	342,257
Assessing	-	246,605	246,605	238,076	8,529	236,727
Management information systems	19,918	790,865	810,783	727,891	82,892	667,041
Planning	14,216	749,749	763,965	745,065	18,900	749,469
Municipal building	46,007	307,099	353,106	284,831	68,275	258,956
General government	-	94,800	94,800	107,191	(12,391)	67,184
Legal	-	80,000	80,000	105,963	(25,963)	111,728
Risk management	-	608,000	608,000	546,429	61,571	607,922
Public information	-	3,000	3,000	3,125	(125)	6,510
Engineering	-	48,000	48,000	92,772	(44,772)	97,517
Outside agencies	-	67,000	67,000	67,000	-	70,550
Total general government	92,999	4,556,921	4,649,920	4,591,897	58,023	4,401,899
Public services:						
Library	-	847,425	847,425	847,425	-	797,640
Public health and welfare	-	22,373	22,373	12,838	9,535	9,990
Tax Rebates (Credit Enhancement Agree)	-	643,073	643,073	643,073	-	608,117
Economic Development Corporation	-	177,620	177,620	162,065	15,555	237,130
Community services	9,427	2,162,670	2,172,097	2,265,985	(93,888)	2,188,291
Total public services	9,427	3,853,161	3,862,588	3,931,386	(68,798)	3,841,168
Public safety						
Fire Department	27,534.00	2,315,617	2,343,151	2,248,691	94,460	2,214,269
Emergency Management	4,340.00	33,356	37,696	30,904	6,792	38,178
Emergency Medical Services	7,154.00	1,387,682	1,394,836	1,396,482	(1,646)	1,289,599
Marine resources	6,184	82,262	88,446	77,871	10,575	81,767
Police Department	116,715	4,876,139	4,992,854	4,823,863	168,991	4,618,103
Total public safety	161,927	8,695,056	8,856,983	8,577,811	279,172	8,241,916
Public works						
Public Works Department	75,751	2,561,746	2,637,497	2,609,061	28,436	2,509,356
Vehicle maintenance	-	1,564,991	1,564,991	1,841,568	(276,577)	1,702,312
Water charges	-	191,136	191,136	189,659	1,477	189,095
Street lighting	-	161,200	161,200	134,129	27,071	151,083
Traffic signals	-	108,770	108,770	74,757	34,013	108,124
Cemetery care	-	26,850	26,850	20,463	6,387	25,180
Memorials	-	8,070	8,070	7,951	119	8,979
Shade trees	-	15,000	15,000	7,250	7,750	12,251
Engineering services	-	115,756	115,756	64,975	50,781	86,144
Solid waste program	-	1,723,741	1,723,741	1,731,586	(7,845)	1,806,299
Total public works	75,751	6,477,260	6,553,011	6,681,399	(128,388)	6,598,823
Education						
Regular instruction	-	22,063,898	22,063,898	21,769,140	294,758	20,722,963
Improvement of instruction	-	788,217	788,217	727,632	60,585	741,328
Special services	-	2,822,399	2,822,399	2,736,437	85,962	2,631,615
General & special administration	-	327,857	327,857	330,860	(3,003)	294,445
Board of education	-	39,272	39,272	23,508	15,764	30,582
Office of the superintendent	-	498,868	498,868	503,653	(4,785)	454,633
Business administration	-	1,730,018	1,730,018	1,719,139	10,879	1,707,737
Transportation	-	1,519,501	1,519,501	1,531,004	(11,503)	768,256
Operation and maintenance of plant	-	3,661,373	3,661,373	3,116,574	544,799	2,909,679
Debt service	-	3,919,159	3,919,159	3,653,026	266,133	3,757,737
Total education	-	37,370,562	37,370,562	36,110,973	1,259,589	34,018,975

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

	2013					2012 Actual
	2012 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued.						
Current, continued						
County tax	\$ -	2,075,183	2,075,183	2,075,183	-	1,975,585
Debt service (excluding education).						
Principal	-	2,765,604	2,765,604	3,188,386	(422,782)	3,495,598
Interest and other costs	-	1,966,456	1,966,456	1,754,017	212,439	1,920,960
Total debt service	-	4,732,060	4,732,060	4,942,403	(210,343)	5,416,558
Capital improvements	143,086	1,406,500	1,549,586	1,257,490	292,096	924,372
Total expenditures	483,190	69,166,703	69,649,893	68,168,542	1,481,351	65,419,296
Excess (deficiency) of revenues over (under) expenditures	(483,190)	(2,200,229)	(2,683,419)	(445,923)	2,237,496	(1,548,669)
Other financing sources (uses).						
Transfers in	-	1,379,206	1,379,206	1,015,621	(363,585)	1,723,391
Transfers out	-	(204,818)	(204,818)	(683,335)	(478,517)	(144,986)
General obligation bonds	-	1,020,000	1,020,000	1,020,000	-	589,750
Refunding bond issued	-	-	-	7,065,000	7,065,000	24,605,000
Premium received on refunded bonds	-	-	-	321,961	321,961	2,642,275
Premium received on issued bonds	-	-	-	115,100	115,100	355,819
Payment to refunding bond escrow agent	-	-	-	(7,347,335)	(7,347,335)	(27,124,969)
Overlay	-	(362,107)	(362,107)	-	362,107	-
Total other financing sources (uses)	-	1,832,281	1,832,281	1,507,012	(325,269)	2,646,280
Net change in fund balances - budgetary basis	(483,190)	(367,948)	(851,138)	1,061,089	1,912,227	1,097,610
Utilization of prior year surplus and carrying balances	483,190	367,948	851,138	-	(851,138)	-
Total Utilization of Fund Balance and Carry forwards	-	-	-	1,061,089	1,061,089	1,097,610
Reconciliation to GAAP basis						
Current portion of accrued compensated absences				(57,476)		(32,852)
Fund balances, beginning of year				8,054,033		6,989,275
Fund balances, end of year				9,057,646		8,054,033

OTHER GOVERNMENTAL FUNDS

[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 222,410	115,846	-	338,256
Investments	4,867,203	2,283,397	212,975	7,363,575
Intergovernmental receivable	291,751	-	-	291,751
Accounts receivable	94,443	7,500	-	101,943
Interfund loans	9,318	407,505	3,430	420,253
Inventory	21,074	-	-	21,074
Notes receivable	-	-	-	-
Total assets	\$ 5,506,199	2,814,248	216,405	8,536,852
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	499,750	369,244	-	868,994
Interfund loans	235,719	445,746	14	681,479
Total liabilities	735,469	814,990	14	1,550,473
Fund balances (deficit):				
Nonspendable trust principal	-	-	132,358	132,358
Nonspendable inventory	26,947	-	-	26,947
Restricted for Town	370,880	1,907,108	84,033	2,362,021
Restricted for Education	91,878	400,300	-	492,178
Committed for Town	4,362,653	-	-	4,362,653
Committed for Education	-	-	-	-
Unassigned for Town	(81,628)	(308,150)	-	(389,778)
Total fund balances (deficit)	4,770,730	1,999,258	216,391	6,986,379
Total liabilities and fund balances	\$ 5,506,199	2,814,248	216,405	8,536,852

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,553,510	7,500	-	1,561,010
Contributions	34,591	-	-	34,591
Taxes		75,000		75,000
Assessments and impact fees	1,898,858	-	-	1,898,858
Sale of lots	-	-	3,430	3,430
Other revenue	1,374,353	50,700	-	1,425,053
Interest revenue	3,312	11,949	77	15,338
Total revenues	4,864,624	145,149	3,507	5,013,280
Expenditures:				
Current:				
Capital expenditures	617,160	2,104,765	-	2,721,925
Education	2,321,582	-	-	2,321,582
Other	1,817,469	-	14	1,817,483
Total expenditures	4,756,211	2,104,765	14	6,860,990
Excess of revenues over (under) expenditures	108,413	(1,959,616)	3,493	(1,847,710)
Other financing sources (uses):				
Transfers in	255,537	514,225	-	769,762
Transfers out	(291,606)	(185,476)	-	(477,082)
General Obligation Bonds	-	2,325,000	-	2,325,000
Total other financing sources (uses)	(36,069)	2,653,749	-	2,617,680
Net change in fund balances	72,344	694,133	3,493	769,970
Fund balances, beginning of year	4,698,386	1,305,125	212,898	6,216,409
Fund balances, end of year	\$ 4,770,730	1,999,258	216,391	6,986,379

NONMAJOR SPECIAL REVENUE FUNDS

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

Special revenue funds are established for the following purposes:

Recreational Development

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

Credit Enhancement Agreements

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

Boat Launch Facility

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

Cemetery Improvement

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

Route 1 Sawyer Road Improvements

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

Prouts Landing Conservation

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Payne Road Improvements

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

Payne Road Impact Fees

To account for fees collected in connection with the Town's road impact ordinance for road and intersection improvements planned for the road system along Payne Road, Route 114, Spring Street and Mussey Road. This ordinance was adopted October 17, 1990.

Other Impact Fees:

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

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

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

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

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

Police Asset Forfeiture

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

Rescue Equipment

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

Fire Department

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Departmental Grants and Programs

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

Pleasant Hill Area Drainage

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

School Categorical Programs

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

School Lunch Program

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

[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013

		Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
ASSETS									
Cash and cash equivalents	\$	-	-	-	-	-	-	-	215,916
Investments		-	43,055	-	800	65,955	24,603	69,973	2,080,926
Intergovernmental receivable		-	-	-	-	-	-	-	-
Due from State of Maine		-	-	-	-	-	-	-	-
Accounts receivable		-	40,402	-	-	-	-	-	-
Interfund loans receivable		-	9,168	-	-	-	-	-	-
Inventory		-	-	-	-	-	-	-	-
Notes receivable		-	-	-	-	-	-	-	-
Total assets	\$	-	92,625	-	800	65,955	24,603	69,973	2,296,842
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		-	49,570	-	-	-	-	-	215,916
Interfund loans payable		17,869	-	36,812	800	-	-	-	-
Total liabilities		17,869	49,570	36,812	800	-	-	-	215,916
Fund balances:									
Nonspendable		-	-	-	-	-	-	-	-
Restricted		-	43,055	-	-	65,955	-	-	-
Committed		-	-	-	-	-	24,603	69,973	2,080,926
Unassigned		(17,869)	-	(36,812)	-	-	-	-	-
Total fund balances (deficit)		(17,869)	43,055	(36,812)	-	65,955	24,603	69,973	2,080,926
Total liabilities and fund balances	\$	-	92,625	-	800	65,955	24,603	69,973	2,296,842

Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
-	-	-	-	6,494	-	-	222,410
870,216	182,728	205,589	25,416	1,297,942	-	-	4,867,203
-	-	-	-	-	244,228	47,523	291,751
-	-	14,028	-	40,013	-	-	94,443
-	-	-	150	-	-	-	9,318
-	-	-	-	-	-	21,074	21,074
-	-	-	-	-	-	-	-
870,216	182,728	219,617	25,566	1,344,449	244,228	68,597	5,506,199
-	-	-	-	13,317	152,350	68,597	499,750
-	1,380	42,543	-	136,315	-	-	235,719
-	1,380	42,543	-	149,632	152,350	68,597	735,469
-	193,841	-	22,601	45,428	91,878	26,947	26,947
870,216	(12,493)	177,074	2,965	1,149,389	-	-	4,362,653
						(26,947)	(81,628)
870,216	181,348	177,074	25,566	1,194,817	91,878	-	4,770,730
870,216	182,728	219,617	25,566	1,344,449	244,228	68,597	5,506,199

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2013

	Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Cemetery Improve- ment	Rte 1 Sawyer Road Improve	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
Revenues:								
Intergovernmental	\$ -	-	-	-	-	-	-	-
Interest earned	-	208	-	-	49	16	46	1,358
Contributions	-	-	3,758	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	20,927
Assessments and impact fees	8,095	539,464	-	-	-	-	-	-
Total revenues	8,095	539,672	3,758	-	49	16	46	22,285
Expenditures:								
Construction and acquisitions	-	-	880	800	18,859	-	-	-
Education	-	-	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	-	-
Other	-	539,464	-	-	-	-	-	-
Total expenditures	-	539,464	880	800	18,859	-	-	-
Excess (deficiency) of revenues over (under) expenditures	8,095	208	2,878	(800)	(18,810)	16	46	22,285
Other financing sources (uses):								
Transfers in	17,869	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	17,869	-	-	-	-	-	-	-
Net change in fund balances	25,964	208	2,878	(800)	(18,810)	16	46	22,285
Fund balances (deficit), beginning of year	(43,833)	42,847	(39,690)	800	84,765	24,587	69,927	2,058,641
Fund balances (deficit), end of year	\$ (17,869)	43,055	(36,812)	-	65,955	24,603	69,973	2,080,926

	Other Impact Fees	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
Revenues:									
Intergovernmental	-	29,922	-	-	-	321,619	927,669	274,300	1,553,510
Interest earned	514	177	-	103	15	826	-	-	3,312
Contributions	-	-	-	-	2,950	-	27,883	-	34,591
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-	-
Other	323,768	-	-	-	-	129,204	-	900,454	1,374,353
Assessments and impact fees	-	-	-	1,351,299	-	-	-	-	1,898,858
Total revenues	324,282	30,099	-	1,351,402	2,965	451,649	955,552	1,174,754	4,864,624
Expenditures:									
Construction and acquisitions	8,875	2,592	-	-	-	585,154	-	-	617,160
Education	-	-	-	-	-	-	962,303	1,359,279	2,321,582
Benefits paid	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,278,005	-	-	-	-	1,817,469
Total expenditures	8,875	2,592	-	1,278,005	-	585,154	962,303	1,359,279	4,756,211
Excess (deficiency) of revenues over (under) expenditures	315,407	27,507	-	73,397	2,965	(133,505)	(6,751)	(184,525)	108,413
Other financing sources (uses):									
Transfers in	-	-	-	-	-	53,143	-	184,525	255,537
Bond Proceeds	-	-	-	-	-	-	-	-	-
Transfers out	(154,790)	(40,000)	-	(96,808)	-	(8)	-	-	(291,606)
Total other financing sources (uses)	(154,790)	(40,000)	-	(96,808)	-	53,135	-	184,525	(36,069)
Net change in fund balances	160,617	(12,493)	-	(23,411)	2,965	(80,370)	(6,751)	-	72,344
Fund balances (deficit), beginning of year	709,599	193,841	-	200,485	22,601	1,275,187	98,629	-	4,698,386
Fund balances (deficit), end of year	870,216	181,348	-	177,074	25,566	1,194,817	91,878	-	4,770,730

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, 2013

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ 29	161,827	-	161,827	29
NCLB/Title IIA	-	54,195	-	54,195	-
Title III	-	-	-	-	-
NCLB/Title VA	1	-	-	-	1
Local Entitlement	(4)	709,098	-	709,098	(4)
ARRA Local Entitlement	(1)	-	-	-	(1)
Preschool handicapped	-	2,550	-	2,550	-
Education Jobs Fund	-	-	-	-	-
Scarborough Education Foundation	8,604	27,883	-	24,634	11,853
Finberg Trust	90,000	-	-	10,000	80,000
Total federal education grant programs	98,629	955,553	-	962,304	91,878
Other State grant programs:					
Professional Development Grant	-	-	-	-	-
Total other state grant programs	-	-	-	-	-
Total school categorical programs	\$ 98,629	955,553	-	962,304	91,878

[This page left intentionally blank.]

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 Municipal Improvements

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

Municipal Building Fund

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

[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Fund
Balance Sheet
June 30, 2013

		General School Improvements	General Town Improvements	Municipal Building Fund	Totals
ASSETS					
Cash and cash equivalents	\$	115,846	-		115,846
Investments		342,065	1,941,332		2,283,397
Accounts Receivable		-	7,500		7,500
Interfund loans receivable		-	407,505	-	407,505
Total assets	\$	457,911	2,356,337	-	2,814,248
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable		57,611	311,633	-	369,244
Interfund loans payable		-	137,596	308,150	445,746
Total liabilities		57,611	449,229	308,150	814,990
Fund balance (deficit):					
Restricted		400,300	1,907,108		2,307,408
Unassigned		-	-	(308,150)	(308,150)
Total fund balance (deficit)		400,300	1,907,108	(308,150)	1,999,258
Total liabilities and fund balance	\$	457,911	2,356,337	-	2,814,248

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2013

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
Revenues:				
Intergovernmental	\$ -	7,500	-	7,500
Taxes	75,000	-	-	75,000
Interest earned	4,174	7,775	-	11,949
Other	-	50,700	-	50,700
Total revenues	79,174	65,975	-	145,149
Expenditures:				
Capital Improvements	719,173	1,385,592	-	2,104,765
Total expenditures	719,173	1,385,592	-	2,104,765
Excess (deficiency) of revenues over (under) expenditures	(639,999)	(1,319,617)	-	(1,959,616)
Other financing sources (uses):				
Transfers in	11,500	407,505	95,220	514,225
Transfers out	(17,456)	(142,307)	(25,713)	(185,476)
Proceeds of general obligation bonds	872,250	1,452,750	-	2,325,000
Total other financing sources (uses)	866,294	1,717,948	69,507	2,653,749
Net change in fund balances	226,295	398,331	69,507	694,133
Fund balances (deficit), beginning of year	174,005	1,508,777	(377,657)	1,305,125
Fund balances (deficit), end of year	\$ 400,300	1,907,108	(308,150)	1,999,258

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.

[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2013

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 185,263	24,839	2,873	212,975
Interfund loans receivable	3,430	-	-	3,430
Total assets	\$ 188,693	24,839	2,873	216,405
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	14	-	14
Total liabilities	-	14	-	14
Fund balances:				
Nonspendable Principal	118,491	13,367	500	132,358
Restricted Expendable Income	70,202	11,458	2,373	84,033
Total fund balances	188,693	24,825	2,873	216,391
Total liabilities and fund balances	\$ 188,693	24,839	2,873	216,405

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2013

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 63	14	-	77
Sale of lots/perpetual care deposits	3,430	-	-	3,430
Total revenues	3,493	14	-	3,507
Expenditures:				
Earnings retained by General Fund	-	14	-	14
Other	-	-	-	-
Total expenditures	-	14	-	14
Net change in fund balances	3,493	-	-	3,493
Fund balances, beginning of year	185,200	24,825	2,873	212,898
Fund balances, end of year	\$ 188,693	24,825	2,873	216,391

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, 2013

	Shirley Grover Fund	Mary Campbell Peterson Fund	Edith Warga Ari Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 989	94,938	104,534	178	12	1,079	18,952	308	2,539	11,547	1,214	2,920	239,210
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 989	94,938	104,534	178	12	1,079	18,952	308	2,539	11,547	1,214	2,920	239,210
LIABILITIES AND NET ASSETS													
Liabilities													
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets													
Nonspendable Principal	1,240	87,680	100,000	-	-	-	-	500	2,026	3,500	-	3,810	198,756
Restricted Interest	(251)	7,258	4,534	178	12	1,079	18,952	(192)	513	8,047	1,214	(890)	40,454
Total position assets	989	94,938	104,534	178	12	1,079	18,952	308	2,539	11,547	1,214	2,920	239,210
Total liabilities and net position	\$ 989	94,938	104,534	178	12	1,079	18,952	308	2,539	11,547	1,214	2,920	239,210

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2013

	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-Lory Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions													
Donations	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	1	52	54	1	-	-	13	-	1	-	-	1	121
Total additions	1	52	54	1	-	-	13	-	1	-	-	1	121
Deductions:													
School scholarships	200	2,000	2,500	800	-	-	750	-	150	-	-	-	6,400
Total deductions	200	2,000	2,500	800	-	-	750	-	150	-	-	-	6,400
Changes in net assets	(199)	(1,948)	(2,446)	(799)	-	-	(737)	-	(149)	-	-	1	(6,277)
Net position, beginning of year	1,188	96,886	106,980	977	12	1,079	19,689	308	2,688	11,547	1,214	2,919	245,487
Net position, end of year	\$ 989	94,938	104,534	178	12	1,079	18,952	308	2,539	11,547	1,214	2,920	239,210

TOWN OF SCARBOROUGH, MAINE
Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2013

		Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
STUDENT ACTIVITIES:					
ASSETS					
Cash	\$	217,024	423,895	456,270	184,649
LIABILITIES					
Payable to student groups	\$	217,024	423,895	456,270	184,649

[This page left intentionally blank.]

GENERAL LONG-TERM DEBT

WENTWORTH SCHOOL CONSTRUCTION


[This page left intentionally blank.]

TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2013

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
<u>General Obligation Bonds</u>								
1993 Capital Improvements	5.70%	2013	\$	25,000 to 2013	25,000		25,000	-
1994 Capital Improvements	6.20%	2015		230,000 to 2015	690,000		230,000	460,000
1995 Capital Improvements	5.00%	2016		265,000 to 2016	1,060,000		265,000	795,000
1997 Capital Improvements	5.55%	2017		110,000 to 2017	550,000		110,000	440,000
2004 Capital Improvements	3.25%	2034		0 to 2014				
	3.50%			215,000 in 2015				
	3.50%			225,000 in 2016				
	varies			0 to 2026				
	4.30%			365,000 in 2027				
	4.375%			385,000 in 2028				
	4.40%			400,000 in 2029				
	4.40%			420,000 in 2030				
	4.40%			440,000 in 2031				
	4.40%			460,000 in 2032				
	4.40%			480,000 in 2033				
	4.40%			500,000 in 2034	3,890,000	-	-	
	Partial Refunded						3,675,000	215,000
2005 Capital Improvements	3.75%			395,000 in 2013				
	4.00%			305,000 in 2014				
	4.00%			315,000 in 2015				
	4.00%			250,000 in 2016				
	4.00%			230,000 in 2017				
	varies			0 to 2025				
	4.50%			325,000 in 2026				
	4.50%			340,000 in 2027				
	4.50%			355,000 in 2028				
	4.60%			370,000 in 2029				
	4.60%			385,000 in 2030				
	5.00%			0 to 2033				
	5.00%			460,000 in 2034				
	5.00%			480,000 in 2035	4,210,000	-	395,000	
	Partially Refunded						2,945,000	870,000
2006 Capital Improvements	4.00%	2021		510,000 in 2013				
	4.00%			515,000 in 2014				
	4.00%			530,000 in 2015				
	4.00%			505,000 in 2016				
	4.00%			185,000 in 2017				
	4.00%			190,000 in 2018				
	4.00%			195,000 in 2019				
	4.05%			210,000 in 2020				
	4.10%			220,000 in 2021	3,060,000	-	510,000	2,550,000
2007 Capital Improvements	4.00%	2023		225,000 to 2017				
	4.00%			25,000 to 2022	1,250,000	-	225,000	1,025,000
2008 Capital Improvements	3.125%	2028		790,000 to 2013				
	3.25%			595,000 in 2014				
	3.25%			580,000 in 2015				
	3.25%			570,000 to 2017				
	3.35%			575,000 in 2018				
	Varies			185,000 to 2028	5,530,000	-	790,000	4,740,000

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

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
<u>General Obligation Bonds</u>								
2009 Capital Improvements	2.00%	2029	\$	400,000 to 2015	3,455,000	-	400,000	3,055,000
	2.25%			315,000 to 2016				
	Varies			310,000 to 2019				
	3.00%			110,000 in 2020				
	Varies			100,000 to 2029				
2009 Bond Refunding	2.00%	2020		185,000 to 2019	1,410,000	-	185,000	1,225,000
	3.00%		115,000 in 2020					
2010 Capital Improvements	2.00%	2031		485,000 in 2013	5,520,000	-	485,000	5,035,000
	Varies		470,000 to 2016					
	Varies		345,000 to 2021					
	Varies		280,000 to 2026					
2011 Capital Improvements	4.00%	2031		100,000 to 2031	5,055,000	-	540,000	4,515,000
	2.00%		540,000 to 2015					
			525,000 in 2016					
			360,000 to 2018					
			355,000 to 2021					
2012 Capital Improvements	2.00%	2042		115,000 to 2026				
				110,000 to 2031				
				975,000 in 2013				
				615,000 in 2014				
				575,000 in 2015				
				1,065,000 in 2016				
				1,690,000 in 2017				
				2,400,000 in 2018				
				2,825,000 in 2019				
				3,210,000 in 2020				
				3,475,000 in 2021				
				3,685,000 in 2022				
				3,520,000 in 2023				
				2,170,000 in 2024				
				1,870,000 in 2025				
				1,585,000 in 2026				
				1,335,000 in 2027				
				1,310,000 in 2028				
				1,330,000 in 2029				
				1,355,000 in 2030				
2013 Capital Improvements	1.00%	2043		1,775,000 in 2031	46,545,000.00	-	975,000	45,570,000
				1,815,000 in 2032				
				1,800,000 in 2033				
				685,000 to 2042				
				335,000 in 2014				
				350,000 in 2015				
				575,000 in 2016				
				1,145,000 in 2017				
				915,000 in 2018				
				765,000 to 2023				
				715,000 in 2024				
				720,000 in 2025				
				1,045,000 in 2026				
				1,430,000 in 2027				
				1,465,000 in 2028				
	1,405,000 in 2029							
	1,435,000 in 2030							
	1,065,000 in 2031							
	1,075,000 in 2032							
	1,090,000 in 2033							
	1,525,000 in 2034							
	1,045,000 in 2035							
			565,000 to 2043	-	25,685,000	-	25,685,000	
Total bonds					82,250,000	25,685,000	11,755,000	96,180,000
Total long-term debt			\$		82,250,000	25,685,000	11,755,000	96,180,000

An aerial photograph of a large, single-story commercial building with a light-colored, gabled roof. The building has several large windows and a prominent entrance on the right side. A large, dark asphalt parking lot is situated in front of the building, containing several parked vehicles, including a white truck, a black SUV, and a white car. The building is surrounded by lush green trees and grass. The text "HORIZON SOLUTIONS" is visible in the top left corner, and "STATISTICAL SECTION" is written in large white letters at the bottom.

HORIZON SOLUTIONS

STATISTICAL SECTION

[This page left intentionally blank.]

STATISTICAL SECTION

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

Contents

Table

Financial Trends

1-5

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

Revenue Capacity

6-11

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

Debt Capacity

12-14A

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

Demographic and Economic Information

15-17

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

Operating Information

18-21

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

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

[This page left intentionally blank.]

Table 1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 6,689,000	\$ 29,885,241	\$ 36,322,875	\$ 44,077,001	\$ 35,652,357	\$ 41,821,008	\$ 47,588,145	\$ 53,031,962	\$ 54,339,258	\$ 49,823,697
Restricted	19,332,000	7,631,314	4,210,087	3,053,818	5,111,460	1,289,495	2,199,233	1,642,063	1,111,295	3,555,142
Unrestricted	9,709,000	9,872,020	13,952,097	8,971,362	5,178,473	5,441,922	2,916,603	(702,917)	2,127,242	6,347,111
Total governmental activities net position	\$ 35,730,000	\$ 47,388,575	\$ 54,485,059	\$ 56,102,181	\$ 45,942,290	\$ 48,552,425	\$ 52,703,981	\$ 53,971,108	\$ 57,577,795	\$ 59,725,950

Table 2

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Program revenues:										
Charges for services										
General government	\$ 1,554	\$ 1,727	\$ 2,314	\$ 1,632	\$ 1,621	\$ 1,178	\$ 1,986	\$ 1,852	\$ 1,387	\$ 1,525
Public services	1,297	1,386	1,425	1,506	1,590	1,585	1,720	1,681	1,792	2,364
Public safety	677	1,490	1,374	1,667	1,649	1,761	1,630	1,632	2,070	2,449
Public works	491	605	655	1,755	2,024	1,515	1,665	1,543	1,843	1,405
Education	1,344	1,280	1,256	1,198	1,211	1,195	1,217	1,253	1,248	1,191
Interest on debt services	-	-	-	-	-	-	-	-	-	-
Operating grants and activities	8,744	9,297	10,706	11,403	12,374	15,487	12,270	11,719	11,093	9,913
Capital grants and contributions	-	-	4,681	(559)	113	112	122	170	175	97
General revenues:										
Property and excise taxes, levies for general purposes	37,182	40,075	41,406	42,772	44,691	46,621	47,029	49,051	50,571	54,442
Grants and contributions not restricted to specific programs	2,096	1,952	2,062	1,931	3,835	339	1,947	1,905	2,473	2,656
Unrestricted investment earnings	105	159	261	404	344	137	142	42	66	43
Total revenues	53,490	57,971	66,140	63,709	69,452	69,930	69,728	70,848	72,718	76,085
Expenses:										
General government	8,622	9,996	8,783	12,641	12,740	11,409	10,656	12,023	11,537	11,414
Public services	2,597	2,658	2,871	3,092	3,133	3,742	3,832	5,042	3,868	3,852
Public safety	6,127	6,153	6,552	7,080	7,425	7,813	8,266	7,331	8,692	8,555
Public works	5,266	5,882	6,276	6,425	7,494	7,156	9,480	7,246	7,805	7,874
Education	25,442	28,695	33,491	31,531	32,951	34,363	34,546	35,275	34,346	39,167
Interest on debt service	2,610	1,168	1,069	1,142	2,737	2,827	2,694	2,664	2,863	3,075
Total expenses	50,664	54,552	59,042	61,911	66,480	67,310	69,474	69,581	69,111	73,937
Net (expense)/revenue:	2,826	3,419	7,098	1,798	2,972	2,620	254	1,267	3,607	2,148
Change in Net Position	\$ 2,826	\$ 3,419	\$ 7,098	\$ 1,798	\$ 2,972	\$ 2,620	\$ 254	\$ 1,267	\$ 3,607	\$ 2,148

Table 3

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

	2004	2005	2006	2007	2008*	2009	2010 ¹	2011 ²	2012	2013
General Fund										
Reserved	\$ 710	\$ 697	\$ 771	\$ 674	\$ 618	\$ 630	\$ -	\$ -	\$ -	\$ -
Nonspendable Inventory								34		34
Restricted for Town							2,482	2,685	2,993	3,861
Restricted for Education							1,056	496	440	977
Committed - General Fund							634	630 ³	688 ³	374
Committed - Education							-	-	-	-
Assigned - General Fund							1,469	2,223	1,606	1,825
Assigned - Education								-	200	200
Unassigned - General Fund							2,231	955	2,093	1,787
Unreserved	5,919	7,063	7,455	8,019	8,357	8,174	-	-		
Total general fund	\$ 6,629	\$ 7,760	\$ 8,226	\$ 8,693	\$ 8,975	\$ 8,804	\$ 7,872	\$ 6,989	\$ 8,054	\$ 9,058
All Other Governmental Funds										
Nonspendable Permanent Fund Principal							125	126	129	132
Nonspendable Inventory							26	21	27	27
Restricted Special Revenues							1,621	852	473	463
Restricted Capital Projects							2,483	1,941	20,027	22,904
Restricted Permanent Fund Interest							84	84	84	84
Committed - Special Revenues							4,820	4,292	4,309	4,362
Unassigned - Special Revenues							(129)	(115)	(262)	(683)
Unassigned - Capital Projects							(493)	(434)	(378)	(308)
Reserved	123	117	125	127	3,047	3,062	-	-		
Unreserved, reported in:										
Special revenue funds	5,011	4,403	8,180	7,523	4,589	5,039	-			
Capital projects funds	18,611	6,963	4,085	2,926	4,912	1,084	-	-		
Permanent funds	69	70	73	78						
Total all other governmental funds	\$ 23,814	\$ 11,553	\$ 12,463	\$ 10,654	\$ 12,548	\$ 9,185	\$ 8,537	\$ 6,767	\$ 24,409	\$ 26,981
Total Governmental Funds Fund Balances:							\$ 16,409	\$ 13,756	\$ 32,463	\$ 36,039

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

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

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

Table 4

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 37,191	\$ 40,066	\$ 41,377	\$ 42,712	\$ 44,581	\$ 46,401	\$ 46,880	\$ 48,957	\$ 50,428	\$ 54,393
Licenses and permits	480	567	611	753	818	482	573	480	494	554
Intergovernmental	10,823	11,219	12,604	13,204	14,042	17,357	14,106	13,701	13,136	12,024
Interest earned	348	442	644	805	684	324	242	125	153	178
Other	4,648	5,677	10,921	6,247	9,288	7,545	7,849	7,549	8,420	8,883
Total revenues	53,490	57,971	66,157	63,721	69,413	72,109	69,650	70,812	72,631	76,032
Expenditures										
General government	3,568	3,727	4,340	4,401	4,483	4,615	4,742	6,144	4,403	4,957
Public services	2,572	2,643	2,849	3,070	3,103	4,033	3,766	4,831	3,841	3,931
Public safety	5,934	5,962	6,180	6,642	6,986	7,735	7,355	7,318	8,242	8,578
Public works	4,877	5,370	5,702	5,846	6,765	6,532	8,027	5,353	4,598	7,398
Education (Excludes School Debt)	25,009	26,647	28,064	29,194	31,695	33,105	33,127	33,364	33,220	37,295
Education Debt (Prin & Int)	3,853	4,272	4,728	4,458	4,419	4,475	4,174	4,142	3,758	3,653
County tax	1,442	1,520	1,584	1,615	1,735	1,837	1,886	1,923	1,976	2,075
Debt service (Principal-Town Only (1))	3,918	3,176	2,957	3,219	3,232	3,204	3,044	2,961	5,417	4,942
Debt service (Interest-Town Only)	1,128	1,128	1,108	1,177	1,488	1,867	1,911	1,810	1,151	1,109
Capital Outlay	15,820	23,374	11,467	7,999	9,305	10,196	5,167	6,037	6,347	16,988
Other	2,003	2,323	2,816	2,641	3,188	3,415	4,085	4,014	4,948	1,817
Total expenditures	70,124	80,142	71,795	70,262	76,399	81,014	77,284	77,897	77,901	92,743
Excess (deficiency) of revenues over (under) expenditures	(16,634)	(22,171)	(5,638)	(6,541)	(6,986)	(8,905)	(7,634)	(7,085)	(5,270)	(16,711)
Other financing sources (uses)										
Transfers in	2,115	2,923	2,780	2,794	3,695	3,453	1,982	1,477	2,061	1,845
Transfers out	(2,115)	(2,923)	(2,780)	(2,794)	(3,695)	(3,453)	(1,982)	(1,477)	(2,061)	(1,845)
Capital Lease proceeds	-	-	-	1,200	1,010	820	52	-	-	365
Refunding bond issued	-	-	-	-	-	-	-	1,155	24,605	7,065
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	(1,155)	(27,125)	(7,347)
Premium paid on refunded debt	-	-	-	-	-	-	-	(12)	2,642	322
Premium paid on issued debt	-	-	-	-	-	-	-	-	1,913	1,263
General obligation bonds and capital leases	14,628	10,665	7,014	4,000	8,513	4,560	6,002	4,445	21,940	18,620
Total other financing sources (uses)	14,628	10,665	7,014	5,200	9,523	5,380	6,054	4,433	23,975	20,288
Net change in fund balances	\$ (2,006)	\$ (11,506)	\$ 1,376	(1,341)	2,537	(3,525)	(1,580)	(2,652)	18,705	3,577
Debt Service as a percentage of non-capital expenditures	9.29%	7.58%	6.74%	7.06%	7.03%	7.16%	6.87%	6.64%	9.18%	7.99%

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	Other	Capital expenditures	Total
2004	3,568	2,572	5,934	4,877	26,281	1,442	5,046	-	653	50,373
2005	3,727	2,643	5,962	5,370	28,288	1,520	4,304	-	1,120	52,934
2006	4,340	2,849	6,180	5,702	30,348	1,584	4,065	280	835	56,183
2007	4,401	3,070	6,642	5,846	31,101	1,615	4,396	-	1,419	58,490
2008	4,483	3,103	6,986	6,765	32,865	1,735	4,721	-	2,666	63,324
2009	4,533	3,704	7,399	6,259	34,246	1,837	5,070	-	1,358	64,406
2010	4,702	3,731	7,721	6,224	34,085	1,886	4,956	-	1,210	64,515
2011	4,677	3,788	7,967	6,040	34,588	1,923	4,783	-	833	64,599
2012	4,402	3,841	8,242	6,599	34,019	1,976	5,416	-	924	65,419
2013	4,592	3,931	8,578	6,682	36,111	2,075	4,942	-	1,257	68,168

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
2004	32,861,926	72,420	4,143,239	26,977	125,453	37,230,015
2005	35,548,830	57,852	4,227,608	26,322	143,224	40,003,836
2006	36,682,277	61,243	4,409,955	28,379	144,809	41,326,663
2007	38,021,985	79,599	4,415,817	26,754	155,998	42,700,153
2008	40,038,475	90,105	4,291,697	26,723	172,545	44,619,545
2009	41,999,340	99,053	4,099,738	27,079	175,980	46,401,190
2010	42,661,026	96,988	3,909,332	27,818	184,756	46,879,920
2011	44,662,371	103,811	3,955,357	26,095	195,247	48,942,881
2012	46,132,181	87,811	3,965,932	29,331	198,132	50,413,387
2013	49,774,317	93,691	4,222,208	32,945	194,771	54,317,932

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		
2004	1,903,869,500	99,117,700	2,002,987,200	2,002,987,200	16.46	100%
2005	1,951,952,400	105,636,600	2,057,589,000	2,057,589,000	17.34	100%
2006	3,143,853,300	112,988,600	3,256,841,900	3,256,841,900	11.30	100%
2007	3,207,720,100	109,777,700	3,317,497,800	3,317,497,800	11.48	100%
2008	3,272,788,500	124,441,700	3,397,230,200	3,397,230,200	11.80	100%
2009	3,365,226,600	121,778,900	3,487,005,500	3,487,005,500	12.15	100%
2010	3,399,998,300	124,773,300	3,524,771,600	3,524,771,600	12.15	100%
2011	3,433,857,700	122,694,200	3,556,551,900	3,556,551,900	12.63	100%
2012	3,455,067,200	116,129,100	3,571,196,300	3,571,196,300	13.03	100%
2013	3,511,580,900	120,094,400	3,631,675,300	3,631,675,300	13.80	100%

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
2004	5.633	10.522	0.720	0.377	0.060	(0.853)	16.46
2005	5.645	11.332	0.739	0.387	0.036	(0.798)	17.34
2006	3.682	7.366	0.486	0.181	0.113	(0.529)	11.30
2007	3.912	7.392	0.487	0.192	0.031	(0.533)	11.48
2008	3.915	7.643	0.511	0.206	0.029	(0.504)	11.80
2009	4.096	7.754	0.527	0.245	0.021	(0.492)	12.15
2010	4.240	7.595	0.535	0.186	0.078	(0.483)	12.15
2011	4.353	7.894	0.541	0.203	0.028	(0.390)	12.63
2012	4.432	8.166	0.553	0.211	0.059	(0.391)	13.03
2013	4.452	8.849	0.571	0.220	0.100	(0.392)	13.80

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)

2004				2013			
<u>Taxpayer</u>	Taxable Assessed		Percentage of Total Taxable Assessed	<u>Taxpayer</u>	Taxable Assessed		Percentage of Total Taxable Assessed
	<u>Value</u>	<u>Rank</u>			<u>Value</u>	<u>Rank</u>	
Maine Life Care	\$ 46,308,800	1	2.31%	Maine Life Care Retirement	\$ 63,051,800	1	1.74%
Hannaford Brothers	27,443,700	2	1.37%	Wal-Mart	40,228,700	2	1.11%
Wal-Mart	20,896,700	3	1.04%	New England Expedition	35,132,100	3	0.97%
Gavin Ruotolo	10,744,400	4	0.54%	MMC Realty Maine Health	28,611,300	4	0.79%
Maine Historic Hotels	9,863,000	5	0.49%	Hannaford Brothers	24,587,200	5	0.68%
ERP Operating L.P.	8,886,400	6	0.44%	Scarborough Gallery	22,757,000	6	0.63%
Central Maine Power	8,430,700	7	0.42%	Gavin Ruotolo	18,751,700	7	0.52%
Shaw's Supermarket	7,561,800	8	0.38%	Central Maine Power	14,606,400	8	0.40%
Darvic Marine Corp	7,144,400	9	0.36%	Shaw's Supermarket	13,897,200	9	0.38%
CNL Hospitality partners	6,746,500	10	0.34%	RRE Foxcroft/Coach Lantern	13,253,400	10	0.36%
Total Principal Taxpayers	<u>154,026,400</u>		<u>7.69%</u>		<u>274,876,800</u>		<u>7.57%</u>
Total Assessed Value:	\$ <u>2,002,987,200</u>				\$ <u>3,631,675,300</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
2004	32,969,170	32,747,993	99.3%	220,353	32,968,346	100.0%
2005	35,735,569	35,422,791	99.1%	311,478	35,734,269	100.0%
2006	36,824,648	36,527,411	99.2%	294,720	36,822,131	100.0%
2007	38,139,961	37,852,666	99.2%	280,263	38,132,929	100.0%
2008	40,183,201	39,784,997	99.0%	377,221	40,162,218	99.9%
2009	42,397,708	41,890,825	98.8%	484,530	42,375,355	99.9%
2010	42,877,989	42,370,914	98.8%	485,464	42,856,378	99.9%
2011	44,928,747	44,325,013	98.7%	577,500	44,902,513	99.9%
2012	46,684,211	46,102,831	98.8%	369,217	46,472,048	99.5%
2013	50,125,493	49,483,773	98.7%	-	49,483,773	98.7%

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
2004	1,903,869,500	99,117,700	2,002,987,200	16.46	32,969,170
2005	1,951,952,400	105,636,600	2,057,589,000	17.34	35,735,569
2006	3,143,853,300	112,988,600	3,256,841,900	11.30	36,824,648
2007	3,207,720,100	109,777,700	3,317,497,800	11.48	38,139,961
2008	3,272,788,500	124,441,700	3,397,230,200	11.80	40,183,201
2009	3,365,226,600	121,778,900	3,487,005,500	12.15	42,397,708
2010	3,399,998,300	124,773,300	3,524,771,600	12.15	42,877,989
2011	3,433,857,700	122,694,200	3,556,551,900	12.63	44,928,747
2012	3,455,067,200	116,129,100	3,571,196,300	13.03	46,684,211
2013	3,511,580,900	120,094,400	3,631,675,300	13.80	50,125,493

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 Governmental Activities	Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Population*	Percentage of personal income	Debt Per Capita
2004	\$62,952,163		\$ 208,444	\$ 63,160,607	\$ 2,002,987,200	3.14%	16,970	14.09%	\$ 3,710
2005	67,737,433		141,974	67,879,407	2,057,589,000	3.29%	18,812	13.68%	3,601
2006	68,844,000		72,541	68,916,541	3,256,841,900	2.11%	18,812	13.90%	3,660
2007	66,845,000		1,370,408	68,215,408	3,317,497,800	2.01%	18,812	13.50%	3,553
2008	69,328,000		2,025,032	71,353,032	3,397,230,200	2.04%	18,812	13.95%	3,685
2009	67,785,000		2,223,239	70,008,239	3,487,005,500	1.94%	18,812	13.52%	3,603
2010	68,042,000		1,640,531	69,682,531	3,524,771,600	1.93%	19,239	13.44%	3,537
2011	66,767,000		1,105,143	67,872,143	3,556,551,900	1.88%	18,919	9.30%	3,529
2012	82,250,000	\$ 2,428,572	687,335	85,365,907	3,571,196,300	2.30%	18,786	10.80%	4,378
2013	96,180,000	5,715,066	622,334	102,517,400	3,631,675,300	2.65%	18,941	12.41%	5,078

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

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

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

Table 13

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

Fiscal year	Principal	Interest	Total debt service	Total general fund expenditures	Ratio of debt service to general fund expenditures
2004	6,435	2,358	8,793	50,373	17.46%
2005	5,880	2,634	8,514	52,934	16.08%
2006	5,907	2,846	8,753	56,185	15.58%
2007	5,999	2,821	8,820	58,489	15.08%
2008	6,030	2,739	8,769	63,323	13.85%
2009	6,103	2,826	8,929	64,406	13.86%
2010	5,745	2,694	8,439	64,515	13.08%
2011	5,720	2,584	8,304	64,600	12.85%
2012	5,972	2,432	8,404	65,419	12.85%
2013	5,135	2,815	7,950	68,169	11.66%

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 323,745	\$ 380,820	\$ 430,980	\$ 488,370	\$ 529,673	\$ 534,488	\$ 543,068	\$ 534,623	\$ 533,513	\$ 522,375
Total net debt applicable to limit	62,952	67,737	68,844	66,845	69,328	67,785	68,042	66,767	84,679	101,895
Legal debt margin	260,793	313,083	362,136	421,525	460,345	466,703	475,026	467,856	448,834	420,480
Total net debt applicable to the limit as a percentage of debt limit	19.44%	17.79%	15.97%	13.69%	13.09%	12.68%	12.53%	12.49%	15.87%	19.51%

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

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

Table 14A

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Town of Scarborough:										
General Obligation Bonds	62,952	67,738	66,844	66,845	69,328	67,785	68,042	66,767	82,250	96,180
Capital Leases	-	-	-	-	2,025	2,223	1,641	1,105	687	623
Total Direct Debt	62,952	67,738	66,844	66,845	71,353	70,008	69,683	67,872	82,937	96,803
Cumberland County	1,189	1,055	883	685	535	481	327	126	3,352	3,254
Portland Water District	3,148	2,846	2,665	2,557	3,486	4,099	4,210	3,845	3,933	3,483
Total Overlapping Debt	4,337	3,901	3,548	3,242	4,021	4,580	4,537	3,971	7,285	6,737
ecomaine Waste Systems:										
Resource recovery system	4,495	4,062	3,573	3,016	2,393	1,601	792	231	-	-
Material recovery facility	385	352	317	278	231	182	125	120	-	-
Landfill closure/postclosure	1,463	1,581	1,682	1,697	1,956	1,242	1,266	1,302	1,371	1,405
Total Contingent Debt	6,343	5,995	5,572	4,991	4,580	3,025	2,183	1,653	1,371	1,405
Total Direct, Overlapping/Contingent	73,632	77,634	75,964	75,078	79,954	77,613	76,403	73,496	91,593	104,945

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)
2004	16,970	446,667,370	26,321	38.80	3,234	2.90%
2005	18,812	495,150,652	26,321	38.80	3,308	3.00%
2006	18,812	495,150,652	26,321	38.80	3,324	3.00%
2007	18,812	495,150,652	26,321	38.80	3,361	2.90%
2008	18,880	496,940,480	26,321	38.80	3,347	3.30%
2009	19,054	501,520,334	26,321	38.80	3,343	5.60%
2010	19,239	506,389,719	26,321	38.80	3,363	5.40%
2011	18,919	718,146,321	37,959	43.80	3,269	5.40%
2012	18,786	761,359,008	40,528	44.00	3,205	5.00%
2013	18,941	775,103,302	40,922	45.00	3,157	5.00%

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

American Community Survey (ACS) (2008-2012 5-year Estimates)

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

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

(d) State of Maine Department of Labor, Division of Economic Analysis and Research,
unemployment based on June 2012 data

Table 16

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

2004			2013			Percentage of total Town Employment
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees *</u>	<u>Rank</u>	
Town of Scarborough	1,360	1	Town of Scarborough	1,337	1	9.11%
Hannaford Brothers	1,100	2	Hannaford Brothers	1,014	2	6.91%
Wal-Mart	275	3	US Postal Service	589	3	4.01%
Shaw's Supermarket	150	4	Maine Medical Center	389	4	2.65%
Konica Quality Photo	150	5	Wal-Mart	380	5	2.59%
RC Moore Trucking	150	6	Cabela's	314	6	2.14%
Sam's Wholesale Club	125	7	NorDX	207	7	1.41%
Rich Tool & Die Co.	120	8	Piper Shores	207	8	1.41%
Maine Medical Center	108	9	Alere	200	9	1.36%
RTS Packaging	95	10	Sam's Wholesale Club	180	10	1.23%

* Source: Scarborough Economic Development Corporation (SEDCO)

2013 Total Town Employment Estimate: 14,681 (Source: ME Dept of Labor, June 2013 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
2004	3.4%	4.4%	3.1%
2005	3.6%	4.6%	3.1%
2006	3.5%	4.6%	3.2%
2007	3.5%	4.5%	3.0%
2008	4.1%	5.0%	3.5%
2009	6.9%	8.2%	5.9%
2010	6.6%	7.8%	5.6%
2011	6.3%	7.6%	5.7%
2012	5.9%	7.1%	5.1%
2013	5.7%	6.8%	5.0%

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.

NOTE: Numbers in previous years revised to reflect June of each year for consistency.

Table 18

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Govt										
Town Clerk										
Certified Copies	1,462	1,185	1,462	1,187	2,098	4,887	4,988	5,820	5,068	4,624
Licenses	2,524	360	296	365	432	436	440	545	585	572
Permits								919	905	889
Passports Applications		379	548	882	792	586	665	534		-
Tax Office										
Beach Passes	2,714	1,886	2,003	2,192	3,436	3,487	2,358	2,443	2,701	2,934
Licenses & Permits		1,847	1,643	1,298	1,166	1,168	991	817	782	791
Tax Bill Issued							9,389	9,809	9,516	9,594
Excise Registrations							25,570	25,384	25,637	30,477
Planning										
Permits	1,649	1,501	1,561	1,438	1,346	1,091	558	554	553	621
Certificates of Occupancy	321	340	353	242	207	204	222	176	173	174
Public Safety										
Police										
Physical arrests	401	332	822	719	817	1,152	619	989	1,026	898
Traffic violations	1,976	1,077	1,337	975	792	741	1,404	819	1,069	1,126
Fire:										
Number of calls answered	1,002	1,225	1,275	1,228	1,303	1,615	1,598	1,718	1,733	1,610
Number of inspections	445	472	642	884	1,825	3,351	3,537	3,394	3,583	3,455
Rescue:										
Number of calls answered	1,932	1,928	1,787	2,055	2,069	2,088	1,946	2,125	2,141	2,116
Public Works										
Street resurfacing (miles)	1.94	5.26	6.03	7.32	3.90	6.31	8.62	6.37	6.45	3.62
Pot holes repaired (qty used in tons)	43	82	71	61	42	35	24	24	24	13
No. times plows dispatched	19	24	53	15	33	27	24	26	30	60

Source: Town of Scarborough various departments

Note

FY2012 Scarborough Public Library Processed Passport Applications

Table 19

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

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

Source: Town of Scarborough various departments

Comment: Data not available for all years

Table 20

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

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government:											
	Full time	35	35	35	37	37	39	35	37	35	34
	Part Time	52	36	58	19	59	53	72	55	57	61
Public Services:											
	Full time	13	13	14	14	15	15	17	23	15	15
	Part Time	89	77	99	103	130	159	134	146	148	160
Public Safety:											
Police											
	Full time	46	47	48	51	52	52	50	52	53	55
	Part Time	35	28	33	27	27	34	35	38	28	30
Fire											
	Full time	4	4	4	4	4	4	4	5	5	5
	Part Time	155	159	144	152	167	164	148	150	153	151
Rescue											
	Full time	9	9	9	12	12	12	16	20	20	20
	Part Time	21	16	18	15	14	15	10	11	11	10
Public Works:											
	Full time	32	32	32	33	36	35	31	31	31	31
	Part Time	1	3	2	2	3	3	4	1	1	3
Education:											
	Full time	754	724	766	733	750	761	503	460	452	449
	Part Time							268	262	302	296
Total:		1246	1183	1262	1202	1306	1346	1327	1291	1311	1320

Source: Town of Scarborough

Comment: School part time employee data available from 2010.

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

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

Source: Town of Scarborough

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

[This page left intentionally blank.]

BERNSTEIN SHUR

COUNSELORS AT LAW

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

[Date of Delivery]

[Purchaser]

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$6,505,000* aggregate principal amount of 2014 General Obligation Bonds (the "Bonds") of the Town of Scarborough, Maine (the "Issuer"), a public municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine and the Charter of the Town of Scarborough, Maine (the "Charter").

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

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

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

The Bonds are dated May 15, 2014*. Principal of the Bonds will be payable on each of the dates on which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2014, at the respective rates per annum, as follows:

<u>Year of</u> <u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>
2014	\$490,000	%	2024	\$250,000	%
2015	\$760,000	%	2025	\$250,000	%
2016	\$760,000	%	2026	\$250,000	%
2017	\$735,000	%	2027	\$250,000	%
2018	\$700,000	%	2028	\$250,000	%
2019	\$325,000	%	2029	\$50,000	%
2020	\$325,000	%	2030	\$50,000	%
2021	\$310,000	%	2031	\$50,000	%
2022	\$300,000	%	2032	\$50,000	%
2023	\$300,000	%	2033	\$50,000	%

*Preliminary – subject to change.

Bonds maturing on and before November 1, 2023 are not subject to redemption prior to their dates of maturity. The Bonds maturing after November 1, 2023 are subject to redemption prior to maturity at the option of the Town on and after November 1, 2023.

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

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

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

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

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

3. Under existing statutes and court decisions interest on the Bonds is excluded from gross income for federal income tax purposes, is exempt from taxation within the State of Maine under existing law, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such

interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

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

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

Very truly yours,

[This page left intentionally blank.]

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

[This page left intentionally blank.]

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

In connection with the issuance by the Town of Scarborough, Maine (the "Issuer") of its \$6,505,000 2014 General Obligation Bonds, dated as of May 15, 2014 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated April 29, 2014 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

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

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

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

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

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

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

8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Ruth D. Porter, Treasurer, Town of Scarborough, 259 U.S. Route 1, P.O. Box 360, Scarborough, ME 04070-0360; Telephone: (207) 883-4301.

TOWN OF SCARBOROUGH, MAINE

Dated: _____, 2014

By: _____

Its: _____

[This page left intentionally blank.]