



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

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
\$6,085,000
2015 GENERAL OBLIGATION BONDS

Dated: May 1, 2015

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>
2015	\$500,000	2.00%	0.30	2025	\$265,000	2.00%	1.90
2016	495,000	3.00	0.55	2026	265,000	2.125	2.05
2017	485,000	4.00	0.80	2027	265,000	2.25	2.15
2018	430,000	4.00	1.00	2028	265,000	3.00	2.30
2019	430,000	4.00	1.15	2029	245,000	3.00	2.45
2020	335,000	2.00	1.30	2030	165,000	3.00	2.65
2021	335,000	2.75	1.45	2031	160,000	3.00	2.75
2022	335,000	4.00	1.55	2032	160,000	3.00	2.90
2023	320,000	4.00	1.70	2033	160,000	3.00	100
2024	320,000	4.00	1.80	2034	150,000	3.00	3.10

The 2015 General Obligation Bonds (the "Bonds" or the "2015 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, 2015 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, 2024 are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after November 1, 2025 are subject to redemption prior to maturity, at the option of the Town, on and after November 1, 2024 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 7, 2015.



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.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the Town of Scarborough, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Town's Financial Advisor 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
\$6,085,000
2015 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 2015 General Obligation Bonds (the “Bonds” or the “2015 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated May 1, 2015 and will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest, payable on November 1, 2015, 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>
\$500,000	2015	806075ZK6	\$265,000	2025	806075ZV2
495,000	2016	806075ZL4	265,000	2026	806075ZW0
485,000	2017	806075ZM2	265,000	2027	806075ZX8
430,000	2018	806075ZN0	265,000	2028	806075ZY6
430,000	2019	806075ZP5	245,000	2029	806075ZZ3
335,000	2020	806075ZQ3	165,000	2030	806075A23
335,000	2021	806075ZR1	160,000	2031	806075A31
335,000	2022	806075ZS9	160,000	2032	806075A49
320,000	2023	806075ZT7	160,000	2033	806075A56
320,000	2024	806075ZU4	150,000	2034	806075A64

It is expected that the Bonds will be available for delivery at DTC on or about May 7, 2015.

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, 2024 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 1, 2024, 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 or Unissued</u>	<u>Financed by the Bonds</u>
Municipal Projects				
2013/2014 CIP	15-020	-	\$45,000	
2014/2015 CIP	15-020	-	<u>1,761,820</u>	
Total Municipal Projects			1,806,820	\$1,806,820
Municipal Equipment				
2013/2014 CIP	15-020	-	244,300	
2014/2015 CIP	15-020	-	<u>1,257,580</u>	
Total Municipal Equipment			1,501,880	1,501,880
School Projects				
2010/2011 CIP	11-031	-	32,000	
2012/2013 CIP	13-007	-	25,000	
2013/2014 CIP	15-020	-	229,000	
2014/2015 CIP	15-020	-	<u>490,300</u>	
Total School Projects			776,300	776,300
Land Acquisition				
2003/2004	03-116 & 14-055	11/04/2003	1,159,270	1,159,270
2009/2010	09-105 & 14-055	11/03/2009	<u>1,000,000</u>	840,730
Total Land Acquisition			2,159,270	
Totals				\$6,085,000

A portion of the proceeds of the Bonds will be used to refund the Town's \$2,000,000 Bond Anticipation Note, dated December 15, 2014 and maturing on May 15, 2015 (the "2014 BANs"), which were issued to provide funds to finance the Town's portion of the cost of acquisition of the 126-acre Benjamin Farm property located on Pleasant Hill Road in Scarborough (the "Land Acquisition").

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.

The Projects

<u>Unit</u>	<u>CIP Year</u>	<u>Project</u>	<u>Amount to Bond</u>	<u>Unit Total</u>	<u>Years to Bond</u>
Muni. - Projects	2014-2015	MIS Town-Wide Desktop Replace	\$103,560		3
Muni. - Projects	2013-2014	MIS Replace Climate Control Sys	45,000		5
Muni. - Projects	2014-2015	OH Prof Building-PH III W't'r'p'fing	15,650		5
Muni. - Projects	2014-2015	Public Works Software Update	55,000		5
Muni. - Projects	2014-2015	MIS Backup Disaster Recovery Sys	30,000		5
Muni. - Projects	2014-2015	MIS Main Office 10 GB Switch	29,500		5
Muni. - Projects	2014-2015	F.D. Major Station Main Pgm	248,150		14
Muni. - Projects	2014-2015	Library Office Reconfig	125,000		16
Muni. - Projects	2014-2015	Pleasant Hill Rd Recon, Ph I	700,000		20
Muni. - Projects	2014-2015	Mid-Level Road Rehab	454,960		20
				\$1,806,820	
Muni. - Equip.	2014-2015	Code Inspections Electric Vehicle	6,000		1
Muni. - Equip.	2014-2015	C.S. Replace Tractor & Frt Mount Broom	15,650		2
Muni. - Equip.	2013-2014	2NDOT KMBS BIZHUB 224E Copier	20,700		3
Muni. - Equip.	2014-2015	Software & Conversion	40,500		3
Muni. - Equip.	2014-2015	Traffic - Oak Hill Camera (Tech Upgrade)	35,000		5
Muni. - Equip.	2014-2015	F.D. Replace Thermal Imaging Cameras	29,430		5
Muni. - Equip.	2013-2014	Fire Replace Thermal Imaging Cameras	27,550		5
Muni. - Equip.	2013-2014	Fire Narrowband Radio Fire Alarm Upg'd	22,500		5
Muni. - Equip.	2013-2014	Police Tactical Team Vests	19,800		5
Muni. - Equip.	2013-2014	Police Cruiser Equipment	15,000		5
Muni. - Equip.	2014-2015	Pickup Truck # 4033	34,000		5
Muni. - Equip.	2013-2014	Police Fire Alarm Digitizers	72,500		10
Muni. - Equip.	2013-2014	Public Works Heavy Truck Lifts	66,250		10
Muni. - Equip.	2014-2015	F.D. Lifepak Defibrillator/Monitor Replace	95,000		10
Muni. - Equip.	2014-2015	FD Major Apparatus Maint (L 1/E6/E5)	62,000		10
Muni. - Equip.	2014-2015	F.D. Engine 3 Pumper (Replace schedule)	585,000		15
Muni. - Equip.	2014-2015	Plow Truck # 4017	185,000		15
Muni. - Equip.	2014-2015	Additional Plow Truck	170,000		15
				1,501,880	
School Projects	2010-2011	DW Energy Conservation	32,000		5
School Projects	2012-2013	DW Movable Equipment	25,000		5
School Projects	2014-2015	HS Auditorium Public Space	36,850		5
School Projects	2014-2015	DW Movable Equipment-Machinery	30,000		5
School Projects	2014-2015	Facilities Support Equipment	111,000		8
School Projects	2013-2014	Security Sys Upgrade	145,000		10
School Projects	2013-2014	DW Roofing	84,000		10
School Projects	2014-2015	DW Roofing	35,000		10
School Projects	2014-2015	CIP Bus Purchase	277,450		15
				776,300	
Land	2003-2004	Benjamin Farms	1,159,270		20
Land	2009-2010	Benjamin Farms	840,730		20
				2,000,000	
Total to Bond			\$6,085,000	\$6,085,000	

AMORTIZATION OF THE BONDS

<u>Nov 1,</u>	<u>Muni Proj</u>	<u>Muni Equip</u>	<u>Total Muni</u>	<u>School</u>	<u>Land</u>	<u>The Bonds</u>
2015	\$153,329	\$163,126	\$316,455	\$83,545	\$100,000	\$500,000
2016	154,329	157,126	311,455	83,545	100,000	495,000
2017	152,154	149,301	301,455	83,545	100,000	485,000
2018	117,554	128,901	246,455	83,545	100,000	430,000
2019	117,554	128,901	246,455	83,545	100,000	430,000
2020	83,990	92,240	176,230	58,770	100,000	335,000
2021	83,990	92,240	176,230	58,770	100,000	335,000
2022	83,990	92,240	176,230	58,770	100,000	335,000
2023	82,865	92,240	175,105	44,895	100,000	320,000
2024	82,865	92,240	175,105	44,895	100,000	320,000
2025	83,840	62,665	146,505	18,495	100,000	265,000
2026	83,840	62,665	146,505	18,495	100,000	265,000
2027	83,840	62,665	146,505	18,495	100,000	265,000
2028	83,840	62,665	146,505	18,495	100,000	265,000
2029	63,840	62,665	126,505	18,495	100,000	245,000
2030	65,000		65,000		100,000	165,000
2031	60,000		60,000		100,000	160,000
2032	60,000		60,000		100,000	160,000
2033	60,000		60,000		100,000	160,000
2034	50,000		50,000		100,000	150,000
Totals	<u>\$1,806,820</u>	<u>\$1,501,880</u>	<u>\$3,308,700</u>	<u>\$776,300</u>	<u>\$2,000,000</u>	<u>\$6,085,000</u>

SOURCE OF PAYMENT AND REMEDIES

General

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

See also, "TOWN FINANCES – REVENUES FROM THE STATE - The 2016/2017 Biennium State Budget Proposal" herein.

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

School Bonds

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of bonds issued for school projects, including the debt service on the School Projects portion of the Bonds, is includable in the school budget and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the Bonds.

TAX MATTERS

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

Original Issue Discount

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

Original Issue Premium

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

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

Additional Federal Income Tax Consequences

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

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

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

Changes in Federal Tax Law

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

Extent of Opinion

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

RATINGS

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

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

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

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

CONTINUING DISCLOSURE

In order to assist 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 lists the last ten filings of the Town:

<u>Financial Statements</u> <u>FY ended June 30,</u>	<u>Date</u> <u>Filed</u>	<u>Days after</u> <u>Fiscal Period end</u>	<u>Filed With</u>
2014	03/02/2015	245	EMMA
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

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, two Deputy Chiefs, 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, 14 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 17 crew members and is responsible for maintenance of Town-owned roads, sidewalks, beaches, boat landings, cemeteries, trees and for waste collection and recycling and processes "Excavator Licenses," "Street Opening Permits," and "Driveway Coordination Forms." The *Vehicle Maintenance Division* consists of a Supervisor, a Parts Manager and seven fleet technicians. This division is responsible for the maintenance of all Town-owned vehicles including Fire Trucks, Rescue Vehicles, Police Cruisers, School Buses, Public Works equipment, Electrical Department trucks, Code Enforcement vehicles, Community Services and Harbormaster equipment and for overseeing the town-wide fuel distribution program. The *Traffic/Electrical Division* is manned by one person who oversees the town-wide alarm system, traffic signals and associated equipment. A *GIS Division* consists of a Project & Data Coordinator who manages a town-wide GIS program, data integration and storm water programs documentation.

In 1996 the Town ceased using its landfill for solid waste disposal, and has closed the site in conformance with the State of Maine Department of Environmental Protection procedures, but is permitted to continue operating a demolition debris landfill at the site, in its existing capacity, until 2027, under a waiver granted by the State. The current cost of closure is estimated to be \$417,233; annual post-closure monitoring cost is estimated to be \$4,050 per year. The Town transports its solid waste to ecomaine's facility which maintains a waste-to-energy resource recovery system for which the Member Municipalities (as defined herein) are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing. In 1991, six participating municipalities entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility at ecomaine's demolition debris and recycling facility in Gorham. See "INDEBTEDNESS – CONTINGENT DEBT – ecomaine" herein.

PUBLIC EDUCATION

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

also “TOWN FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, an Assistant Superintendent one Director of Business & Finance, one Director of Special Education, one Director of Curriculum/Assessment, one Director of Facilities & Maintenance, 10 Principals or Assistant Principals, 260 teachers and 270 other professional and non-professional staff.

Schools

Schools	Grade	Estimated Capacity	Enrollment ⁽²⁾
Blue Point School	K-2	250 ⁽¹⁾	223
Eight Corners School	K-2	240 ⁽¹⁾	220
Pleasant Hill School	K-2	180 ⁽¹⁾	177
Wentworth School	3-5	800 ⁽¹⁾	702
Scarborough Middle	6-8	800 ⁽¹⁾	791
Scarborough High	9-12	1,200	1,038

NOTE: ⁽¹⁾ Includes 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	
2014	627	702	791	1,038	0	3,158
2013	623	742	805	1,051	1	3,222
2012	646	781	780	1,054	6	3,267
2011	679	767	778	1,066	5	3,295
2010	725	754	796	1,070	6	3,351
2009	750	728	810	1,048	7	3,343
2008	714	772	828	1,024	9	3,347
2007	718	790	797	993	8	3,306
2006	724	790	803	1,007	0	3,324
2005	727	799	805	977	0	3,308

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 2014/2015, the Scarborough School Department's assessment is 5.096% of the total of the 2014/2015 Part I cost and the 2014/2015 Part II cost for PATHS. This represents the enrollment average for October 1, 2014, being 24.0 FTE students from Scarborough of the 471.0 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 455 full-time and various part-time personnel, and approximately 802 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	34	July 1, 2012	June 30, 2015
SPA	Dispatchers	15	July 1, 2012	June 30, 2015
SPA	Paramedics	23	July 1, 2014	June 30, 2017
SEA	Teachers	304	Sept. 1, 2013	Aug. 31, 2016
SAA	School Administrators	11	July 1, 2013	June 30, 2015
SESPA	School Staff and Teacher's Aids	122	July 1, 2014	June 30, 2017
SEA	School Custodians	31	July 1, 2012	June 30, 2015
SEA	Bus Drivers	22	July 1, 2014	June 30, 2017
SEA	Food Service Workers	24	July 1, 2012	June 30, 2015

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

BUILDING PERMITS

Year Ended Dec. 31,	Commercial (\$/000)				Residential (\$/000)				Total (\$/000)	
	New Construction		Alterations		New Construction		Alterations		Permits	Cost
	Permits	Cost	Permits	Cost	Permits	Cost	Permits	Cost		
2014	4	\$13,968.2	69	\$50,567.4	70	\$128,536.2	412	\$100,197.2	555	\$293,269.1
2013	4	24,397.2	80	29,681.0	77	121,727.1	407	104,750.0	568	280,555.3
2012	7	9,762.4	65	40,770.1	63	90,026.9	420	84,749.3	555	225,308.7
2011	1	3,559.3	75	59,434.3	45	68,636.5	336	60,781.8	457	192,411.9
2010	1	0.0	70	96,903.9	58	84,399.5	401	62,448.9	530	243,752.3
2009	16	30,286.2	53	21,820.3	47	62,154.1	268	61,243.5	384	175,504.1
2008	10	35,447.4	80	55,599.8	75	100,517.1	359	79,765.4	524	271,329.7
2007	19	56,828.5	123	13,410.1	75	32,653.6	364	6,366.0	581	109,258.2
2006	86	40,296.6	72	12,103.9	86	24,508.5	356	9,163.6	600	86,072.6
2005	6	2,495.0	298	5,637.5	107	26,146.9	300	10,086.7	711	44,366.1

ECONOMIC DEVELOPMENT

Former Portland Metropolitan Statistical Area

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



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

Employment

Representative Larger Employers	Type of Business	Approximate Number of Employees	% All Town Employees
Hannaford Brothers	Supermarket Chain & Corp Office	1,308	9.0%
Town of Scarborough	Municipal Government	1,282	8.9
Postal Service Dist Ctr	Distribution	589	4.1
Maine Medical Center	Hospital	389	2.7
Wal-Mart	Retail Department Store	327	2.3
Cabela's	Sports Equipment	285	2.0
NorDX	Medical Laboratory	207	1.4
Piper Shores	Nursing Home	207	1.4
Sam's Wholesale Club	Wholesale Department Store	188	1.3
Alere	Diagnostic Services	187	1.3

SOURCE: Town of Scarborough, Maine Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2014, Table 16.

Commuter Trends

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

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2010 data.

Retail Trade

Retail Sales by Product Group and Consumer Sales (\$/000)

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2014	51,027	47,815	27,617	164,303	85,102	33,612	72,254	481,729	430,702
2013	59,275	50,647	24,861	153,884	90,663	31,065	68,279	478,673	419,399
2012	47,878	47,939	24,205	150,115	85,690	30,573	65,617	452,016	404,139
2011	48,315	42,048	22,410	148,707	80,770	31,417	59,680	433,346	385,031
2010	37,570	43,877	22,326	145,410	77,601	29,637	57,432	413,853	376,283
2009	47,569	41,367	21,975	129,496	71,543	26,808	54,504	393,262	345,693
2008	59,956	53,132	21,863	119,227	61,807	26,815	50,302	393,102	333,145
2007	64,601	38,068	21,611	121,064	20,875	28,777	43,324	338,320	273,719
2006	74,371	31,443	19,950	126,021	19,906	27,932	42,248	341,872	267,501
2005	68,042	27,163	18,554	126,485	15,767	29,575	40,514	326,100	258,057

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
2014	3.9%	4.4%	5.7%	6.2%
2013	4.7	5.3	6.7	7.4
2012	6.7	5.8	7.3	8.1
2011	5.1	6.0	7.5	8.9
2010	5.4	6.3	7.9	9.6
2009	5.6	6.4	8.0	9.3
2008	3.3	4.0	5.4	5.8
2007	2.9	3.5	4.6	4.7
2006	3.0	3.4	4.6	4.6
2005	3.0	3.6	4.8	5.1

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	2011	2012	2013	2014	2015
General government	\$4,612,151	\$4,520,293	\$4,556,921	\$4,817,259	\$5,115,354
Public services	3,774,310	3,806,964	3,853,161	4,075,921	4,201,346
Public safety	8,201,277	8,470,702	8,695,056	9,036,324	9,553,855
Public works	6,349,595	6,397,756	6,477,260	6,294,820	6,359,496
Education	35,084,868	35,652,462	37,370,562	39,399,516	42,165,315
County Tax	1,922,952	1,975,585	2,075,183	2,193,813	2,355,415
Debt service	4,814,046	4,909,870	4,732,060	4,508,353	4,641,657
CIP	789,928	909,450	1,406,500	923,700	1,879,364
TOTAL EXPENDITURES	65,549,127	66,643,082	69,166,703	71,249,706	76,271,802
REVENUES					
Taxes	49,175,751	50,739,366	54,257,619	58,209,370	60,225,927
Licenses and permits	433,280	801,540	855,880	925,396	543,130
Intergovernmental	8,045,187	8,392,466	7,194,622	6,405,140	7,012,731
Interest earned	95,000	30,000	20,000	15,000	15,000
Other	5,397,978	5,019,362	5,308,196	4,782,892	5,905,837
TOTAL REVENUES	63,147,196	64,982,734	67,636,317	70,337,798	73,702,625
OTHER SOURCES					
Operating transfers	896,602	918,292	672,493	569,767	486,270
Prior year fund balance	1,150,000	600,000	200,000	200,000	800,000
Overlay	(100,849)	(209,944)	(362,107)	(346,359)	(328,093)
Bond and note proceeds	456,178	352,000	1,020,000	488,500	1,611,000
TOTAL OTHER	2,401,931	1,660,348	1,530,386	911,908	2,569,177
TOTAL BUDGET	\$65,549,127	\$66,643,082	\$69,166,703	\$71,249,706	\$76,271,802

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>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%
Town Prop Growth Factor:	<u>0.89</u>	<u>0.41</u>	<u>0.17</u>	<u>0.78</u>	<u>1.09</u>
Growth Limitation Factor:	2.67%	2.07%	1.60%	1.83%	2.18%
Property Tax Levy Limit:	\$13,749,067	\$14,428,637	\$14,359,273	\$15,158,240	\$15,534,744
Property Tax Levy:	<u>14,136,022</u>	<u>14,346,334</u>	<u>14,432,024</u>	<u>16,091,860</u>	<u>16,275,733</u>
Over/(below) Levy Limit:	\$386,955	(\$82,303)	\$72,751	\$933,620	\$740,989

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,				
	2010	2011	2012	2013 ⁽³⁾	2014
Committed, Assigned & Unassigned ⁽¹⁾					
General Fund Balance	\$4,755,708	\$3,807,948	\$4,587,125	\$5,246,376	\$6,213,282
Total Revenues (Current Year)	64,114,724	65,932,351	66,904,627	70,898,619	74,396,159
Fund Bal as % Revenues	7.42%	5.78%	6.86%	7.40%	8.35%
Unassigned ⁽²⁾ General Fund Balance	\$3,286,399	\$954,650	\$2,093,626	\$2,847,456	\$3,376,747
Total Revenues (Current Year)	64,114,724	65,932,351	66,904,627	70,898,619	74,396,159
Fund Bal as % Revenues	5.13%	1.45%	3.13%	4.02%	4.54%

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 are 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,)**

	2014	2013	2012	2011	2010
ASSETS					
Cash and cash equivalents	\$10,878,727	\$9,948,470	\$1,257,920	\$5,554,730	\$4,062,681
Investments	376,822	752,899	8,748,556	2,412,731	4,410,997
Receivables:					
Accounts receivable	735,264	1,110,371	828,253	563,698	546,871
Intergovernmental	198,794	124,122	191,841	182,202	45,238
Taxes receivable	143,405	137,001	172,971	168,995	166,781
Tax liens	983,581	844,343	757,577	730,719	651,207
Inter-fund receivable	3,132,347	2,683,412	3,004,027	2,904,940	2,794,632
Tax acquired property	7,231	7,231	7,231	7,231	7,231
Inventory	47,851	34,010	34,010	0	0
TOTAL ASSETS	16,504,022	15,641,859	15,002,386	12,525,246	12,685,638
LIABILITIES					
Accounts payable	1,680,911	1,685,130	2,402,854	1,092,572	1,158,183
Accrued payroll	4,114,853	3,922,340	3,656,473	3,676,889	3,581,414
Accrued absences	94,915	120,329	62,853	30,366	22,559
Taxes collected advance	32,933	45,560	68,580	65,091	50,845
TOTAL LIABILITIES	5,923,612	5,773,359	6,190,760	4,864,918	4,813,001
DEFERRED TAX REVENUE	971,922	810,854	757,593	671,053	634,571
EQUITY⁽¹⁾					
Fund balances:					
Reserved	-	-	-	-	2,482,358
Unreserved:	-	-	-	-	-
Undesignated	-	-	-	-	3,286,399
Designated	-	-	-	-	1,469,309
Non-spendable	47,851	34,010	34,010	0	-
Restricted	3,347,355	3,777,260 ⁽²⁾	3,432,898	3,181,327	-
Committed	452,151	374,000	687,603	629,908	-
Assigned	2,384,384	2,024,920	1,805,896	2,223,390	-
Unassigned	3,376,747	2,847,456 ⁽²⁾	2,093,626	954,650	-
TOTAL EQUITY	9,608,488	9,057,646	8,054,033	6,989,275	7,238,066
TOTAL LIABILITIES AND EQUITY	\$16,504,022	\$15,641,859	\$15,002,386	\$12,525,246	\$12,685,638

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 are re-stated in the 2014 Financial Statements.

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

	2014	2013	2012	2011	2010
REVENUES					
Taxes	\$58,605,638	\$54,317,932	\$50,413,387	\$48,942,881	\$46,879,920
Licenses and permits	661,553	553,504	494,439	479,746	573,438
Intergovernmental	9,455,733	10,462,944	10,541,991	11,728,400	11,875,110
Interest earned	108,862	42,573	66,255	42,024	141,496
Other	5,564,373	5,521,666	5,388,555	4,739,300	4,644,760
TOTAL REVENUES	74,396,159	70,898,619	66,904,627	65,932,351	64,114,724
EXPENDITURES					
General government	5,059,198	4,956,930	4,401,899	4,677,260	4,701,884
Public services	4,146,541	3,931,386	3,841,168	3,787,489	3,730,927
Public safety	8,879,022	8,577,811	8,241,916	7,967,270	7,720,965
Public works	6,502,618	6,681,399	6,598,823	6,040,273	6,224,169
Education	42,413,258	39,344,449	37,085,827	38,174,127	37,337,662
County tax	2,193,813	2,075,183	1,975,585	1,922,952	1,885,984
Debt service	4,470,950	4,942,403	5,416,558	4,771,048	4,956,091
Capital improvements	1,146,088	1,257,490	924,372	833,353	1,262,059
TOTAL EXPENDITURES	74,811,488	71,767,051	68,486,148	68,173,772	67,819,741
EXCESS OF REVENUES OVER EXPENDITURES	(415,329)	(868,432)	(1,581,521)	(2,241,421)	(3,705,017)
OTHER FINANCING SOURCES:					
Operating transfers in	561,290	1,015,621	1,723,391	1,120,962	1,551,027
Operating transfers out	(315,652)	(683,335)	(144,986)	(170,203)	(111,543)
Refunding bonds	-	7,065,000	24,605,000	-	-
Premium	-	321,961	2,998,094	-	-
Refunding escrow	-	(7,347,335)	(27,124,969)	-	-
Proceeds from Capital Lease	249,109	365,033	0	0	51,585
Bond or note proceeds	471,424	1,135,100	589,750	407,440	648,205
TOTAL OTHER FINANCING:	966,171	1,872,045	2,646,280	1,358,199	2,139,274
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	550,842	1,003,613	1,064,758	(883,222)	(1,565,743)
FUND BALANCE, BEGINNING OF YEAR	9,057,646	8,054,033	6,989,275	7,872,497	8,803,809
FUND BALANCE, END OF YEAR	\$9,608,488	\$9,057,646	\$8,054,033	\$6,989,275	\$7,238,066

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2014/2015 due dates are October 15, 2014 and March 16, 2015. 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.

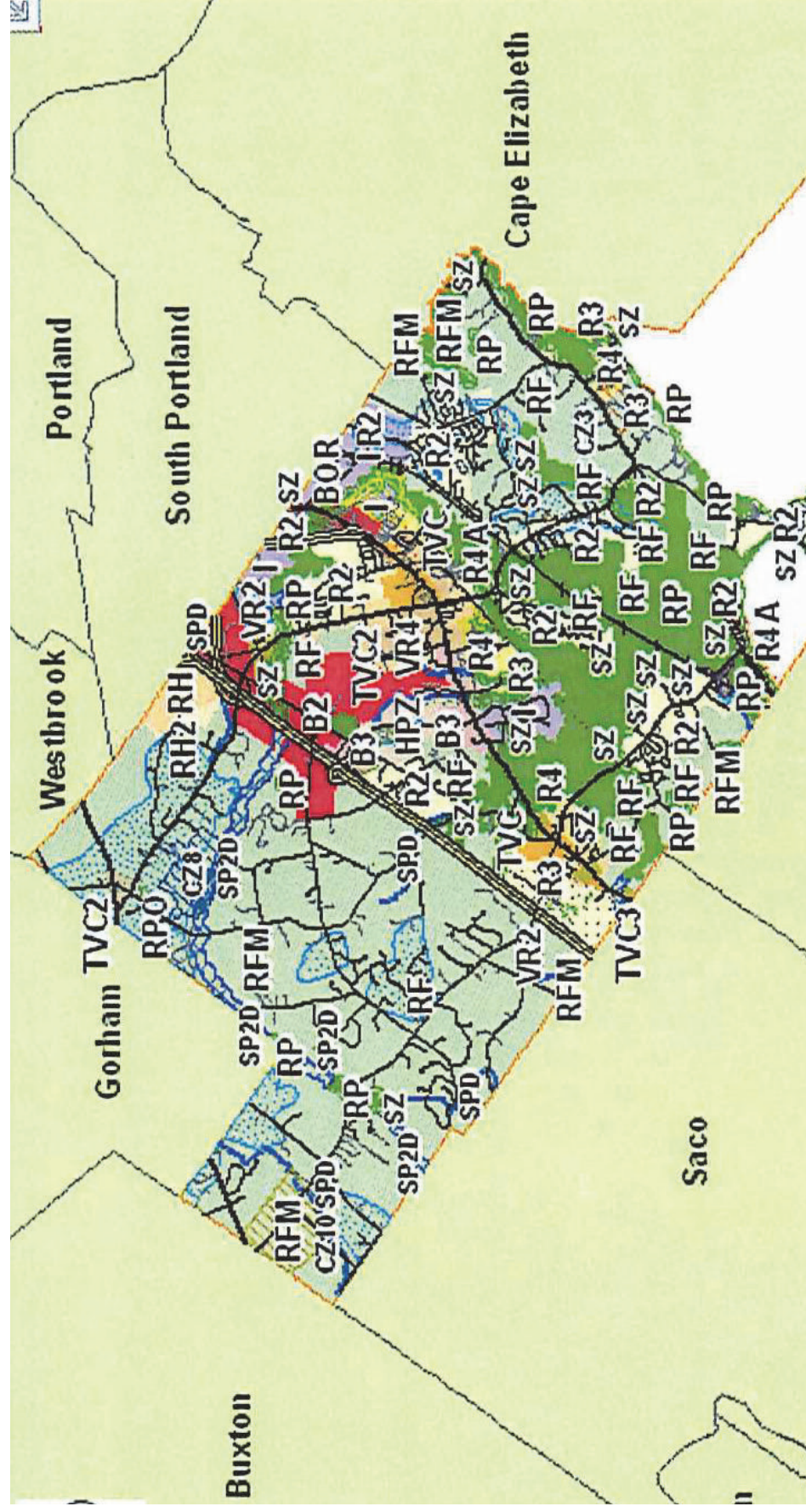
TAX LEVY AND COLLECTIONS

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 3/1/15
2015	\$3,667,300	\$3,700,490	\$15.10	\$55,877	---- In Process ----		
2014	3,579,450	3,660,306	14.77	54,063	53,470	98.60%	99.14%
2013	3,482,500	3,631,675	13.80	50,117	49,484	98.72	99.90
2012	3,556,750	3,564,150	13.03	46,532	46,103	98.76	99.95
2011	3,564,150	3,556,552	12.63	44,919	44,325	98.66	99.95
2010	3,620,450	3,524,772	12.15	42,826	42,319	98.82	99.96
2009	3,563,250	3,487,005	12.15	42,367	41,891	98.80	99.95
2008	3,531,150	3,397,230	11.80	40,087	39,785	99.01	99.97
2007	3,255,800	3,317,498	11.48	38,085	37,853	99.25	100.00
2006	2,873,200	3,256,842	11.30	36,802	36,527	99.19	100.00
2005	2,538,800	2,057,589	17.34	35,678	35,423	99.13	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



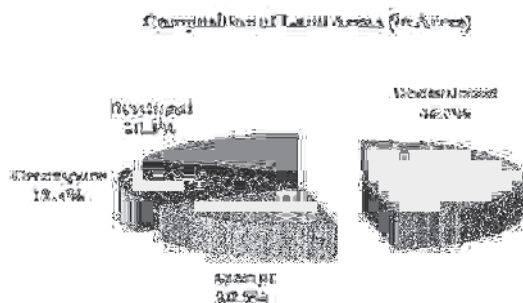
LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2014				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Maine Life Care	Retirement Com	\$63,459,800	\$838,000	\$64,297,800	\$970,897	1.74%
Wal-mart/Sam's Club	Wholesale/Retail	33,674,000	4,253,000	37,927,000	572,698	1.02%
New England Exped.	Retail/Restaurants	35,201,100	0	35,201,100	531,537	0.95%
Central Maine Power	Utility	25,820,300	11,100	25,831,400	390,054	0.70%
Hannaford Brothers	Supermarket/Corp Off	17,066,400	7,534,800	24,601,200	371,478	0.66%
Scarborough Gallery	Retail/Restaurants	20,049,800	0	20,049,800	302,752	0.54%
MMC Realty	Maine Health	17,733,300	2,116,800	19,850,100	299,737	0.54%
Gavin Ruotolo	Commercial Leases	18,778,700	162,300	18,941,000	286,009	0.51%
RRE Foxcroft &						
Coach Lantern	Apartments	13,009,800	237,800	13,247,600	200,039	0.36%
Shaw's	Supermarket	8,911,600	3,719,000	12,630,600	190,722	0.34%
Top Ten Taxpayers as a % of Total		\$253,704,800	\$18,872,800	\$272,577,600	\$4,115,923	7.36%

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)	2015
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 municipal development and tax increment financing ("TIF") district or an affordable housing municipal development and tax increment financing district (a "housing district") for a period of up to 30 years and adopts a development program (the "Development Program") stating the means and objectives for the development of that district. The municipality may designate, or "capture", all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased

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

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

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

REVENUES FROM THE STATE

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

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table. The following table displays revenue received by the Town from the State for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	School Aid	Homestead Exemption	General Assist.	BETE	Other State Aid	Total From State
2014	\$791,820	\$4,241,404	\$83,001	\$1,600	\$268,811	\$430,464	\$5,817,100
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

INDEBTEDNESS

The 2016/2017 Biennium State Budget Proposal

Maine Governor Paul LePage has proposed a major restructuring of Maine’s tax system as part of his FY2016/2017 budget submission. Among other things, the governor’s proposal would reduce income tax revenue, increase sales and use tax revenue, repeal the estate tax, limit property tax exemptions, and eliminate state-local Municipal Revenue Sharing. The full text of the bill can be found at <http://www.maine.gov/budget/index.htm>. There is uncertainty as to which portions, if any, of the Governor’s proposal will be enacted into law and thus uncertainty as to the consequences of the proposed budget on municipalities in the State.

Pursuant to Title 5, Section 1666-A. of the Maine Revised Statutes, as amended, “Enactment of Budget” the Legislature shall review a biennial or supplemental budget submitted to it in accordance with this chapter and enact a budget no later than 30 days prior to the date of adjournment prescribed in Title 3, Section 2, of the Maine Revised Statutes, as amended (the first regular session of the Legislature, after its convening, shall adjourn no later than the 3rd Wednesday in June). The times for adjournment for the regular sessions may also be extended for one additional legislative day for the purpose of considering possible objections of the Governor to any bill or resolution presented to him by the Legislature under the State Constitution, Article IV, Part Third, Section 2.

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, 2015 the Town’s equalized state valuation (“Equalized State Valuation” or “ESV”) was \$3,667,300,000. The 15% debt limit is \$550,095,000. On June 30, 2014 the Town’s long-term debt was \$97,895,000 or 2.67% 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 6/30/2014	Payments 2014/2015	Projected 6/30/2015
1994	10/15/1994	6,775,000	10/15/2014	\$230,000	(\$230,000)	\$0
1995	12/15/1995	6,160,000	11/01/2015	530,000	(265,000)	265,000
1997	4/15/1997	4,230,000	11/01/2016	330,000	(110,000)	220,000
2004	3/15/2004	14,628,000	11/01/2033	215,000	(215,000)	0
2005	3/15/2005	10,665,000	11/01/2034	565,000	(315,000)	250,000
2006	5/15/2006	7,014,000	11/01/2020	2,035,000	(530,000)	1,505,000
2007	5/15/2007	4,000,000	11/01/2021	800,000	(225,000)	575,000
2008	6/1/2008	8,513,000	11/01/2027	4,145,000	(580,000)	3,565,000
2009	5/1/2009	4,560,000	11/01/2028	2,655,000	(400,000)	2,255,000
2009	10/1/2009	1,780,000	11/01/2019	1,040,000	(185,000)	855,000
2010	4/15/2010	6,002,000	11/01/2030	4,565,000	(470,000)	4,095,000
2011	6/15/2011	5,600,000	11/01/2030	3,975,000	(540,000)	3,435,000
2012	5/8/2012	46,545,000	11/01/2041	44,955,000	(575,000)	44,380,000
2013	4/1/2013	25,685,000	11/01/2042	25,350,000	(350,000)	25,000,000
2014	5/15/2014	6,505,000	11/01/2033	<u>6,505,000</u>	<u>(490,000)</u>	<u>6,505,000</u>
Sub-totals				97,895,000	(5,480,000)	92,415,000
2015	5/1/2015	6,085,000	11/01/2034	<u>0</u>	<u>0</u>	<u>6,085,000</u>
Totals				\$97,895,000	(\$5,480,000)	\$98,500,000

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited					Budgeted
	2010	2011	2012	2013	2014	2015
Total Current Year Debt Service:	\$8,209,555	\$8,304,376	\$8,224,935	\$7,950,370	\$8,378,569	\$9,150,882
Budgeted Operating Expense:	65,595,764	65,501,307	65,506,405	69,166,703	71,249,706	76,196,802
Debt Service as % Oper. Expense:	12.52%	12.68%	12.56%	11.49%	11.76%	12.01%

DEBT RATIOS

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2014	19,343	\$3,579,450	\$3,660,306	\$97,895,000	2.73%	\$5,061.00
2013	18,941	3,579,450	3,660,306	96,180,000	2.69	5,077.87
2012	18,786	3,556,750	3,572,000	82,250,000	2.31	4,378.26
2011	18,919	3,564,150	3,556,552	66,767,000	1.87	3,529.10
2010	18,919	3,620,450	3,524,771	68,042,000	1.88	3,616.95
2009	18,812	3,563,250	3,487,005	67,785,000	1.90	3,603.29
2008	18,812	3,531,150	3,397,230	69,328,000	1.96	3,685.31
2007	18,812	3,255,800	3,317,498	66,845,000	2.05	3,553.32
2006	18,812	2,873,200	3,256,842	68,844,000	2.40	3,659.58
2005	18,812	2,538,800	2,057,589	67,737,433	2.67	3,600.76

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	
2015	\$5,480,000	\$4,069,599	\$9,549,599	\$0	\$0	\$0	\$9,549,599
2016	5,820,000	3,627,179	9,447,179	500,000	184,606	684,606	10,131,785
2017	5,885,000	3,154,238	9,039,238	495,000	172,181	667,181	9,706,419
2018	6,040,000	2,960,390	9,000,390	485,000	155,056	640,056	9,640,446
2019	5,890,000	2,761,071	8,651,071	430,000	136,756	566,756	9,217,828
2020	5,650,000	2,556,220	8,206,220	430,000	119,556	549,556	8,755,776
2021	5,795,000	2,324,760	8,119,760	335,000	107,606	442,606	8,562,366
2022	5,465,000	2,115,694	7,580,694	335,000	99,650	434,650	8,015,344
2023	5,265,000	1,944,383	7,209,383	335,000	88,344	423,344	7,632,726
2024	3,865,000	1,777,016	5,642,016	320,000	75,244	395,244	6,037,260
2025	3,520,000	1,629,993	5,149,993	320,000	62,444	382,444	5,532,436
2026	3,560,000	1,486,525	5,046,525	265,000	53,394	318,394	5,364,919
2027	3,510,000	1,335,744	4,845,744	265,000	47,928	312,928	5,158,672
2028	3,520,000	1,198,163	4,718,163	265,000	42,131	307,131	5,025,294
2029	3,295,000	1,071,700	4,366,700	265,000	35,175	300,175	4,666,875
2030	3,050,000	951,306	4,001,306	245,000	27,525	272,525	4,273,831
2031	3,100,000	837,681	3,937,681	165,000	21,375	186,375	4,124,056
2032	2,940,000	724,906	3,664,906	160,000	16,500	176,500	3,841,406
2033	2,940,000	611,338	3,551,338	160,000	11,700	171,700	3,723,038
2034	2,260,000	503,913	2,763,913	160,000	6,900	166,900	2,930,813
2035	1,730,000	417,263	2,147,263	150,000	2,250	152,250	2,299,513
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	\$97,895,000	\$39,428,435	\$137,323,435	\$6,085,000	\$1,466,322	\$7,551,322	\$144,874,757

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

(\$/000)

FY end June 30,	1994	1995B	1997	2004	2005	2006	2007	2008	2009	2009	2010	2011	2012	2013	2014	2015	Debt
2015	230	265	110	215	315	530	225	580	400	185	470	540	575	350	490	0	5,480
2016		265	110	250	505	505	225	570	315	185	470	525	1,065	575	760	500	6,320
2017			110		185	185	225	570	310	185	345	360	1,690	1,145	760	495	6,380
2018					190	190	25	575	310	185	345	360	2,400	915	735	485	6,525
2019					195	195	25	185	310	185	345	355	2,825	765	700	430	6,320
2020					210	210	25	185	110	115	345	355	3,210	770	325	430	6,080
2021					220	220	25	185	100		345	355	3,475	765	325	335	6,130
2022							25	185	100		280	115	3,685	765	310	335	5,800
2023								185	100		280	115	3,520	765	300	335	5,600
2024								185	100		280	115	2,170	715	300	320	4,185
2025								185	100		280	115	1,870	720	250	320	3,840
2026								185	100		280	115	1,585	1,045	250	265	3,825
2027								185	100		100	110	1,335	1,430	250	265	3,775
2028								185	100		100	110	1,310	1,465	250	265	3,785
2029									100		100	110	1,330	1,405	250	265	3,560
2030									100		100	110	1,355	1,435	50	245	3,295
2031											100	110	1,775	1,065	50	165	3,265
2032													1,815	1,075	50	160	3,100
2033													1,800	1,090	50	160	3,100
2034													685	1,525	50	160	2,420
2035													685	1,045		150	1,880
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			565
6/30/2014	230	530	330	215	565	2,035	800	4,145	2,655	1,040	4,565	3,975	44,955	25,350	6,505	6,085	103,980
Pd 2015	(230)	(265)	(110)	(215)	(315)	(530)	(225)	(580)	(400)	(185)	(470)	(540)	(575)	(350)	(490)	0	(5,480)
6/30/2015	0	265	220	0	250	1,505	575	3,565	2,255	855	4,095	3,435	44,380	25,000	6,015	6,085	98,500

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, 2015 the Town's equalized State Valuation of \$3,667,300,000 is 9.31% of the County's equalized State Valuation of \$39,379,600,000. The Town's share is 9.31%, or \$3,474,565, of the County's \$37,310,000 (unaudited) long-term debt projected outstanding as of December 31, 2014.

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, 2014 the Town was contingently responsible for approximately 14.58%, or \$5,779,755 of the PWD's \$39,645,214 (unaudited) Water System Debt.

ecomaine

ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 21 Member Municipalities, including the Town, has issued debt to fund a resource recovery system ("RRS") (the "RRS Debt"). The RRS Debt is a special revenue obligation of ecomaine, payable from, and secured by, a pledge of ecomaine revenues. The debt does not constitute a debt or liability within the meaning of any constitutional or statutory provision, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to waste handling agreements among the Member Municipalities (the "Waste Handling Agreements"), the Member Municipalities are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal required debt service on the RRS Debt. The obligations of the Member Municipalities under the Waste Handling Agreements are secured by the full faith and credit of the Member Municipalities subject to certain limitations. On June 30, 2014, 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, 2014 outstanding MRF debt was \$0.00.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and post-closure care costs approximate \$16,191,575 at June 30, 2014 (the most current information available). The Town's proportionate share of these estimated landfill closure and post-closure care costs is 8.87% or \$1,435,524.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Scarborough	\$97,895,000			\$97,895,000
County of Cumberland ⁽¹⁾		\$3,474,565		3,474,565
Portland Water District ⁽¹⁾		5,779,755		5,779,755
ecomaine (RRS)			\$0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			1,435,524	1,435,524
Total A/O June 30, 2014	\$97,895,000	\$9,254,320	\$1,435,524	\$108,584,844
Debt as % 2015 ESV	2.67%	0.25%	0.04%	2.96%
Debt per Capita	\$5,061.00	\$478.43	\$74.21	\$5,613.65

NOTE: ⁽¹⁾ Projected, as of fiscal year ended December 31, 2014.

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 #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. A portion of the Bonds, in the amount of \$840,730, will be used to finance a portion of the Land Acquisition. This will leave \$159,270 as authorized but unissued debt.

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. 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>Unissued</u>	<u>2015 Bonds</u>	<u>Remaining Unissued</u>
2009/2010	09-105	Purchase Land	1,000,000	0	1,000,000	(840,730)	159,270
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 2nd Floor	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 Fl	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	(35,784,815)	3,292,779		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	0	230,000		230,000
2012/2013	13-007	DW Movable Equip	25,000	0	25,000		25,000
			48,748,294	(41,278,950)	7,469,344	(840,730)	6,628,614

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. A

portion of the Town's 2014 Bonds, in an amount of \$1,969,815, represented 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. The Town has no current plans to utilize this remaining authorization.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

The Town is a "participating local district" pursuant to Regular Plan AC, Special Plan 1C and, effective July 1, 2015, Special Plan 3C of the Consolidated Plan for Participating Local Districts (the "Consolidated Plan") ("CPPLD") and contributes to Maine Public Employees Retirement System's ("MainePERS") successor to the Maine State Retirement System ("MSRS"), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS as successor to the Maine State Retirement System ("MSRS"). MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local districts, including the Town. The authority to establish and amend benefit provisions rests with the State legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433 or by calling (800) 451-9800. Such report is also available at <http://www.msrs.org/Publications/Publications.htm#AnnualReports>.

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, 2014, 2013 and 2012 were \$531,315, \$436,099 and \$353,904, 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, 2014, new rates for fiscal year ended June 30, 2015 and for fiscal year ended June 30, 2016:

<u>Plan</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Regular AC	6.5%	7.8%	8.9%
Special 1C	12.8%	13.4%	14.0%
Special 3C	NA	11.0%	11.4%

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 and employers (local school districts) are required to contribute an additional 2.65% on their behalf. The State of Maine Department of Education is required, by the same statute, to provide a portion of the employer contribution; for the fiscal year 2014, the State contribution amounts to \$3,111,000 (15.83%). This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

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. 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 \$295,347 which was 6% of the participating employees and 12% of the Town Manager's current year covered payroll. The covered payroll amounted to \$4,797,071, while the Town's total payroll was \$11,717,577. Employee's required contributions amounted to \$280,306, 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 ("GASB") No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town determined that, effective July 1, 1997, it was no longer required to record assets and associated liability of the plan.

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 the consultants in January 2014 for the year ended June 30, 2014. GASB 45 rules allow employers with fewer than 200 employees to use the same actuarial study for three years.

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

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

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

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

Funding Status and Funding Progress - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ending June 30, 2014 was:

Annual required contribution:	\$273,344
Interest on NET OPEB Obligation:	46,048
Amortization adjustment to ARC:	<u>(66,574)</u>
Annual OPEB cost:	252,818
Actual contribution:	<u>(50,620)</u>
Increase in Net OPEB obligation:	202,198
Net OPEB – beginning of year:	<u>1,151,199</u>
Net OPEB – end of year:	\$1,353,397

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

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

The funded status of the plan as of June 30, 2014 was:

Actuarial accrued liability:	\$3,023,581
Plan assets:	<u>0</u>
Unfunded actuarial accrued liability:	3,023,581
Covered payroll:	9,298,561
Unfunded actuarial accrued liability as % 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.

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.

ENVIRONMENTAL MATTERS

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

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

LITIGATION

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

APPENDIX A

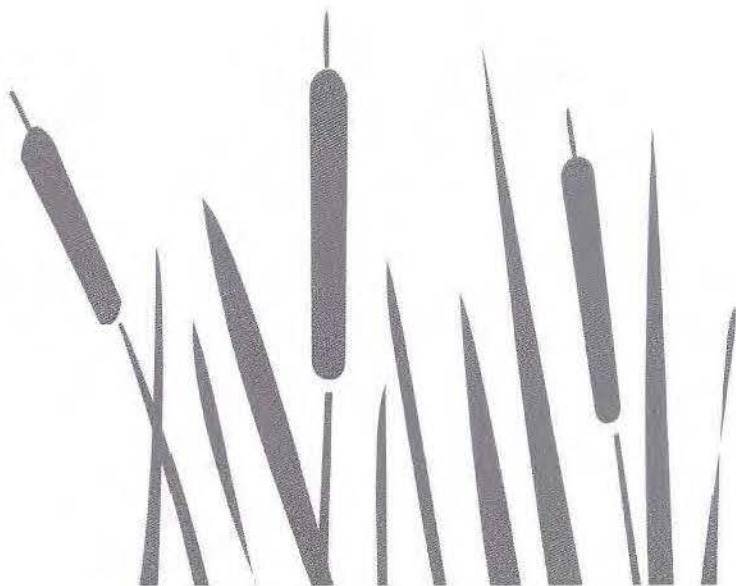
**TOWN OF SCARBOROUGH, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2014**

(With Report of Independent Auditors' Thereon)

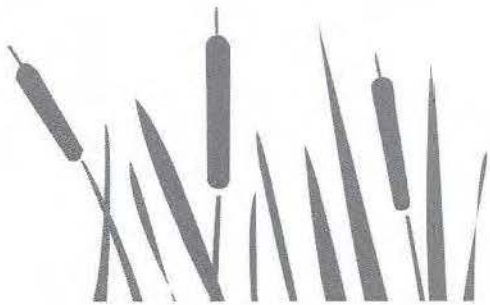
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TOWN OF SCARBOROUGH MAINE COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR
FISCAL YEAR ENDING
6/30/2014



**SCARBOROUGH
MAINE**



PREPARED BY: TOWN OF SCARBOROUGH FINANCE
DEPARTMENT

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2014

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2014

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INTRODUCTION

TOWN OF SCARBOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Town of Scarborough, Maine

February 26, 2015

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

Jessica L Holbrook, 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, 2014.

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

The comprehensive annual financial report is prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. Please take this opportunity to review Management's discussion and analysis (MD&A) immediately following the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the Town's financial statements. The MD&A complements this letter of transmittal and we encourage readers to view it in conjunction with it.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Scarborough for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This is the ninth-consecutive year that the Town of Scarborough has submitted and achieved this prestigious award. In order to receive the Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

TOWN'S ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

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

The Town, first settled in 1633, was incorporated as the sixth town in the Province of Maine on July 14, 1658. The Town operates under a charter first adopted on October 7, 1969 and provides for a Town Council and Town Manager form of government. The legislative body consists of a seven-member town council. A seven-member school board has general authority for the public schools. The Town Council is responsible for passing ordinances, adopting the annual budget, appointing committees and hiring both the Town Manager and the Town Assessor. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the government, and for appointing the administrators of the various departments.

Although legally separate entities, we have two component units, Scarborough Economic Development Corporation and the 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	Scarborough Sanitary District
ecomaine (formerly Regional Waste)	Biddeford Saco Water District

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

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

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. Maine continues to lag behind the US in job growth. Not until 2016, will Maine exceed its pre-recession levels of employment, according to the New England Economic Partnership's current forecast. If Maine does recover the jobs, it will have taken eight years to reach 2008 employment levels. While job growth is slow, unemployment remains below the national rate at 6.7% for 2013.

Because of Maine's demographics, recovery continues to be impeded by the Great Recession. 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.

One bright spot in Maine's economic outlook is in Healthcare. Maine Department of Labor forecasts that healthcare practitioner and support worker jobs will increase 17% between 2010 and 2020, higher than all other major occupational groups and well above the six percent increase expected for all occupations. Employment within hospital settings will increase much faster than average and will account for most of the job increases.

Local Economy In contrast to the state of Maine, Scarborough maintained its competitive edge in 2014, once again outpacing most other communities for new development, new job growth and population growth.

Since 2010, Scarborough added 755 jobs, 439 residents and increased retail sales to \$479 million. The Average annual unemployment rate for Scarborough in calendar year 2013 was 4.7%.

In terms of diversity, three sectors dominate Scarborough's job market: health care (18.6%), retail trade (16.3%) and manufacturing (11.4%). Of the 146 new jobs added in 2013, 44 of them were in bioscience. Scarborough currently has 1,200 jobs in Pharmaceutical and Medicine Manufacturing in 2013, according to our source (EMSI, a proprietary data set provided by Camoin Associates). The average annual earnings for a job in this sector was \$138,623.

While retail is not a strong growth area for jobs on a regional basis, we do anticipate an uptick in retail sales and employment over the next two years. Just over 100,000 square feet of new retail space was approved in fiscal year 2014 for the lot next to Walmart. This space is already pre-leased with Home Goods, Marshalls and Bob's Discount Furniture as the primary tenants. While this pre-leasing is good news for Scarborough, it does not add to the regional economy since these stores are moving from a South Portland location. They are not net new jobs and sales to the region.

In bioscience manufacturing, Alere continues to thrive in Portland. This medical-device manufacturing firm is adding additional space in their current building and will be leasing another building within the Industrial park in 2014.

In Oak Hill, Biddeford Savings and Starbucks opened in April 2014. An 82-bed assisted living facility is still under construction. El Rayo, a successful Portland restaurant, completed their renovation of the Oak Hill Cumberland Farms. Their opening date of this satellite facility is set for July 2014. Town & County Credit Union's 40,000 square foot operations center was approved in FY 2014 and construction is underway.

While economic news in Scarborough is generally positive, Cole Haan did announce the closure of its Scarborough-based corporate headquarters. The company will consolidate its operations in New Hampshire. Approximately 120 jobs were affected by the consolidation effort. While 120 jobs were located in Scarborough, we do not know how many of the employees kept their positions in the new location. The company moved to Scarborough in 2011. Their closure does provide about 38,000 square feet of prime office space on the market, which is rare for the Scarborough market.

Comprehensive Plan. One of the key tasks of the Long Range Planning Committee (LRPC) is to facilitate the implementation and execution of the Town's Comprehensive Plan. During fiscal year 2014, the committee continued this tireless effort, with a focus on the Nonesuch golf course and surrounding area off Gorham Road west of the Maine Turnpike. Following the guidance of the Comprehensive Plan, the LRPC drafted new zoning ideas for the future growth of this area. More specifically, the committee worked with the residents and property owners in the area on a new zoning scheme that would allow a mix of residential and light commercial development for the area, so that when development occurs, it could serve as a transition from the more rural area west of the highway to the commercialized area around Payne Road. These zoning updates were presented to, and successfully adopted by the Town Council in June of 2014.

In addition, the Long Range Planning Committee and staff focused its efforts to continue to make the development review process in Scarborough more efficient and streamlined, while maintaining high standards for new development. To this end, the committee helped craft updates to our land use ordinances to enable the Town to become eligible for "municipal capacity" for the Maine Department of Environmental Protection's (MDEP) *Site Location of Development* review process that applies to larger development projects. These ordinance amendments were passed in the spring of 2014 by both the Town of Scarborough and MDEP, which gives the Scarborough Planning Board the ability to locally review projects that otherwise would go to the MDEP for Site Location and provides for a more efficient and streamlined review process.

The Town of Scarborough's Transportation Committee has been studying additional measures to implement the Town of Scarborough's 2011 Oak Hill Pedestrian Plan and make Oak Hill and the School campus increasingly safe and friendly to pedestrians, as well as for motorists and automobile traffic. These measures included a design for enhanced crosswalks and pedestrian islands at the Oak Hill intersection as well as new landscaped median islands and crosswalk improvements at Gorham Road and Hannaford Drive. Implementation is scheduled for fiscal year 2015.

On the regional front, the Town of Scarborough continues to work closely with many of our neighboring committees and the greater Portland region on a range of planning initiatives. Initiatives of note include:

- Partnering with the City of Saco on an interchange justification study, that examines the potential and opportunities for an additional highway interchange on the Maine Turnpike between exit 36 and exit 42,
- Continued work with the Saco Bay Sea Level Adaption Working Group,
- Participating on the Long Creek Watershed Board of Directors,
- Membership on the Planning, Technical and Executive Committees of PACTS (Portland Area Comprehensive Transportation System), and
- Membership on the Cumberland County Community Development Block Grant group.

All of these regional coalitions aid Scarborough in planning and coordinating regionally as well as help position us for State and Federal funding.

Major Initiatives:

For the year. Over the course of fiscal year 2014, the volume and pace of construction activity continued its upward trend as the local residential real estate market strengthened and interest in commercial and non-residential development expanded. To assist with this growing workload and to provide much greater efficiencies and coordination between the Planning Department and the Fire Department, the Town of Scarborough created a new and unique shared position of Commercial Code Enforcement Officer and Fire Inspector. The idea behind the new position came from the Scarborough Economic Development Corporation (SEDCO) Vision, which was a grassroots effort facilitated by the Scarborough Chamber of Commerce and SEDCO, during which the value of one staff person conducting commercial building inspections as well as fire inspection duties came to light. Further, this shared position can and has improved efficiency and coordination with commercial plan reviews, permitting and inspections, as well as better coordination with customers.

The Planning Department, in partnership with Public Works, continued to focus on transportation planning and improvements during 2014. These efforts involved working closely with the Town of Scarborough's Transportation Committee, particularly on sidewalk and other bicycle and pedestrian improvements in and around the Oak Hill area and the Eastern Trail. More specifically, Scarborough's Planning staff and the Transportation Committee oversaw the installation of a new sidewalk along Black Point Road between the Eastern Trail and Oak Hill along with a new signalized Eastern Trail crossing at Black Point Road. This sidewalk linkage ties the School and Municipal Campus's, Oak Hill Plaza and the general Oak Hill/Route One area to the the Eastern Trail as well as the homes and residential neighborhoods along Black Point Road, Eastern Road and beyond. Similarly, to improve the safety of trail users at the southern end of the corridor, the same crosswalk signal system was added at the Eastern Trail crossing on Pine Point Road.

In terms of notable new construction, a variety of new and on-going residential projects were inspected and received construction oversight, including Eastern Village, Dunstan Crossing, Settlers Green off of Highland Avenue and Homer Sands off Old Blue Point Road. On the commercial and non-residential front, some of the larger projects our inspectors worked on in 2014 were the new Biddeford Savings Bank and Starbucks development; a reconstruction of the McDonald's restaurant on Route One; the new Assisted Living facility on Black Point Road; and a new Town and Country Credit Union headquarters off US Route One.

The Benjamin Wentworth Intermediate School closed its doors in June of 2014, as students and staff prepared to transition to the nearly finished, brand-new, state-of-the-art Wentworth School in construction, next door. The 53-year-old building had deteriorated to the point where it had significant operational and safety deficits. The new construction project was initiated after community support was given by a referendum vote in 2011. Praise is being given on this construction project for its smooth progress, timely completion and finishing under budget. The new Wentworth School will officially open in September of 2014 and will serve the 700 students in grades three through five, as well as the Town of Scarborough's Community Services childcare program.

A new observation/viewing area was added to the existing concession stand at the high school fields. This project was fully funded through a reserve account set up to accumulate revenues generated from the use of the turf field.

During the fiscal year, the Fire Department continued its proactive work identifying potential grant opportunities to augment the funding we receive through local property tax revenues. The department was awarded a regional assistance to firefighters grant through the Federal Emergency Management Agency (FEMA) for \$225,090. This grant is a partnership with the eight departments surrounding the City of Portland that make up the Metro Fire Chief's Coalition. This group meets on a monthly basis to work on various projects and initiatives to increase efficiency and provide cost effective solutions to common problems. This particular grant funds 90% of the cost to train 24 of our current paramedics to the Community Paramedic certification level. As the new Affordable Care Act is implemented, we anticipate changes in how healthcare, including emergency medical services, are delivered and paid. Our goal is to train these current patient care providers to the next level so that we are prepared to meet the evolving healthcare needs of an aging population under this sweeping new federal legislation. The Fire Department received a 100% federally funded Homeland Security Grant of almost \$40,000, to make technology improvements to our Command Van, which included the installation of an updated satellite system. This grant will provide the resources to upgrade several technological items to keep the vehicle technologically viable. The van was originally purchased in 2006 with a combination of federal, county, and local funds.

In November of 2012, the voters overwhelmingly supported the purchase of a new ladder truck to replace the twenty-five year old apparatus then in service at Black Point station. Following the referendum vote, we conducted a formal bid process and awarded the contract to Smeal Fire Apparatus. On May 23, 2014, our newest fleet addition was officially placed in service.

This past year the Town of Scarborough undertook two new solar projects as we continue to work toward a greener Scarborough. The first project was at the fire station in North

Scarborough and the second project was the maintenance/ice rink facility for the Town, both projects helping to offset the energy requirements of these two buildings.

In fiscal year 2014, the Police Department chose to purchase two Dodge Chargers and two Ford SUVs. While deciding to go back to our original black and silver colors for the patrol vehicles, we also conducted a cost benefit analysis concerning the graphics on them. In the end, we found that it would be more cost effective to order the vehicles in a single color and then add a “wrap” to incorporate the silver color with the graphics applied to the wrap. We also anticipate an improved resale value with a single color vehicle that can have the wrap and lettering easily removed.

This fiscal year also saw Scarborough’s Public Safety communications center outfitted with the latest Next Generation (NG911) 911 equipment. This equipment and software was provided by the State of Maine to each of the existing 26 public safety-answering points (PSAP) around the state. As technology changes, this equipment will provide a number of advantages over the old system and has the built in flexibility to interact with more advanced features. These improvements are going to be particularly important for the Town of Scarborough as we were approached by the Town of Old Orchard Beach to provide dispatch services for them. Staff at the Town of Old Orchard Beach approached the Town of Scarborough and requested that we explore the possibility of having our communications center provide PSAP and dispatching services to their community. After many meetings and much exploration, the town councils of both communities entered into a contract to provide these services. The anticipated start date for this service is February 1, 2015.

The Scarborough Police Department continues to make valuable use of social media. During fiscal 2014, the Police Facebook page has been responsible for solving a number of crimes as well as locating suspects and keeping citizens up to date on scams, crime trends, road closures, and weather related incidents and warnings.

In FY 2014, Public Works spent \$807,001 on paving and road improvements. While liquid asphalt prices have leveled off, the cost of pavement remains high at \$67.00 - \$70.00 per ton. Eight roads received treatments ranging from pavement overlay to full depth reclamation based on their condition and amount of daily traffic.

The Town of Scarborough initiated a town-wide GIS update during the year. This GIS update is a resource used by most town departments. The information contained in the GIS is also available to the public at www.scarboroughmaine.org/departments/public-works/webgis. This new version is much more user friendly.

For the future. The Planning Board and staff reviewed a range of residential and non-residential development projects and issued final approvals. A few of the more notable projects approved include: a new climbing facility on Haigis Parkway; a new 11-lot single-family subdivision off Ash Swamp Road; a new office building and credit union headquarters on Little Dolphin Drive off Route One; and a new family wellness center at 433 Route One.

The next energy efficient project to help further the Town of Scarborough's green efforts will be a tri-generational natural gas-fired generator for the municipal building. Estimated completion date of this is September 2015.

The first phase of the "Pleasant Hill Drainage and Road Reconstruction Project" is underway. This two-year project will consist of rebuilding the road from Highland Avenue to Route One. This segment of road has an average daily trip count of ten thousand vehicles per day thus making it a good candidate for reconstruction. A Municipal Partnership Agreement with the Maine Department of Transportation (MDOT) provides partial funding for this work. The next major project will be on the southern side of Scarborough on East Grand Avenue. The reconstruction of East Grand Avenue is scheduled in the five-year plan. It is the Town of Scarborough's hope that we will once again be successful in securing Municipal Partnership Agreement funding through the MDOT for this project. The timing is favorable as MDOT plans to replace the railroad bridge on Pine Point Road starting in the fall of 2015.

Scarborough has received MDOT funding for the partial completion of the Eastern Trail project from Pleasant Hill Road to the Wainwright Recreation Complex in South Portland. This project will narrow the gap between our two communities and further the development of the Eastern Trail project. The last proposed project for the Eastern Trail in Scarborough will be an estimated \$2.5 million project between the Nonesuch River and Pleasant Hill Road. This is considered the most costly section of the Eastern Trail project in Scarborough. The area requires two new bridges that will span the river and the Amtrak train corridor.

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

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 2014 value by \$28,630,400 from 2013. For the 2013 tax year, the valuation was \$3,631,675,300 compared to the 2014 valuation of \$3,660,305,700.

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

<u>As of June 30, 20xx</u>	<u>As of June 30, 2014</u>
\$507,075 in 2010	\$20,226
\$603,735 in 2011	\$25,105
\$581,380 in 2012	\$25,766
\$641,719 in 2013	\$221,005
\$749,380 in 2014	\$749,380

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

The Town of Scarborough's management is committed to properly safeguarding, managing and accounting for the Town's assets by implementing internal controls with policies and procedures at all levels. The Town's written policies and procedures clearly state which individual positions have the authority to authorize and/or access each different type of transaction. We have a structured segregation of specific duties in place and employees are educated on understanding the purpose and importance of internal controls. The Town's accounting system that all of the assets and liabilities transactions are recorded into includes control features such as system generated sequential numbering, segregated approval requirements, email work flow notifications and audit trails. The Town of Scarborough's electronic banking system requires multiple approvals and the use of security tokens to authorize electronic transfers. Hardcopy records are accessible only to authorized personnel. Not one person has solo full access to any one process. Management routinely reviews and reconciles the Town's accounts and follows up on all indications of potential errors or irregularities. The Town's accounting system hardware is overseen by the Municipality's Information Technology Department, which is housed in an environmentally secured computer room and the information is backed-up every night off site.

OTHER INFORMATION

Awards. The Fire Department and Planning Department were recognized by the Greater Portland Council of Governments (GPCOG) with their ReCOGNition Award for our shared fire inspector/commercial code enforcement officer position.

The Fire Department and Police Department received a Healthy Workplace Award from the State chapter of the American Psychological Association for our resiliency project and other employee centered initiatives.

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 2014. This audit is designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133.

Acknowledgements. I would like to acknowledge the Town Manager and the Town Council for their forward, progressive planning and conducting operations of the Town. Thank you for interest and support. In addition, I would like express my appreciation to the department administrators for their contributions to this report. This report is prepared with the accomplished, efficient and dedicated services of the Finance staff. Special thanks to Gina Clukey, Deputy Finance Director for her dedication and loyalty, and the countless hours contributed in preparation of this report and to all the Finance staff for their valuable assistance. Finally, I would like to acknowledge the firm of Macpage LLC for their efforts and guidance during the engagement.

Respectfully Submitted,

Ruth D. Porter
Finance Director



Government Finance Officers Association

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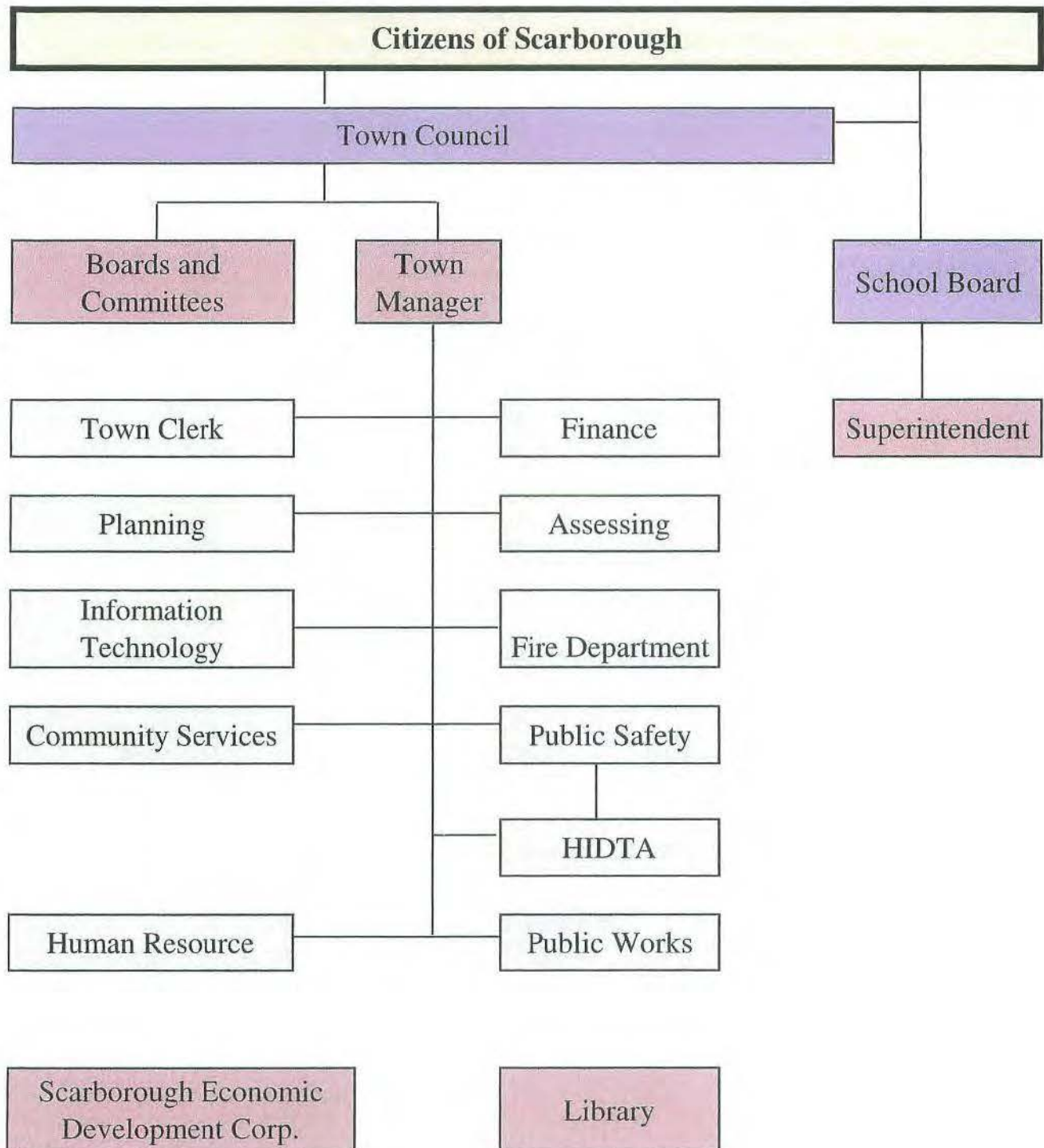
June 30, 2013

Executive Director/CEO

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Town of Scarborough, Maine

Organizational Chart



Principal Executive Officers 2013-2014

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>
Councillors	Richard Sullivan, Jr., Chrmn.	Elected - 3 Year Term	11/19/2014
	James Benedict	Elected - 3 Year Term	11/19/2014
	Edward Blaise	Elected - 3 Year Term	11/18/2015
	Jean-Marie Caterina	Elected - 3 Year Term	11/16/2016
	William Donovan	Elected - 3 Year Term	11/16/2016
	Jessica Holbrook	Elected - 3 Year Term	11/18/2015
	Katherine St. Clair	Elected - 3 Year Term	11/19/2014
Municipal Employees:			
Town Mgr.	Thomas J. Hall	Appointed - 3 Year Term	12/31/2018
Town Clerk/Registrar of Voters	Yolande P. Justice	Appointed/Indefinite	N/A
Tax Collector/Finance Director and Treasurer	Ruth D. Porter	Appointed/Indefinite	N/A
Assessor	William Healey	Appointed/Indefinite	N/A
Chief of Police	Robert Moulton	Appointed/Indefinite	N/A
Code Enforcement Officer	Brian Longstaff	Appointed/Indefinite	N/A
Director of Public Works	Michael Shaw	Appointed/Indefinite	N/A
Fire Chief	B. Michael Thurlow	Appointed/Indefinite	N/A
Town Planner	Dan Bacon	Appointed/Indefinite	N/A
Senior Planner	Jay Chace	Appointed/Indefinite	N/A
Recreation Director	Bruce Gullifer	Appointed/Indefinite	N/A
Human Resource/General Ass't.	Jaclyn Mandrake	Appointed/Indefinite	N/A
Economic Development Director	Karen Martin	Appointed/Indefinite	N/A
School Board:			
Members, Board of Education	Christine Massengill, Chrmn.	Elected - 3 Year Term	11/19/2014
	Donna Beeley	Elected - 3 Year Term	11/18/2015
	Christopher Caiazzo	Elected - 3 Year Term	11/18/2015
	Jane Leng	Elected - 3 Year Term	11/16/2016
	Kelly Noonan Murphy	Elected - 3 Year Term	11/21/2014
	Jacqueline Perry	Elected - 3 Year Term	11/18/2015
	Jodi Shea	Elected - 3 Year Term	11/16/2015
Superintendent of Schools	Dr. George Entwistle, III	Appointed/Indefinite	N/A
Assistant Superintendent of Schools/Adult Education Director	Jo Ann Sizemore	Appointed/Indefinite	N/A
Business Office Manager	Kate Bolton	Appointed/Indefinite	N/A
School Lunch Director	Judy Campbell	Appointed/Indefinite	N/A
Federal Project Administrators:	Monique Culbertson		
	Kate Bolton		



FINANCIAL SECTION

TOWN OF SCARBOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Independent Auditors' Report

Town Council
Town of Scarborough, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine (the Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2014 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 71, 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 – 137, 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, 2013, 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, 2013 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, 2013 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, 2013 combining statements for the General Fund Balance Sheet, Exhibit A-1, and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, Exhibit A-2, are fairly stated in all material respects, in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, 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.

Macfay LLC

South Portland, Maine
February 26, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SCARBOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2014

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, 2014. 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 \$61,844,176 (net position). Of this amount, \$3,907,583 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 \$2,118,224. This represents a 3.5% increase over last year's net position.
- As of June 30, 2014, the Town's governmental funds reported combined fund balances of \$23,145,123 a decrease of \$12,984,169 compared with the prior year. Approximately 19.94% of this amount or \$4,472,007 is available for spending at the Town's discretion (*assigned and unassigned fund balance*).
- Total nonspendable fund balance increased by \$3,070 from \$193,315 to \$196,385. Restricted fund balance decreased by \$14,710,178 from \$28,288,762 to \$13,578,584. Total committed fund balance increased by \$161,494 from \$4,736,653 to \$4,898,147. Assigned fund balance increased by \$359,464 from \$2,024,920 to \$2,384,384. Finally, the unassigned fund balance for the governmental funds increased by \$1,291,981 from \$795,642 to \$2,087,623.
- With respect to fund balances in the governmental funds, of the \$9,370,154 reported as committed (authorized by town council), assigned (authorized by town manager) and unassigned fund balance, \$4,392,252 are special revenue funds authorized for specific projects and the remaining amount of \$4,977,902 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, 2014, unrestricted fund balance for the general fund was \$6,213,282 or 8.31% of the total general fund expenditures of \$74,811,488. This is the first time since the Fund Balance policy was adopted, that the Town has been so close to reaching its goal of 8.33%.
- Total debt increased by \$1,715,000 from the prior year. Total debt retired was \$4,790,000. Total debt issued was \$6,505,000 in general obligation bonds.

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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

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

The Municipal Building Fund, General Town Improvement and General School Improvement accounts are not considered major funds and are provided in the form of combining statements elsewhere in this report. The Wentworth School Construction Project is considered a major fund and shows as a separate fund on Statements 3 and 4 of the basic financial statements. As of June 30, 2014, the Town borrowed \$35,784,815, excluding any bond premium, towards this project not to exceed \$39,077,594 by voter referendum. It is anticipated that the Town will not need to borrow the remaining funds for the Wentworth project. The non-major capital projects fund financial statements are found on pages 95 – 96 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 \$61,844,176 as of June 30, 2014.

By far, the largest portion of the Town of Scarborough's Net Position (87.13%) 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>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current and other assets	\$ 31,424,076	\$ 44,406,380	\$ 38,231,976
Long term assets	1,590,789	1,821,073	2,351,534
Capital Assets	<u>143,599,908</u>	<u>126,890,790</u>	<u>113,358,707</u>
Total Assets	<u>176,614,773</u>	<u>173,118,243</u>	<u>153,942,217</u>
 Total deferred outflows of resources	 <u>2,418,684</u>	 <u>2,544,244</u>	 <u>1,942,469</u>
Total Deferred outflows	<u>2,418,684</u>	<u>2,544,244</u>	<u>1,942,469</u>
 Liabilities:			
Long term liabilities outstanding	107,797,074	100,973,990	84,966,464
Other liabilities	<u>9,392,207</u>	<u>14,962,547</u>	<u>13,310,427</u>
Total Liabilities	<u>117,189,281</u>	<u>115,936,537</u>	<u>98,276,891</u>
 Net assets:			
Net investment in capital assets	53,887,278	49,823,697	54,339,258
Restricted	4,049,315	3,555,142	1,111,295
Unrestricted	<u>3,907,583</u>	<u>6,347,111</u>	<u>2,127,242</u>
Total Net Position	<u>\$ 61,844,176</u>	<u>\$ 39,723,950</u>	<u>\$ 37,577,795</u>

\$4,049,315 (6.55%) 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 \$3,907,583, 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

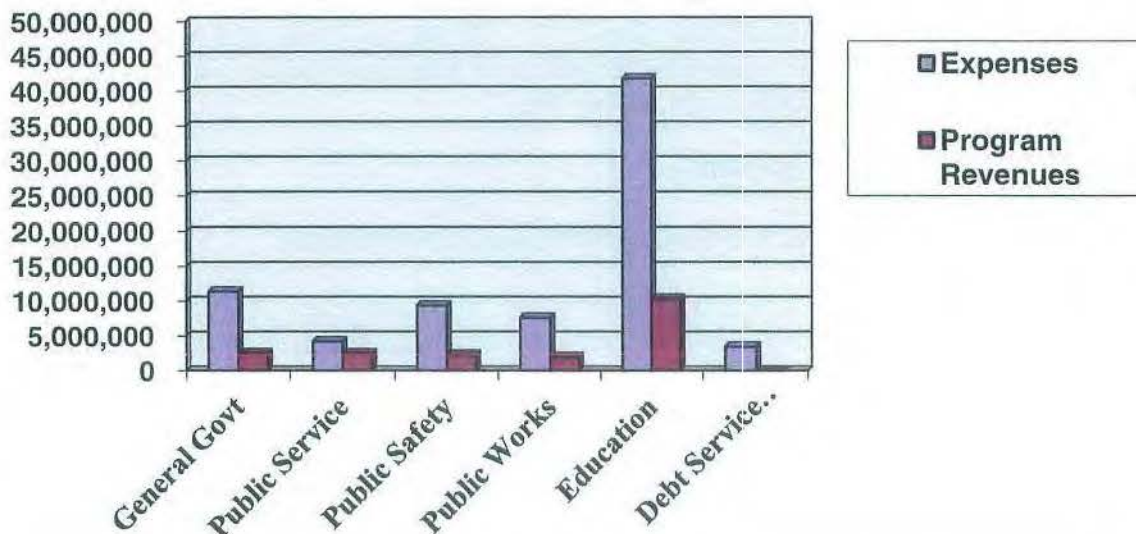
GOVERNMENTAL ACTIVITIES. The increase pertaining to the Town of Scarborough's net position of \$2,118,224 is due to the governmental activities of the Town. While the Town of Scarborough's non-tax revenues decreased by \$662,668, tax revenues increased by \$4,399,064. Increase in taxes is due in small part to an increase in the overall assessed valuation of \$28,630,400 from \$3,631,675,300 to \$3,660,305,700. Additionally, vehicle excise tax collections increased by \$396,058 from the prior year. Property tax revenues also increased to offset the loss of intergovernmental revenues of \$1,047,804 from 2013. Finally, the Town of Scarborough property taxes increased as the Town worked to restore positions in the education department lost as a result of the most recession and to continue implementing the Fire Department staffing plan.

Key components of this increase are shown below.

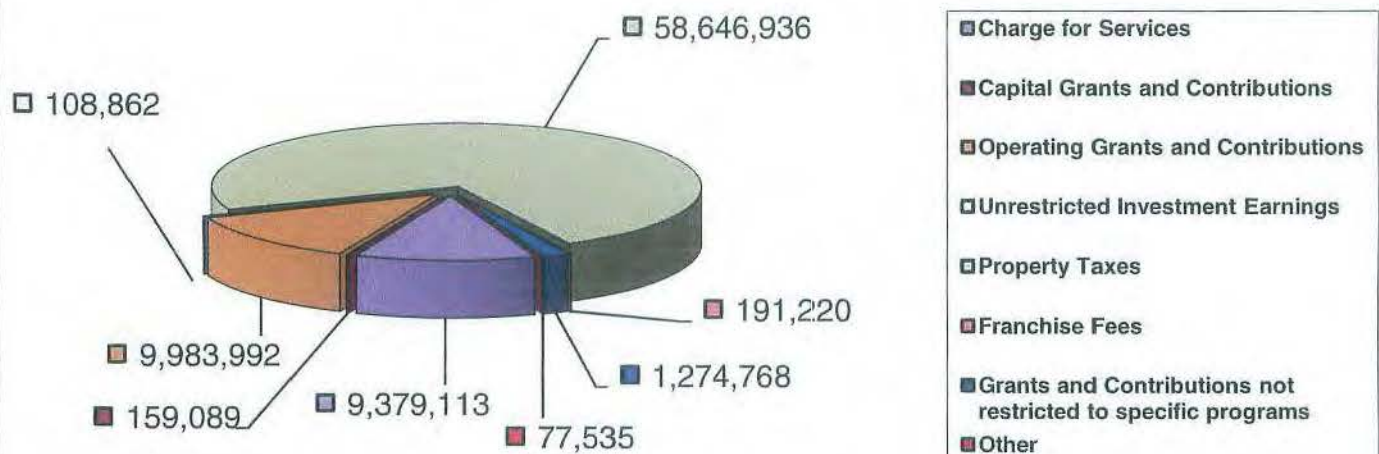
Town of Scarborough's Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 9,379,113	\$ 8,933,724
Operating grants and contributions	9,983,992	9,912,515
Capital grants and contributions	159,089	97,351
General Revenues:		
Property and excise taxes, levied for general purposes	58,646,936	54,247,872
Franchise Tax	191,220	194,771
Grants and contributions not restricted to specific programs	1,274,768	2,189,551
Unrestricted investment earnings	108,862	42,573
Other	77,535	466,762
Total revenues	79,821,515	76,085,119
Expenses:		
General government	11,346,043	11,413,745
Public Services	4,188,079	3,851,672
Public Safety	9,362,899	8,555,020
Public Works	7,617,844	7,874,408
Education	41,772,944	39,167,124
Interest on Debt Service	3,415,482	3,074,995
Total expenses	77,703,291	73,936,964
Increase in net position	2,118,224	2,148,155
Net position beginning	59,725,952	57,577,795
Net position ending	\$ 61,844,176	\$ 59,725,950

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, 2014, the Town of Scarborough's governmental funds reported combined fund balances of \$23,145,123. This is a decrease of \$12,894,169 in comparison with the prior year. Approximately 9.02% of this amount or \$2,087,623 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 (\$196,385), 2) restricted for particular purposes (\$13,578,584), 3) committed for particular purposes (\$4,898,147) or 4) assigned for a particular purpose (\$2,384,384).

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>2014</u>	<u>2013</u>
General Fund	\$ 9,608,488	\$ 9,057,646
Wentworth School Construction	6,401,250	20,596,380
Haigis Parkway	(1,029,143)	(601,113)
Other Governmental Funds	8,164,528	6,986,379
Total	\$ 23,145,123	\$ 36,039,292

As noted earlier, governmental funds reported combined fund balances of \$23,145,123, a decrease of \$12,894,169 compared with the prior year fund balances of \$36,039,292. Of the \$9,370,154 reported as unrestricted fund balance (total of committed, assigned and unassigned), \$3,363,109 are for special revenue fund projects authorized for specific purposes. The capital projects fund has a deficit of (\$206,237) to be funded in future periods from TIF revenues. \$6,213,282 is available for general fund committed and assigned purposes for which these funds are collected.

The remaining \$13,774,969 of fund balance is restricted to indicate that it is not available for new spending because it has already been allocated for the following:

\$ 2,838,565	Deficit Fund Balances in Special Revenues and Capital Projects Funds
2,848,592	Town Capital Projects
385,995	Town Grants
220,358	Perpetual Care of Municipal Cemeteries
7,419,852	Education Funding - including Wentworth School - major fund
61,607	Food Service and Fuel Inventory
<u>\$ 13,774,969</u>	Total Governmental Fund Nonspendable and Restricted Fund Balance

Capital Projects Fund Highlights

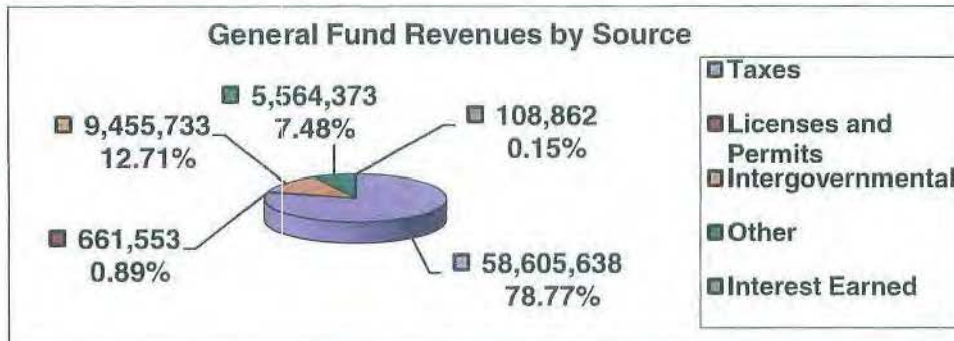
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased \$13,307,134 from \$22,595,638 in 2013 to \$9,288,504 in 2014. Expenditures increased \$3,605,795, from \$16,219,260 in 2013 to \$19,825,055 in 2014. These increases in fund balance and expenditures are due 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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

General Fund Highlights

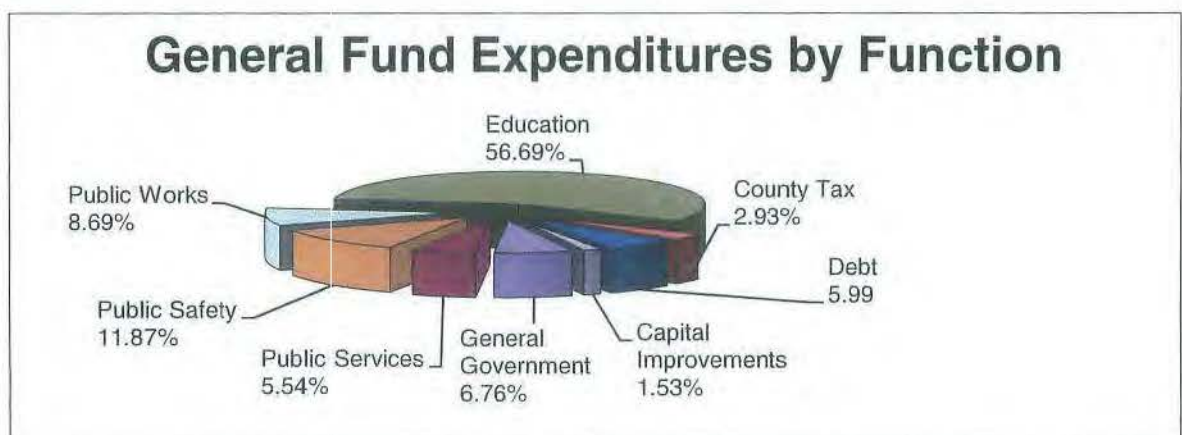
The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2014, total fund balance was \$9,608,488 reflecting an increase of \$550,842 compared to the prior year. Unassigned fund balance in the General Fund was \$3,376,747 compared to total fund balance of \$9,608,488. As 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 4.51% of total general fund expenditures while total fund balance represents 12.84% of that same amount.

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



Property Tax revenues increased \$3,998,307 from 2013 to 2014 compared to the 2012 to 2013 increase of \$3,608,857. 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 \$947,361 while expenditures came in under budget by \$387,758.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

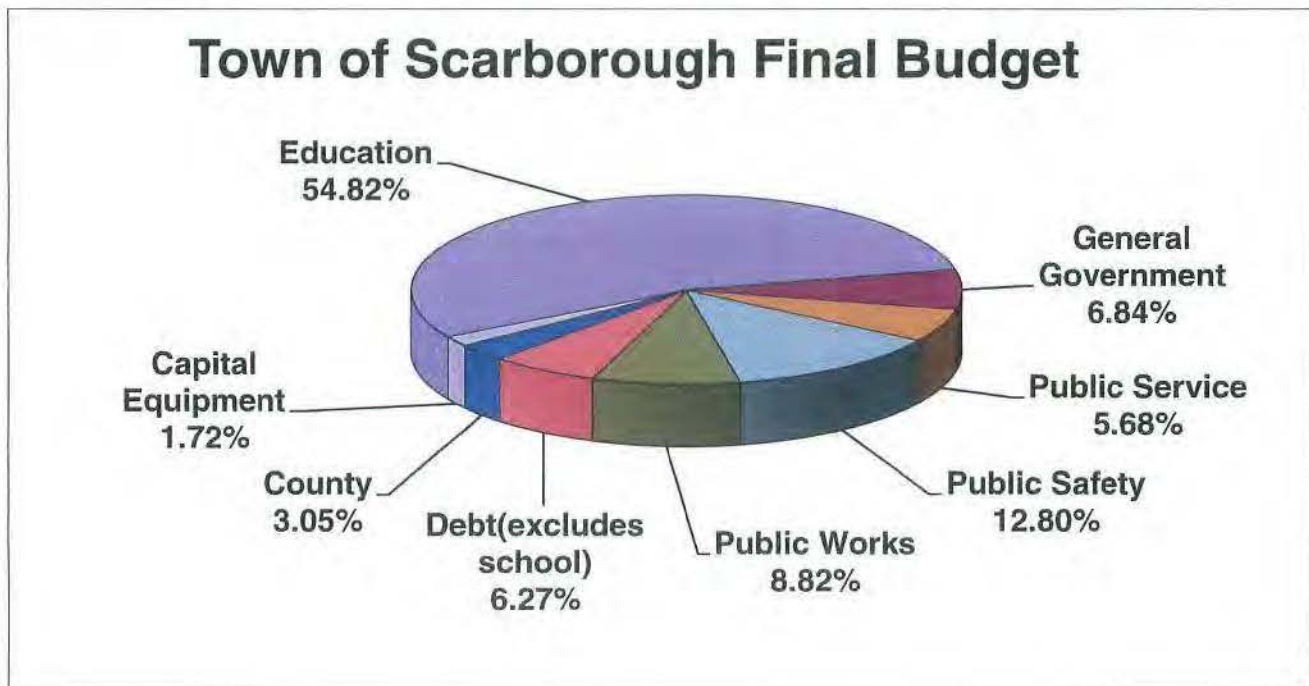
Total general fund expenditures increased \$3,308,251 or 4.85% compared to the prior year. The factors for this increase are:

- General Government increased 10.18% because of hiring new technology staff and legal costs associated with property tax abatement appeals,
- Public Service increased 5.47% due to community services programs and library funding increases,
- Public Safety increased 3.51% due to the increase in fire and police personnel,
- Public Works decreased 2.68% mostly due to the reduced solid waste tipping fees and assessments,
- Education increased 8.22% to offset increased costs for contractual personnel and program restorations,
- County Tax increased 5.72% to help offset the costs of Cumberland County,
- Town Debt (excludes school debt) decreased 9.54% due to refunding of debt and
- Capital Improvements decreased 8.86%. 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 2014, a total of \$1,584,384 was set aside for prior year encumbrances and commitments. There were no budget amendments in fiscal 2014. The final operating budget for fiscal year 2014 amounted to \$71,864,551 compared to \$69,649,893 for fiscal year 2013. More than 91% 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:



TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2014, amounts to \$143,599,908 (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 11.94%. 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>2014</u>	<u>2013</u>
Land	\$ 6,386,622	\$ 6,386,622
Buildings	51,255,940	51,862,825
Vehicles	5,721,347	5,559,483
Equipment & Furniture	1,510,306	1,647,901
Infrastructure	45,429,087	43,605,593
Construction in Progress	33,296,606	17,828,366
Total	<u>\$ 143,599,908</u>	<u>\$ 126,890,790</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, 2014 related mostly to the improvements to the roads and culverts and to the construction in progress of the new Wentworth School.

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

Long-term Debt. As of June 30, 2014, the Town had long-term bonds outstanding of \$97,895,000 compared to \$96,180,000 in the prior year resulting in a 1.78% increase. This debt is backed by the full faith and credit of the Town of Scarborough.

During fiscal year ending June 30, 2014, the Town of Scarborough issued \$6,505,000 in bonds. This bond issue was all new money for various capital projects, the largest of which is the Wentworth School Construction Project final borrowing for \$1,969,815.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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

	Outstanding Debt General Obligation Bonds		
	2014	2013	2012
Municipal	\$ 25,490,280	\$ 25,312,482	\$ 25,944,118
Education	64,467,573	62,846,518	48,200,882
Sewer	7,937,147	8,021,000	8,105,000
Total Debt	\$ 97,895,000	\$ 96,180,000	\$ 82,250,000

Moody's Investors Service has given the Town of Scarborough a bond rating of "Aa3" and affirmed the Aa3 rating on all of the town's outstanding debt. Per Moody's Investors Service rating report dated April 24, 2014, "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 and a manageable pension burden as strengths 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 its "AA" long-term rating to the Town of Scarborough, Maine's series 2014 general obligation (GO) bonds and affirmed its AA long-term rating and underlying rating on the town's existing GO debt. S&P's rating reflects their opinion of the Town's:

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

Additional information on both of these bond ratings can be found on the Town of Scarborough's website at: <http://www.scarboroughmaine.org/departments/finance/accounting>.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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 2015 were to:

1. Advocate for the Town of Scarborough with our State Legislature,
2. Flat 0% Spending/Stable Tax Rate,
3. maximize non-property tax revenues,
4. Conservative Budget Assumptions, and
5. Capital Budgeting.

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 2015 Town of Scarborough budget includes funding for six new municipal positions as follows:

one part time Community Service position and one Public Work's position to become one full time position; one Information Technology field technician;
one vehicle maintenance mechanic and
three new dispatcher positions.

The Town of Scarborough will begin dispatch services for our neighboring community of Old Orchard Beach, Maine in February 2015. 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 7.02% 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 2011. Since 2012, fund balance appropriations have been appropriated to help offset the costs association with the Scarborough Education Budget. While the Town of Scarborough has appropriated a portion of its unassigned fund balance each year, since 2012, revenues exceeded expenditures and therefore the use fund balance was not needed.

2011	\$1,150,000
2012	\$ 600,000
2013	\$ 200,000
2014	\$ 200,000
2015	\$ 800,000

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 2013, 2014 and 2015 budgets (excluding carryforwards).

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Administration	\$ 2,049,708	\$ 1,953,976	\$ 1,985,756
Finance Department	1,028,033	1,013,837	988,051
Information Systems	1,120,568	942,328	790,865
Planning Department	917,045	907,118	792,249
Community Services	2,309,723	2,246,928	2,162,670
Library	953,583	891,884	847,425
Economic Development	205,257	224,182	177,620
General Assistance/Affordable Hsg	27,883	27,611	22,373
Fire/Rescue/EMA Department	4,110,131	3,904,485	3,736,655
Public Safety Department	5,578,248	5,254,329	5,075,309
Public Works Department	6,359,496	6,294,820	6,477,260
Debt Service	4,641,657	4,508,353	4,732,060
Capital Equipment	1,879,364	923,700	1,406,500
Total Municipal Operating	31,180,696	29,093,551	29,194,793
Education	42,165,315	39,474,516	37,420,562
County Tax	2,355,415	2,193,813	2,075,183
Total Operating Budget	44,520,730	41,668,329	39,495,745
School Food Services	1,485,180	1,415,040	1,445,586
Capital Improvement-Municipal	2,240,460	2,683,426	1,821,605
Capital Improvement-School	1,786,153	1,705,425	650,000
TIFs and Overlay	1,233,880	1,223,908	1,159,998
Total Budget	\$ 82,447,099	\$ 77,789,679	\$ 73,767,727

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Scarborough's finances for all those with an interest in the Town of Scarborough. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town of Scarborough, Maine P.O. Box 360, Scarborough, Maine 04070-0360, phone 207-730-4081 or e-mail rporte@ci.scarborough.me.

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BASIC FINANCIAL STATEMENTS

TOWN OF SCARBOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWN OF SCARBOROUGH, MAINE
Statement of Net Position
June 30, 2014

	Governmental Activities	Component Units Public Library	Economic Development
ASSETS			
Cash and cash equivalents	\$ 14,031,784	59,634	33,648
Investments	14,876,111	644,984	-
Receivables:			
Accounts	1,021,364	4,652	-
Intergovernmental	298,993	-	15,166
Taxes receivable	143,405	-	-
Tax liens	983,581	-	-
Tax acquired property	7,231	-	-
Inventory	61,607	874	-
Prepaid items	-	164	-
Notes receivable	1,590,789	-	-
Capital assets, not being depreciated	39,683,228	-	-
Capital assets, net	103,916,680	952,823	10,038
Total Assets	176,614,773	1,663,131	58,852
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,418,684	-	-
Total deferred outflows of resources	2,418,684	-	-
LIABILITIES			
Accounts payable and other current liabilities	4,655,119	20,217	168
Accrued payroll and other related liabilities	4,114,853	31,098	3,887
Taxes collected in advance	32,933	-	-
Accrued interest	589,302	-	-
Noncurrent liabilities:			
Due within one year	5,781,109	-	-
Due in more than one year	102,015,965	-	-
Total Liabilities	117,189,281	51,315	4,055
NET POSITION			
Net investment in capital assets	53,887,278	952,823	10,038
Restricted for:			
Nonexpendable trust principal	134,778	104,509	-
Expendable trust - income portion	85,580	-	-
Town grants and projects	3,320,167	-	-
Education	508,790	-	-
Unrestricted	3,907,583	554,484	44,759
Total Net Position	\$ 61,844,176	1,611,816	54,797

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2014

For the year ended June 30, 2014					Net (expense) revenue and changes in net assets		
Functions/programs	Expenses	Program revenues			Primary government	Component unit	Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Public Library	Economic Development
Primary government:							
Governmental activities:							
General government	\$ 11,346,043	1,868,477	467,231	159,089	(8,851,246)	-	-
Public services	4,188,079	2,481,387	1,600	-	(1,705,092)	-	-
Public safety	9,362,899	2,156,498	122,230	-	(7,084,171)	-	-
Public works	7,617,844	1,590,382	350,248	-	(5,677,214)	-	-
Education	41,772,944	1,282,369	9,042,683	-	(31,447,892)	-	-
Interest on debt service	3,415,482	-	-	-	(3,415,482)	-	-
Total governmental activities	77,703,291	9,379,113	9,983,992	159,089	(58,181,097)	-	-
Total primary government	\$ 77,703,291	9,379,113	9,983,992	159,089	(58,181,097)	-	-
Component units:							
Scarborough Public Library	\$ 1,152,740	-	1,125,552	-	-	(27,188)	
Scarborough Economic Develop.	198,920	-	189,925	-	-		(8,995)
General revenues:							
Property taxes, levied for general purposes				\$ 53,825,885	-	-	
Excise taxes				4,651,211	-	-	
Payments in lieu of taxes				71,450	-	-	
Interest and costs on taxes				98,390	-	-	
Franchise Tax				191,220	-	-	
Grants and contributions not restricted to specific programs:							
Homestead exemption and business equipment exemption				351,812	-	-	
Other State aid				131,136	-	-	
State Revenue Sharing				791,820	-	-	
Unrestricted investment earnings				108,862	-	-	
Other				77,535	-	-	
Total general revenues				60,299,321	-	-	
Change in net position					2,118,224	(27,188)	(8,995)
Net position - beginning,					59,725,952	1,639,004	63,792
Net position - ending					\$ 61,844,176	1,611,816	54,797

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2014

	General	Performance Bonds	Wentworth School Construction	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 10,878,727	69,451	2,626,350	-	457,256	14,031,784
Investments	376,822	265,234	5,789,517	-	8,444,538	14,876,111
Receivables:						
Accounts	735,264	-	-	-	169,985	905,249
Intergovernmental	198,794	-	-	-	100,199	298,993
Taxes receivable	143,405	-	-	-	-	143,405
Tax liens	983,581	-	-	-	-	983,581
Interfund loans receivable	3,132,347	-	-	-	87,433	3,219,780
Tax acquired property	7,231	-	-	-	-	7,231
Inventory	47,851	-	-	-	13,756	61,607
Notes receivable	-	-	-	1,590,789	-	1,590,789
Total assets	\$ 16,504,022	334,685	8,415,867	1,590,789	9,273,167	36,118,530
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	1,680,911	-	2,014,617	-	508,791	4,204,319
Accrued payroll and other related liabilities	4,114,853	-	-	-	-	4,114,853
Accrued compensated absences	94,915	-	-	-	-	94,915
Interfund loans payable	-	-	-	2,619,932	599,848	3,219,780
Taxes collected in advance	32,933	-	-	-	-	32,933
Performance bond deposits	-	334,685	-	-	-	334,685
Total liabilities	5,923,612	334,685	2,014,617	2,619,932	1,108,639	12,001,485
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	971,922	-	-	-	-	971,922
Total deferred inflows of resources	971,922	-	-	-	-	971,922
Fund balances:						
Nonspendable Permanent Fund Principal	-	-	-	-	134,778	134,778
Nonspendable Inventory	47,851	-	-	-	13,756	61,607
Restricted for Town	2,838,565	-	-	-	3,320,167	6,158,732
Restricted for Education	508,790	-	6,401,250	-	509,812	7,419,852
Committed - General Fund	452,151	-	-	-	-	452,151
Committed - Education	-	-	-	-	26,637	26,637
Committed - Special Revenues	-	-	-	-	4,419,359	4,419,359
Assigned - General Fund	1,584,384	-	-	-	-	1,584,384
Assigned - Education	800,000	-	-	-	-	800,000
Unassigned Town	3,376,747	-	-	(1,029,143)	(259,981)	2,087,623
Total fund balances	9,608,488	-	6,401,250	(1,029,143)	8,164,528	23,145,123
Total liabilities, deferred inflows of resources						
and fund balances	\$ 16,504,022	334,685	8,415,867	1,590,789	9,273,167	
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.						143,599,908
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						971,922
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.						
Bonds payable, including issuance premiums						(103,369,487)
Deferred charge on refunding						2,418,684
Capital leases						(597,244)
Accrued interest						(589,302)
Landfill liability						(417,233)
Other postemployment benefits liability						(1,353,397)
Accrued compensated absences						(1,964,798)
Net position of governmental activities						\$ 61,844,176

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, 2014

	General	Performance Bonds	Wentworth School Construction	Haigis Parkway Assessments	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 58,603,638	-	-	-	220,350	58,823,988
Licenses and permits	661,553	-	-	-	-	661,553
Intergovernmental	9,455,733	-	-	-	1,520,417	10,976,150
Interest earned	108,862	-	50,785	14,157	56,188	229,992
Donations	-	-	-	-	214,623	214,623
Sale of lots	-	-	-	-	3,420	3,420
Assessments and impact fees	-	-	-	-	1,707,135	1,707,135
Other	5,564,373	-	-	-	1,477,213	7,041,586
Total revenues	74,396,159	-	50,785	14,157	5,199,346	79,660,447
Expenditures:						
Current:						
General government	5,059,198	-	-	142,032	-	5,201,230
Public services	4,146,541	-	-	-	-	4,146,541
Public safety	8,879,022	-	-	-	-	8,879,022
Public works	6,502,618	-	-	-	-	6,502,618
Education	42,413,258	-	16,215,730	-	2,366,491	60,995,479
County tax	2,193,813	-	-	-	-	2,193,813
Debt service	4,470,950	-	-	-	-	4,470,950
Capital improvements	1,146,088	-	-	-	3,997,558	5,143,646
Other	-	-	-	-	1,775,426	1,775,426
Total expenditures	74,811,488	-	16,215,730	142,032	8,139,475	99,308,725
Excess (deficiency) of revenues over expenditures	(415,329)	-	(16,164,945)	(127,875)	(2,940,129)	(19,648,278)
Other financing sources (uses):						
Transfers in	561,290	-	-	90,320	718,909	1,370,519
Transfers out	(315,652)	-	-	(390,475)	(664,392)	(1,370,519)
Proceeds from capital leases	249,109	-	-	-	-	249,109
Refunding bond issued	-	-	-	-	-	-
Premium paid on refunded debt	-	-	-	-	-	-
Premium paid on issued debt	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-
General obligation bonds	471,424	-	1,969,815	-	4,063,761	6,505,000
Total other financing sources (uses)	966,171	-	1,969,815	(300,155)	4,118,278	6,754,109
Net change in fund balances	550,842	-	(14,195,130)	(428,030)	1,178,149	(12,894,169)
Fund balances, beginning of year	9,057,646	-	20,596,380	(601,113)	6,986,379	36,039,292
Fund balances (deficit), end of year	\$ 9,608,488	-	6,401,250	(1,029,143)	8,164,528	23,145,123

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, 2014

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)	\$	(12,894,169)
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Governmental funds report capital outlays as expenditures.

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

Capital outlays	\$21,839,620	16,709,116
Depreciation expense	(3,201,980)	
Net book value of dispositions	(1,928,524)	

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

161,068

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	26,362	
Landfill	4,050	
Compensated absences	(111,115)	
Other postemployment benefits liability	(202,198)	

Repayment of capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position.

274,199

Capital assets financed with capital leases is reported in the governmental
 funds as a source of financing. However, the capital leases are not revenues
 in the statement of activities, but rather, constitute long-term liabilities in
 the statement of net position.

(249,109)

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

General obligation bond proceeds	\$ (6,505,000)	
General obligation bond payments	4,790,000	
Amortization of Bond Premiums	240,580	
Amortization of Deferred Charge	(125,560)	(1,599,980)

Change in net position of governmental activities (see Statement 2)	\$	2,118,224
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See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the year ended June 30, 2014

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 58,215,070	58,215,070	58,605,638	390,568
Licenses and permits	626,205	626,205	661,553	35,348
Intergovernmental	6,450,002	6,450,002	6,344,733	(105,269)
Interest earned	15,000	15,000	108,862	93,862
Unclassified	5,031,521	5,031,521	5,564,373	532,852
Total revenues	70,337,798	70,337,798	71,285,159	947,361
Expenditures:				
Current:				
General government	4,905,259	4,905,259	5,059,198	(153,939)
Public services	4,080,010	4,080,010	4,146,541	(66,531)
Public safety	9,200,409	9,200,409	8,879,022	321,387
Public works	6,341,926	6,341,926	6,502,618	(160,692)
Education	39,399,516	39,399,516	39,078,563	320,953
County tax	2,193,813	2,193,813	2,193,813	-
Debt service	4,508,353	4,508,353	4,470,950	37,403
Capital improvements	1,235,265	1,235,265	1,146,088	89,177
Total expenditures	71,864,551	71,864,551	71,476,793	387,758
Deficiency of revenues under expenditures	(1,526,753)	(1,526,753)	(191,634)	1,335,119
Other financing sources (uses):				
Transfers in	702,000	702,000	561,290	(140,710)
Transfers out	(267,233)	(267,233)	(315,652)	(48,419)
Utilization of surplus	949,845	949,845	-	(949,845)
General obligation bonds	488,500	488,500	471,424	(17,076)
Overlay	(346,359)	(346,359)	-	346,359
Total other financing sources (uses)	1,526,753	1,526,753	717,062	(809,691)
Net change in fund balances - budgetary basis			525,428	525,428
Reconciliation to GAAP basis:				
Change in current portion of accrued compensated absences			25,414	
Net change in fund balances - GAAP basis			550,842	
Fund balance, beginning of year			9,057,646	
Fund balance, end of year	\$		9,608,488	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

		Private-purpose Trust Funds (Scholarships)	Agency Funds
ASSETS			
Cash and cash equivalents	\$	-	230,477
Investments		234,141	-
Accounts receivable		-	
Interfund loans receivable		-	-
Total assets		234,141	230,477
LIABILITIES			
Interfund loans payable		-	-
Accounts payable		-	-
Due to student groups		-	230,477
Total liabilities		-	230,477
NET POSITION			
Held in trust	\$	234,141	-

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, 2014

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ -
Interest and dividends	681
Total additions	681
Deductions:	
School scholarships	5,750
Total deductions	5,750
Change in net position	(5,069)
Net position, beginning of year	239,210
Net position, end of year	\$ 234,141

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 \$178,876, or 96% of total revenues, to SEDCO for the year ended June 30, 2014.

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 \$936,669, or 90% of total revenues, to the Library for the year ended June 30, 2014.

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. Additionally, the town records its fuel on hand as of the end of the fiscal year as inventory. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

Deferred outflows/inflows of resources – In addition to assets, the statement of 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.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

3. For Committed fund balance: The portion of fund balance that represents resources whose use is constrained by limitations imposed by the Town Council, by passing an ordinance prior to the end of the fiscal year, as the highest governing body of the Town of Scarborough and can only be removed by the Town Council in the same manner. For example, Impact Fees were approved by the Town Council and can only be removed by the Town Council.
4. For Assigned fund balance: The portion of fund balance that reflects the Town's intended use of resources established either at the highest governing body or an official designated for this purpose. The Town Council has by resolution authorized the Town Manager to assign fund balance. The Town Manager has authorized carry forward balances to be used to offset 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.

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

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

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

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

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. 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.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

	Revenues and other <u>sources</u>	Expenditures and other <u>uses</u>
2013-2014 budget as adopted	\$71,863,298	\$71,863,298
Budgetary adjustments:		
Subsequent authorization	-	-
Prior year encumbrances and carryforwards	614,845	614,845
<u>Total adjusted budget</u>	<u>\$ 72,478,143</u>	<u>\$ 72,478,143</u>

B. Deficit Fund Balance

At June 30, 2014, the following special revenue and capital projects funds had deficit fund balances:

Boat Launch Fund (a special revenue fund) had a deficit of \$39,988. 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 \$206,237. This deficit is expected to be adequately funded in future years with TIF revenues.

The Haigis Parkway Assessments Fund had a deficit of \$1,029,143. This deficit is expected to grow initially and then be adequately funded in future years with TIF revenues and assessment payments.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal policy with respect to custodial credit risk. As of June 30, 2014, the Town reported deposits of \$14,262,261 with a bank balance of \$14,350,914. Of the Town's bank balances of \$14,350,914, none was exposed to custodial credit risk because it was covered by the F.D.I.C. or is secured by additional collateral pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$14,031,784
Reported in fiduciary funds	230,477
Total deposits	\$14,262,261

At June 30, 2014, the Scarborough Public Library and Scarborough Economic Development's cash balances were \$59,634 and \$33,648 respectively, all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2014, 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	\$15,110,252	\$15,110,252	-	-
Total investments	\$15,110,252	\$15,110,252	--	-

Investments have been reported as follows:

Reported in governmental funds	\$14,876,111
Reported in fiduciary funds	234,141
Total investments	\$15,110,252

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

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

Custodial Credit Risk-Town Investments: Custodial credit risk is the risk that in the event of a failure of the counterparty the Town will not be able to recover the value of its investments. The Town does not have an investment policy for custodial credit risk. None of the Town's investments are subject to custodial credit risk.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX

Property taxes for the current year were committed on August 21, 2013, 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, 2013 and 50% on March 17, 2014. 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, 2014 and the Town's value was 100% of the 2014 State valuation of \$3,579,450,000.

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 \$346,359 for the year ended June 30, 2014.

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, 2014 levy:

Assessed value	\$ 3,660,305,700
Tax rate (per \$1,000)	14.77
Commitment	54,062,720
Supplemental taxes assessed	164,758
	54,227,478
Less - collections and abatements	53,470,367
Receivable at June 30	757,111

Consisting of:	
Taxes	\$ 29,951
Liens	727,160
Receivable at June 30	\$ 757,111

Collection rate	98.60%
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TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,386,622	\$ -	\$ -	\$ 6,386,622
Deposit on Ladder Truck	786,500		786,500	-
Construction in progress	17,828,366	17,396,764	1,928,524	33,296,606
Total capital assets, not being depreciated	25,001,488	17,396,764	2,715,024	39,683,228
Capital assets, being depreciated:				
Buildings	68,435,521	668,745	55,976	69,048,290
Vehicles	12,395,483	2,008,387	970,739	13,433,131
Equipment and furniture	5,773,701	273,016	205,026	5,841,691
Infrastructure	53,512,928	2,593,239	5,681	56,100,486
Total capital assets being depreciated	140,117,633	5,543,387	1,237,422	144,423,598
Less accumulated depreciation for:				
Buildings	16,572,697	1,223,127	3,474	17,792,350
Vehicles	7,622,498	914,572	825,286	7,711,784
Equipment and furniture	4,125,801	298,957	93,373	4,331,385
Infrastructure	9,907,335	765,324	1,260	10,671,399
Total accumulated depreciation	38,228,331	3,201,980	923,393	40,506,918
Total capital assets being depreciated, net	101,889,302	2,341,407	314,029	103,916,680
Governmental activities capital assets, net	\$126,890,790	\$19,738,171	\$3,029,053	\$143,599,908

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

Governmental activities:	
General government	\$ 273,873
Public services	41,537
Public safety	483,877
Public works, including depreciation of general infrastructure assets	1,119,276
Education	1,283,417
Total depreciation expense – governmental activities	\$ 3,201,980

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

	Library	SEDCO
Buildings	\$1,603,685	-
Furniture and fixtures	688,413	\$36,293
Books	912,557	-
Total	3,204,655	36,293
Less accumulated depreciation	(2,251,832)	(26,255)
Property and equipment, net	\$ 952,823	\$10,038
Depreciation expense	\$ 133,955	\$ 2,470

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, 2014, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$3,132,347	-
Haigis Parkway	-	\$2,619,932
Nonmajor Governmental Funds:		
Nonmajor Special Revenue Funds:		
Recreational development	6,405	
Impact Fees		164,258
Boat Launch	-	39,988
Police asset forfeiture	-	441
Payne Road impact fees	1,173	-
Rescue equipment	-	21,650
Departmental grants and programs		143,144
Total Nonmajor Special Revenue Funds	7,578	369,481
Nonmajor Capital Project Funds:		
Higgins Beach Bath House	7,039	
Athletic Field Building Improvements	50,284	
Oak Hill Intersection Improvements	4,887	
Pine Point Eastern Trail	1,879	
Municipal Building Boiler Replacement		7,500
Municipal Building Air Handler		870
Police Station Roof Repairs		2,401
Fire Station Major Repairs		141
Municipal building fund	-	206,237
Total Nonmajor Capital Project Funds	64,089	217,149
Nonmajor Permanent Funds:		
Scarborough Memorial Cemetery	2,620	-
Dunstan Perpetual Care	-	72
Total Permanent Funds	2,620	72
Total Other Governmental Funds	74,287	586,702
Private-purpose Trust Funds	-	-
Total all funds	\$3,206,634	\$3,206,634

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	\$561,290	\$ 315,652
Haigis Parkway Assessments	90,320	390,475
Nonmajor Governmental Funds	718,909	664,392
Total	\$1,370,519	\$1,370,519

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

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, 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	\$96,180,000	\$6,505,000	\$4,790,000	\$97,895,000	\$5,480,000
Premium	5,715,067		240,580	5,474,487	
Capital leases	622,334	249,109	274,199	597,244	202,144
Compensated absences	1,974,012	206,030	120,329	2,059,713	94,915
Other postemployment Benefits liability	1,151,199	202,198		1,353,397	
Landfill post-closure care costs	421,283	-	4,050	417,233	4,050
Governmental activity					
Long-term liabilities	\$106,063,895	\$7,162,337	\$5,429,158	\$107,797,074	\$5,781,109

As of June 30, 2014, the Town had authorized, but unissued debt totaling \$6,234,779. The General Fund typically pays all governmental activities long-term debt service requirements including accrued compensated absences.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

BONDS PAYABLE

Bonds payable at June 30, 2014 is comprised of the following:

General Obligation Notes and Bonds	Amount originally issued	Percentage applicable to			Interest rate	Final maturity date	Balance end of year
		Town	School	Sewer			
1994 Capital improvements	6,775,000	-	100.00%	-	Varies	2015	\$ 230,000
1995 Capital improvements	6,160,000	1.89%	98.11%	-	Varies	2016	530,000
1997 Capital improvements	4,230,000	100.00%	-	-	Varies	2017	330,000
2004 Capital improvements	14,628,000	-	100.00%	-	Varies	2016	215,000
2005 Capital improvements	10,665,000	12.92%	87.08%	-	Varies	2034	565,000
2006 Capital improvements	7,014,000	92.78%	7.22%	-	Varies	2036	2,035,000
2007 Capital improvements	4,000,000	92.50%	7.50%	-	Varies	2022	800,000
2008 Capital improvements	8,513,000	85.51%	14.49%	-	Varies	2028	4,145,000
2009 Capital improvements	4,560,000	94.65%	5.35%	-	Varies	2029	2,655,000
2009 Capital improvements	1,780,000	79.81%	20.19%	-	2.00%	2020	1,040,000
2010 Capital improvements	6,002,000	84.89%	15.11%	-	2.00%	2031	4,565,000
2011 Capital improvements	5,600,000	83.27%	16.73%	-	Varies	2031	3,975,000
2012 Capital improvements	46,545,000	6.39%	75.96%	17.66%	Varies	2042	44,955,000
2013 Capital improvements	25,685,000	9.09%	90.91%	-	Varies	2043	25,350,000
2014 Capital improvements	6,505,000	49.26%	50.74%	-	Varies	2034	6,505,000
Total							\$97,895,000

The annual requirements to amortize all debt outstanding as of June 30, 2014 are as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 5,480,000	\$ 3,500,337	\$ 8,980,337
2016	5,820,000	3,334,199	9,154,199
2017	5,885,000	3,154,237	9,039,237
2018	6,040,000	2,960,390	9,000,390
2019	5,890,000	2,761,071	8,651,071
2020-2024	26,040,000	10,718,072	36,758,072
2025-2029	17,405,000	6,722,124	24,127,124
2030-2034	14,290,000	3,629,144	17,919,144
2035-2039	6,730,000	1,493,819	8,223,819
2040-2043	4,315,000	292,800	4,607,800
Totals	\$ 97,895,000	\$38,566,193	\$136,461,193

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, 2014 outstanding <u>bonds</u>	Percent of 2014 State assessed value of \$ 3,579,450,000	<u>Amount</u>	<u>Margin</u>
For school purposes	\$ 64,467,573	10.00%	\$357,945,000	\$293,477,427
For storm or sanitary sewer	7,937,147	7.50%	268,458,750	260,521,603
For municipal airport, water and special district purposes	-	3.00%	107,383,500	107,383,500
For all other purposes	25,490,280	7.50%	268,458,750	242,968,470
Total	\$ 97,895,000			

The statutory debt limit according to State law is 15% of the State assessed value, which amounts to \$536,917,500. The total debt margin based on this limit is \$439,022,500.

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

The Town of Scarborough has entered into various lease agreements as lessee for copiers, equipment, vehicles, building improvements and computer hardware and software. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. The amount of assets capitalized under capital leases is \$1,645,305.

The following is a schedule of future minimum lease payments under capital leases and the present value of the minimum lease payments at June 30, 2014:

2015	\$ 221,075
2016	208,353
2017	206,028
2018-thereafter	-
Total minimum lease payments	635,456
Less: amount representing interest	38,212
Present value of future minimum lease payments	\$ 597,244

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, 2014, the Town's State valuation of \$3,579,450,000 was 9.27% of the County's State valuation of \$38,629,800,000. The Town's share is 9.27% or \$3,458,052 of Cumberland County's \$37,310,000 long-term debt outstanding as of June 30, 2014.

The Town is also served by the Portland Water District. At June 30, 2014, the Town's share of self-supporting bonded water debt is 14.0989% or \$5,994,132 of total debt of \$42,514,891.

Contingencies

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

The Town has also entered into an agreement with ecomaine as one of the 21 ecomaine Member Municipalities along with an additional seven Participating Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. It is anticipated that the Town's share of debt incurred for this project will also be paid through service charges and user fees over the life of the project. At June 30, 2012, outstanding MRF debt totaled \$1,990,000 of which \$1,405,000 was paid on July 1, 2012 with the balance of \$585,000 paid on August 1, 2012, thereby reducing Scarborough's proportionate share to zero. ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$16,191,575 at June 30, 2014, the most recent data available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 8.87%, or \$1,435,524.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2014			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 97,895,000	-	-	\$ 97,895,000
Cumberland County	-	\$ 3,458,052	-	3,458,052
Portland Water District - water debt	-	5,994,132	-	5,994,132
ecomaine Waste Systems:				
Landfill closure/postclosure costs	-	-	\$1,435,524	1,435,524
Totals	\$ 97,895,000	\$9,452,184	\$1,435,524	\$108,782,708

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, 2014, 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. With respect to litigation relating to tax abatement appeals, any potential financial exposure will be covered by the Overlay appropriated annually.

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, \$417,233, 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, 2014. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year.

The total closure and postclosure care costs of \$417,233 have been accrued in the statement of activities for the year ended June 30, 2014. Presently, the State of Maine is providing partial funding for certain closure costs; however, future funding is based on availability of funds. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

FUND BALANCE CHANGES

For the period ending June 30, 2014, 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, 2013</u>	<u>June 30, 2014</u>
Unemployment Compensation	\$ 145,535	\$ 143,607
Hurd Park and Ferry Beach	211,253	292,760
Hunnewell House	17,212	15,784
Total reclassification	<u>\$ 374,000</u>	<u>\$ 452,151</u>

The following is a schedule of fund balance classifications for the governmental funds as June 30, 2014:

	<u>General Fund</u>	<u>Wentworth Construction</u>	<u>Haigis Parkway Assess</u>	<u>Nonmajor Governmental</u>
Fund Balances:				
Nonspendable-Permanent Funds	\$ -	\$ -	-	\$ 134,778
Nonspendable-Inventory	47,851	-	-	13,756
	<u>47,851</u>	-	-	<u>148,534</u>
Restricted				
Permanent Fund Interest	-	-	-	85,580
Deficits in Other Funds	1,247,776	-	-	-
Haigis Parkway Note Receivable	1,590,789	-	-	-
Credit Enhancement Agreements	-	-	-	43,024
Sawyer Road Improvements	-	-	-	66,146
Grants and Donations	-	-	-	75,752
Fire Department Equipment	-	-	-	39,726
Police Asset Forfeiture	-	-	-	161,347
Town Improvements	-	-	-	2,848,592
Education	508,790	6,401,250	-	509,812
	<u>3,347,355</u>	<u>6,401,250</u>	-	<u>3,829,979</u>
Committed				
Unemp. Comp/Beach Reserve/Hunnewell	452,151	-	-	-
Impact Fees/Reserves	-	-	-	4,419,359
Education	-	-	-	26,637
	<u>452,151</u>	-	-	<u>4,445,996</u>
Assigned				
Carryforward Balances/Encumbrances	1,584,384	-	-	-
Education	800,000	-	-	-
	<u>2,384,384</u>	-	-	-
Unassigned	3,376,747	-	(1,029,143)	(259,981)
Total Fund Balances	<u>\$9,608,488</u>	<u>\$6,401,250</u>	<u>(\$1,029,143)</u>	<u>\$8,164,528</u>

TOWN OF SCARBOROUGH, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES

At June 30, 2014, portions of the General Fund fund balance were assigned to future periods as follows:

	<u>2014</u>
General Fund:	
State Revenue Sharing	\$ (120,686)
Municipal Building – Building Repairs & Maint.	11,940
Administration – Equipment Maintenance	1,500
Administration – Operational Supplies	3,000
Administration – Rebate Revenues	1,250
Human Resource – Overtime	1,350
Human Resource – Employee Recognition	1,450
Human Resource - Training	750
Finance – Collections Training	5,000
Assessing Department – Training	354
Assessing Department – Printing	1,724
Assessing Department – Supplies	398
Information Systems – Employee Training	4,322
Information Systems – Software Maintenance	7,519
Comprehensive Plan	15,089
SEDCO – Contracted Services	15,000
Marine Resource Office – Inventory Management	7,077
Cable Franchise Fees	41,033
Child Care	50,000
Town-Wide Computer Purchases	6,766
Planning – Watershed Map/Management Plan	27,298
Library – Material Handling RFID	1,000
Fire Department – Municipal Holding Tank	8,837
Police Department – New Vehicles	61,423
Police Department – Tomar Pre-Emptive Device	862
Police Department – Community Policing In-House	2,000
Police Department – Cruiser Equipment	15,018
Police Department – Motorola Equipment	3,021
Public Works – Alarm Maint. Route 1 to So. Portland Line	20,000
Encumbered purchase orders	180,895
Fund Balance Appropriated for the 2015 Budget	800,000
Reserve for Accrued Sick Pay	1,209,194
Total General Fund assigned fund balance	<u>\$ 2,384,384</u>

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 6.5% of annual covered payroll for School employees participating in the District Plan, 6.5% for Town employees, 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 Public Employees Retirement Board of Trustees. The Town's contributions to the MPERS Consolidated Plan for the year ended June 30, 2014, 2013 and 2012 were \$531,315, \$436,099, and \$353,904 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 and employers (local school districts) are required to contribute an additional 2.65% on their behalf. The State of Maine Department of Education is required, by the same statute, to provide a portion of the employer contribution; for the fiscal year 2014, the State contribution amounts to \$3,111,000 (15.83%). 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 \$295,347 which was 6% of the participating employees and 12% of the Town Manager's current year covered payroll. The covered payroll amounted to \$4,797,071, while the Town's total payroll was \$11,717,577.

Employee's required contributions amounted to \$280,306, 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 \$388,727 and the Town contributions amounted to \$249,513. The Town contributes a match up to 4%. The covered payroll amounted to \$6,051,162.

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

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

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

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

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

Funding Status and Funding Progress – The Town's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2014 were as follows:

Annual required contribution	\$273,344
Interest on NET OPEB Obligation	46,048
Amortization adjustment to ARC	(66,574)
Annual OPEB Cost	252,818
Actual contribution	(50,620)
Increase in Net OPEB Obligation	202,198
Net OPEB obligation – beginning of year	1,151,199
Net OPEB Obligation – end of year	\$1,353,397

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>
2014	\$ 252,818	20%	\$ 1,353,397
2013	254,097	10%	1,151,199
2012	255,098	13%	921,025

The funded status of the plan as of June 30, 2014 was as follows:

Actuarial accrued liability	\$3,023,581
Plan Assets	0
Unfunded actuarial accrued liability	\$3,023,581
Covered payroll	\$9,298,561
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	1-1-2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	30 years, open amortization period
Actuarial assumptions:	
Discount Rate	4.00%
Projected salary increases	3.00%
Healthcare inflation rate	4.60%

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, 2014	6,900,000
Haigis Parkway TIF:	
Original assessed value	8,563,500
Amount captured as of June 30, 2014	6,115,100
Enterprise Business Park CEA:	
	7,161,800
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, 2014. 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, 2014:

	Governmental Activities
Capital assets	\$ 184,106,828
Accumulated depreciation	(40,506,920)
Bonds payable	(89,958,000)
Premium liabilities net of amortization	(5,474,486)
Capital leases payable	(597,244)
Unspent bond proceeds	6,317,100
<u>Total invested in capital assets net of related debt</u>	<u>\$53,887,278</u>

The Town's Bonds payable is \$97,895,000 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 \$7,937,000, have been excluded from this calculation because the Town transferred ownership of the capital assets to other entities.

COMMITMENTS

Construction in progress of \$33,296,606 as of June 30, 2014 consists of athletic field improvements, road improvements, Eastern Trail improvements, major fire station repairs and the Wentworth School construction. These projects are expected to be completed during the fiscal year ending June 30, 2015. The additional estimated costs to complete these projects are approximately \$6,000,000.

TOWN OF SCARBOROUGH, MAINE
Schedule of Funding Progress
Required Supplementary Information
June 30, 2014
(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]
2014	01-01-2014	\$ -	\$2,728,097	\$2,728,097	0%	\$9,298,561	29%
2013	01-01-2011	\$ -	\$3,023,581	\$3,023,581	0%	\$8,974,368	33%
2012	01-01-2011	\$ -	\$3,023,581	\$3,023,581	0%	\$7,864,585	38%
2011	01-01-2011	\$ -	\$3,023,581	\$3,023,581	0%	\$7,485,589	40%
2010	01-01-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,776,068	41%
2009	01-01-2009	\$ -	\$2,793,753	\$2,793,753	0%	\$6,208,803	45%

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GENERAL FUND

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

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TOWN OF SCARBOROUGH, MAINE
General Fund
Comparative Balance Sheets
June 30, 2014 and 2013

		2014	2013
ASSETS			
Cash and cash equivalents	\$	10,878,727	9,948,470
Investments		376,822	752,899
Receivables:			
Taxes receivable		143,405	137,001
Tax liens		983,581	844,343
Accounts receivable		735,264	1,110,371
Intergovernmental		198,794	124,122
Inventory		47,851	34,010
Interfund loans receivable		3,132,347	2,683,412
Tax acquired property		7,231	7,231
Total assets	\$	16,504,022	15,641,859
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities		1,680,911	1,685,130
Accrued payroll and other related liabilities		4,114,853	3,922,340
Accrued compensated absence (current)		94,915	120,329
Taxes collected in advance		32,933	45,560
Total liabilities		5,923,612	5,773,359
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes		971,922	810,854
Total deferred inflows of resources	\$	971,922	810,854
Fund balance:			
Nonspendable inventory		47,851	34,010
Restricted - Town		2,838,565	3,861,453
Restricted - Education		508,790	976,730
Committed - Town		452,151	374,000
Assigned - Town		1,584,384	1,824,920
Assigned - School		800,000	200,000
Unassigned - Town		3,376,747	1,786,533
Total fund balance		9,608,488	9,057,646
Total liabilities, deferred inflows of resources and fund balance	\$	16,504,022	15,641,859

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, 2014
(with comparative totals for June 30, 2013)

		2014					
		2013		Total		Variance	2013
		carryforward	Budget	Available	Actual	positive (negative)	Actual
Revenues:							
Taxes:							
Property taxes	\$	-	53,692,370	53,692,370	53,825,885	133,515	49,827,578
Change in deferred property tax revenue		-	-	-	(161,068)	(161,068)	(53,261)
Excise taxes		-	4,220,000	4,220,000	4,651,211	431,211	4,255,153
Cable franchise tax		-	205,000	205,000	191,220	(13,780)	194,771
Interest and costs on taxes		-	97,700	97,700	98,390	690	93,691
Total taxes		-	58,215,070	58,215,070	58,605,638	390,568	54,317,932
Licenses and permits:							
Plumbing fees		-	29,000	29,000	30,603	1,603	30,654
Fees and Permits		-	144,630	144,630	158,363	13,733	143,872
Building permits		-	325,000	325,000	292,646	(32,354)	253,877
Electrical permits		-	44,000	44,000	47,814	3,814	41,917
Zoning Board of Appeals		-	11,000	11,000	5,825	(5,175)	7,000
License plate fees		-	60,075	60,075	59,408	(667)	59,259
Subdivision fees		-	12,500	12,500	66,894	54,394	16,925
Total licenses and permits		-	626,205	626,205	661,553	35,348	553,504
Intergovernmental:							
Education state subsidies		-	4,259,291	4,259,291	4,241,404	(17,887)	4,305,782
FEMA reimbursement		-	-	-	-	-	75,090
Federal HIDTA revenues		-	120,000	120,000	122,230	2,230	124,752
State Revenue Sharing		-	782,212	782,212	791,820	9,608	1,124,864
Homestead exemption		-	338,458	338,458	83,001	(255,457)	572,101
Business equipment tax exemption		-	268,517	268,517	268,811	294	244,266
LRAP (Local Road Assistance Program)		-	337,812	337,812	350,248	12,436	341,392
ecomaine payment in lieu of taxes		-	71,450	71,450	71,450	-	71,450
General assistance reimbursement		-	1,000	1,000	1,600	600	805
Adult education State subsidies		-	30,000	30,000	35,798	5,798	27,225
Medicaid		-	50,000	50,000	44,418	(5,582)	73,631
Other Federal and State revenues - School		-	50,000	50,000	202,817	152,817	77,266
Other Federal and State revenues - Town		-	141,262	141,262	131,136	(10,126)	248,320
Total intergovernmental		-	6,450,002	6,450,002	6,344,733	(105,269)	7,286,944
Interest earned		-	15,000	15,000	108,862	93,862	42,573
Unclassified:							
School Department miscellaneous		-	311,086	311,086	297,491	(13,595)	283,774
Adult education		-	21,000	21,000	54,772	33,772	6,857
Community services		-	1,718,783	1,718,783	1,901,883	183,100	1,820,045
Insurance reimbursements		-	22,000	22,000	94,531	72,531	25,436
Public Violations		-	54,000	54,000	72,450	18,450	64,539
Special duty police/fire		-	77,000	77,000	78,793	1,793	121,708
Inspection/review fees		-	63,100	63,100	100,350	37,250	130,849
Rescue donations		-	747,500	747,500	747,500	-	747,500
Rental income		-	48,212	48,212	48,212	-	46,947
Sale of Town-owned property		-	142,665	142,665	159,089	16,424	97,351
Salary reimbursement		-	691,611	691,611	822,429	130,818	745,513
Vehicle fuel reimbursement		-	557,400	557,400	554,144	(3,256)	510,190
Vehicle maintenance reimbursement		-	355,164	355,164	555,194	200,030	454,195
Lease revenue		-	162,800	162,800	-	(162,800)	365,033
Miscellaneous		-	59,200	59,200	77,535	18,335	101,729
Total unclassified		-	5,031,521	5,031,521	5,564,373	532,852	5,521,666
Total revenues		-	70,337,798	70,337,798	71,285,159	947,361	67,722,619

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

	2013 carryforward	Budget	Total available	2014		2013 Actual
				Actual	Variance positive (negative)	
Expenditures:						
Current:						
General government:						
Town Council	\$ -	11,573	11,573	12,486	(913)	10,050
Administration	-	240,250	240,250	234,626	5,624	236,383
Town Clerk	-	177,755	177,755	170,975	6,780	158,018
Human resources	8,000	264,580	272,580	264,491	8,089	233,443
Personnel benefits	-	163,950	163,950	266,674	(102,724)	318,400
Finance	6,330	339,616	345,946	341,317	4,629	314,309
Purchasing	295	62,494	62,789	61,755	1,034	57,731
Taxation/Treasury	4,000	352,971	356,971	319,351	37,620	345,220
Assessing	1,100	258,756	259,856	254,099	5,757	238,076
Management information systems	16,466	942,328	958,794	922,716	36,078	727,891
Planning	14,911	864,618	879,529	836,067	43,462	745,065
Municipal building	36,898	292,160	329,058	276,256	52,802	284,831
General government	-	97,008	97,008	109,960	(12,952)	107,191
Legal	-	80,000	80,000	239,347	(159,347)	105,963
Risk management	-	558,000	558,000	600,572	(42,572)	546,429
Public information	-	3,200	3,200	2,285	915	3,125
Engineering	-	48,000	48,000	86,222	(38,222)	92,772
Outside agencies	-	60,000	60,000	59,999	1	67,000
Total general government	88,000	4,817,259	4,905,259	5,059,198	(153,939)	4,591,897
Public services:						
Library	-	891,884	891,884	891,884	-	847,425
Public health and welfare	-	27,611	27,611	22,885	4,726	12,838
Tax Rebates (Credit Enhancement Agree)	-	685,316	685,316	685,314	2	643,073
Economic Development Corporation	1,921	224,182	226,103	178,873	47,230	162,065
Community services	2,168	2,246,928	2,249,096	2,367,585	(118,489)	2,265,985
Total public services	4,089	4,075,921	4,080,010	4,146,541	(66,531)	3,931,386
Public safety:						
Fire Department	18,581	2,327,567	2,346,148	2,244,833	101,315	2,248,691
Emergency Management	3,646	35,113	38,759	35,976	2,783	30,904
Emergency Medical Services	10,798	1,541,805	1,552,603	1,505,537	47,066	1,396,482
Marine resources	6,900	92,423	99,323	89,189	10,134	77,871
Police Department	124,160	5,039,416	5,163,576	5,003,487	160,089	4,823,863
Total public safety	164,085	9,036,324	9,200,409	8,879,022	321,387	8,577,811
Public works:						
Public Works Department	45,736	2,608,030	2,653,766	2,556,279	97,487	2,609,061
Vehicle maintenance	-	1,524,530	1,524,530	1,786,398	(261,868)	1,841,568
Water charges	-	192,445	192,445	191,919	526	189,659
Street lighting	-	134,200	134,200	169,534	(35,334)	134,129
Traffic signals	1,370	110,580	111,950	99,615	12,335	74,757
Cemetery care	-	17,700	17,700	17,130	570	20,463
Memorials	-	7,977	7,977	7,875	102	7,951
Shade trees	-	10,000	10,000	3,232	6,768	7,250
Engineering services	-	102,296	102,296	75,090	27,206	64,975
Solid waste program	-	1,587,062	1,587,062	1,595,546	(8,484)	1,731,586
Total public works	47,106	6,294,820	6,341,926	6,502,618	(160,692)	6,681,399
Education:						
Regular instruction	-	23,569,792	23,569,792	23,462,817	106,975	21,769,140
Improvement of instruction	-	854,203	854,203	831,395	22,808	727,632
Special services	-	2,985,563	2,985,563	2,951,150	34,413	2,736,437
General & special administration	-	375,059	375,059	392,484	(17,425)	330,860
Board of education	-	34,572	34,572	30,102	4,470	23,508
Office of the superintendent	-	618,057	618,057	621,907	(3,850)	503,653
Business administration	-	1,789,541	1,789,541	1,783,513	6,028	1,719,139
Transportation	-	1,595,063	1,595,063	1,606,252	(11,189)	1,531,004
Operation and maintenance of plant	-	3,427,553	3,427,553	3,248,830	178,723	3,116,574
Debt service	-	4,150,113	4,150,113	4,150,113	-	3,653,026
Total education	-	39,399,516	39,399,516	39,078,563	320,953	36,110,973

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

	2014					
	2013 carryforward	Budget	Total available	Actual	Variance positive (negative)	2013 Actual
Expenditures, continued:						
Current, continued:						
County tax	\$ -	2,193,813	2,193,813	2,193,813	-	2,075,183
Debt service (excluding education):						
Principal	-	3,110,196	3,110,196	3,110,196	-	3,188,386
Interest and other costs	-	1,398,157	1,398,157	1,360,754	37,403	1,754,017
Total debt service	-	4,508,353	4,508,353	4,470,950	37,403	4,942,403
Capital improvements	311,565	923,700	1,235,265	1,146,088	89,177	1,257,490
Total expenditures	614,845	71,249,706	71,864,551	71,476,793	387,758	68,168,542
Excess (deficiency) of revenues over (under) expenditures	(614,845)	(911,908)	(1,526,753)	(191,634)	1,335,119	(445,923)
Other financing sources (uses):						
Transfers in	-	702,000	702,000	561,290	(140,710)	1,015,621
Transfers out	-	(267,233)	(267,233)	(315,652)	(48,419)	(683,335)
General obligation bonds	-	488,500	488,500	471,424	(17,076)	1,020,000
Refunding bond issued	-	-	-	-	-	7,065,000
Premium received on refunded bonds	-	-	-	-	-	321,961
Premium received on issued bonds	-	-	-	-	-	115,100
Payment to refunding bond escrow agent	-	-	-	-	-	(7,347,335)
Overlay	-	(346,359)	(346,359)	-	346,359	-
Total other financing sources (uses)	-	576,908	576,908	717,062	140,154	1,507,012
Net change in fund balances - budgetary basis	(614,845)	(335,000)	(949,845)	525,428	1,475,273	1,061,089
Utilization of prior year surplus and carrying balances	614,845	335,000	949,845	-	(949,845)	-
Total Utilization of Fund Balance and Carry forwards	-	-	0	525,428	525,428	1,061,089
Reconciliation to GAAP basis:						
Current portion of accrued compensated absences				25,414		(57,476)
Fund balances, beginning of year				9,057,646		8,054,033
Fund balances, end of year				9,608,488		9,057,646

OTHER GOVERNMENTAL FUNDS

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TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 441,890	15,366	-	457,256
Investments	5,061,678	3,165,050	217,810	8,444,538
Intergovernmental receivable	100,199	-	-	100,199
Accounts receivable	140,410	29,575	-	169,985
Interfund loans	20,724	64,089	2,620	87,433
Inventory	13,756	-	-	13,756
Notes receivable	-	-	-	-
Total assets	\$ 5,778,657	3,274,080	220,430	9,273,167
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	339,114	169,677	-	508,791
Interfund loans	382,627	217,149	72	599,848
Total liabilities	721,741	386,826	72	1,108,639
Fund balances (deficit):				
Nonspendable trust principal	-	-	134,778	134,778
Nonspendable inventory	13,756	-	-	13,756
Restricted for Town	385,995	2,848,592	85,580	3,320,167
Restricted for Education	264,913	244,899	-	509,812
Committed for Town	4,419,359	-	-	4,419,359
Committed for Education	26,637	-	-	26,637
Unassigned for Town	(53,744)	(206,237)	-	(259,981)
Total fund balances (deficit)	5,056,916	2,887,254	220,358	8,164,528
Total liabilities and fund balances	\$ 5,778,657	3,274,080	220,430	9,273,167

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,520,417	-	-	1,520,417
Contributions	214,623	-	-	214,623
Taxes	-	220,350	-	220,350
Assessments and impact fees	1,707,135	-	-	1,707,135
Sale of lots	-	-	3,420	3,420
Other revenue	1,439,150	38,063	-	1,477,213
Interest revenue	14,984	40,585	619	56,188
Total revenues	4,896,309	298,998	4,039	5,199,346
Expenditures:				
Current:				
Capital expenditures	388,233	3,609,325	-	3,997,558
Education	2,366,491	-	-	2,366,491
Other	1,775,354	-	72	1,775,426
Total expenditures	4,530,078	3,609,325	72	8,139,475
Excess of revenues over (under) expenditures	366,231	(3,310,327)	3,967	(2,940,129)
Other financing sources (uses):				
Transfers in	319,914	398,995	-	718,909
Transfers out	(399,959)	(264,433)	-	(664,392)
General Obligation Bonds	-	4,063,761	-	4,063,761
Total other financing sources (uses)	(80,045)	4,198,323	-	4,118,278
Net change in fund balances	286,186	887,996	3,967	1,178,149
Fund balances, beginning of year	4,770,730	1,999,258	216,391	6,986,379
Fund balances, end of year	\$ 5,056,916	2,887,254	220,358	8,164,528

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.

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.

Payne Road Improvements

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

Payne Road Impact Fees

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Other Impact Fees:

The purpose of this fund is to account for all "Impact Fees" that are collected pursuant to the *Development Impact Fee Ordinance* adopted by the Town Council. The Ordinance requires the Town Treasurer to maintain all of these fees in a separate impact fee account and that the account is segregated from the Town's general revenues. The Ordinance requires the Town treasurer to deposit impact fees collected pursuant to this Ordinance in special revenue non-lapsing accounts dedicated for funding 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.

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.

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2014

		Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Rte 1 Sawyer Road Improve	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
ASSETS								
Cash and cash equivalents	\$	-	-	-	-	-	-	221,529
Investments		-	43,024	-	66,146	24,674	70,176	2,093,807
Intergovernmental receivable		-	-	-	-	-	-	-
Due from State of Maine		-	-	-	-	-	-	-
Accounts receivable		-	43,270	-	-	-	-	480
Interfund loans receivable		6,405	-	-	-	-	-	380
Inventory		-	-	-	-	-	-	-
Notes receivable		-	-	-	-	-	-	-
Total assets	\$	6,405	86,294	-	66,146	24,674	70,176	2,316,196
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		-	43,270	-	-	-	-	221,529
Interfund loans payable		-	-	39,988	-	-	-	-
Total liabilities		-	43,270	39,988	-	-	-	221,529
Fund balances:								
Nonspendable							-	-
Restricted		-	43,024	-	66,146	-	-	-
Committed		6,405	-	-	-	24,674	70,176	2,094,667
Unassigned		-	-	(39,988)	-	-	-	-
Total fund balances (deficit)		6,405	43,024	(39,988)	66,146	24,674	70,176	2,094,667
Total liabilities and fund balances	\$	6,405	86,294	-	66,146	24,674	70,176	2,316,196

Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
-	-	-	-	10,956	205,486	3,919	441,890
1,228,442	160,584	20,934	39,726	1,314,165	-	-	5,061,678
-	-	-	-	-	100,199	-	100,199
-	1,204	23,099	-	55,847	1,000	15,510	140,410
13,939	-	-	-	-	-	-	20,724
-	-	-	-	-	-	13,756	13,756
-	-	-	-	-	-	-	-
1,242,381	161,788	44,033	39,726	1,380,968	306,685	33,185	5,778,657
-	-	19,655	-	6,340	15,135	33,185	339,114
178,577	441	21,650	-	141,971	-	-	382,627
178,577	441	41,305	-	148,311	15,135	33,185	721,741
-	161,347	-	39,726	75,752	264,913	13,756	13,756
1,063,804	-	2,728	-	1,156,905	26,637	-	650,908
-	-	-	-	-	-	(13,756)	4,445,996
1,063,804	161,347	2,728	39,726	1,232,657	291,550	-	(53,744)
1,242,381	161,788	44,033	39,726	1,380,968	306,685	33,185	5,778,657

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	Recrea- tional Develop- ment	Credit Enhancement Agreements	Boat Launch Facility	Rte 1 Sawyer Road Improve	Prouts Landing Conserva- tion	Payne Road Improvements	Payne Road Impact Fees
Revenues:							
Intergovernmental	\$ -	-	-	-	-	-	-
Interest earned	-	(31)	-	191	71	203	6,421
Contributions	-	-	-	-	-	-	-
Sale of Lots/Land/Equip	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	17,801
Assessments and impact fees	8,750	579,535	-	-	-	-	-
Total revenues	8,750	579,504	-	191	71	203	24,222
Expenditures:							
Construction and acquisitions	2,345	-	3,176	-	-	-	10,481
Education	-	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-	-
Other	-	579,535	-	-	-	-	-
Total expenditures	2,345	579,535	3,176	-	-	-	10,481
Excess (deficiency) of revenues over (under) expenditures	6,405	(31)	(3,176)	191	71	203	13,741
Other financing sources (uses):							
Transfers in	17,869	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	17,869	-	-	-	-	-	-
Net change in fund balances	24,274	(31)	(3,176)	191	71	203	13,741
Fund balances (deficit), beginning of year	(17,869)	43,055	(36,812)	65,955	24,603	69,973	2,080,926
Fund balances (deficit), end of year	\$ 6,405	43,024	(39,988)	66,146	24,674	70,176	2,094,667

	Other Impact Fees	Police Asset Forfeiture	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Categorical Programs	School Lunch Program	Totals
Revenues:								
Intergovernmental	-	23,391	-	-	341,138	878,564	277,324	1,520,417
Interest earned	3,116	546	458	110	3,899	-	-	14,984
Contributions	-	-	-	14,050	-	200,573	-	214,623
Sale of Lots/Land/Equip	-	-	-	-	-	-	-	-
Other	369,049	-	-	-	122,194	8,681	921,425	1,439,150
Assessments and impact fees	-	-	1,118,850	-	-	-	-	1,707,135
Total revenues	372,165	23,937	1,119,308	14,160	467,231	1,087,818	1,198,749	4,896,309
Expenditures:								
Construction and acquisitions	4,887	3,938	-	-	363,406	-	-	388,233
Education	-	-	-	-	-	888,146	1,478,345	2,366,491
Benefits paid	-	-	-	-	-	-	-	-
Other	-	-	1,195,819	-	-	-	-	1,775,354
Total expenditures	4,887	3,938	1,195,819	-	363,406	888,146	1,478,345	4,530,078
Excess (deficiency) of revenues over (under) expenditures	367,278	19,999	(76,511)	14,160	103,825	199,672	(279,596)	366,231
Other financing sources (uses):								
Transfers in	-	-	-	-	22,449	-	279,596	319,914
Bond Proceeds	-	-	-	-	-	-	-	-
Transfers out	(173,690)	(40,000)	(97,835)	-	(88,434)	-	-	(399,959)
Total other financing sources (uses)	(173,690)	(40,000)	(97,835)	-	(65,985)	-	279,596	(80,045)
Net change in fund balances	193,588	(20,001)	(174,346)	14,160	37,840	199,672	-	286,186
Fund balances (deficit), beginning of year	870,216	181,348	177,074	25,566	1,194,817	91,878	-	4,770,730
Fund balances (deficit), end of year	1,063,804	161,347	2,728	39,726	1,232,657	291,550	-	5,056,916

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, 2014

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ 29	148,450	-	148,479	-
NCLB/Title IIA	-	59,525	-	58,776	749
Title III	-	8,524	-	8,524	-
NCLB/Title VA	1	-	-	1	-
Local Entitlement	(4)	618,966	-	618,962	-
ARRA Local Entitlement	(1)	1	-	-	-
Preschool handicapped	-	10,883	-	10,883	-
Scarborough Education Foundation	11,853	23,536	-	20,389	15,000
Finberg Trust	80,000	150,000	-	10,329	219,671
WW Brick Sales & Other Donations	-	-	27,037	885	26,152
Proficiency Based Graduation	-	-	32,215	2,750	29,465
CC Admin Certification	-	-	8,681	8,168	513
Total federal education grant programs	91,878	1,019,885	67,933	888,146	291,550
Other State grant programs:					
Professional Development Grant	-	-	-	-	-
Total other state grant programs	-	-	-	-	-
Total school categorical programs	\$ 91,878	1,019,885	67,933	888,146	291,550

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NONMAJOR CAPITAL PROJECT FUNDS

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

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

General School Improvements

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

General Town Improvements

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

Municipal Building Fund

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

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Fund
Balance Sheet
June 30, 2014

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 15,366	-		15,366
Investments	266,227	2,898,823		3,165,050
Accounts Receivable	-	29,575		29,575
Interfund loans receivable	-	64,089	-	64,089
Total assets	\$ 281,593	2,992,487	-	3,274,080
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	36,694	132,983	-	169,677
Interfund loans payable	-	10,912	206,237	217,149
Total liabilities	36,694	143,895	206,237	386,826
Fund balance (deficit):				
Restricted	244,899	2,848,592		3,093,491
Unassigned	-	-	(206,237)	(206,237)
Total fund balance (deficit)	244,899	2,848,592	(206,237)	2,887,254
Total liabilities and fund balance	\$ 281,593	2,992,487	-	3,274,080

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2014

	General School Improvements	General Town Improvements	Municipal Building Fund	Totals
Revenues:				
Intergovernmental	\$ -	-	-	-
Taxes	143,600	76,750		220,350
Interest earned	5,591	34,994		40,585
Other	3,600	34,463	-	38,063
Total revenues	152,791	146,207	-	298,998
Expenditures:				
Capital Improvements	1,625,549	1,983,776	-	3,609,325
Total expenditures	1,625,549	1,983,776	-	3,609,325
Excess (deficiency) of revenues over (under) expenditures	(1,472,758)	(1,837,569)	-	(3,310,327)
Other financing sources (uses):				
Transfers in	237,880	59,202	101,913	398,995
Transfers out	(251,568)	(12,865)	-	(264,433)
Proceeds of general obligation bonds	1,331,045	2,732,716	-	4,063,761
Total other financing sources (uses)	1,317,357	2,779,053	101,913	4,198,323
Net change in fund balances	(155,401)	941,484	101,913	887,996
Fund balances (deficit), beginning of year	400,300	1,907,108	(308,150)	1,999,258
Fund balances (deficit), end of year	\$ 244,899	2,848,592	(206,237)	2,887,254

NONMAJOR PERMANENT FUNDS

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

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

Scarborough Memorial Cemetery

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

Dunstan Perpetual Care

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

Mary A. Tucker Fund

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

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2014

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 190,032	24,897	2,881	217,810
Interfund loans receivable	2,620	-	-	2,620
Total assets	\$ 192,652	24,897	2,881	220,430
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	72	-	72
Total liabilities	-	72	-	72
Fund balances:				
Nonspendable Principal	120,911	13,367	500	134,778
Restricted Expendable Income	71,741	11,458	2,381	85,580
Total fund balances	192,652	24,825	2,881	220,358
Total liabilities and fund balances	\$ 192,652	24,897	2,881	220,430

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 539	72	8	619
Sale of lots/perpetual care deposits	3,420	-	-	3,420
Total revenues	3,959	72	8	4,039
Expenditures:				
Earnings retained by General Fund	-	72	-	72
Other	-	-	-	-
Total expenditures	-	72	-	72
Net change in fund balances	3,959	-	8	3,967
Fund balances, beginning of year	188,693	24,825	2,873	216,391
Fund balances, end of year	\$ 192,652	24,825	2,881	220,358

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, 2014

	Shirley Grover Fund	Mary Campbell Peterson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 992	93,208	102,832	178	12	1,082	17,507	309	2,546	11,330	1,217	2,928	234,141
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 992	93,208	102,832	178	12	1,082	17,507	309	2,546	11,330	1,217	2,928	234,141
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	(248)	5,528	2,832	178	12	1,082	17,507	(191)	520	7,830	1,217	(882)	35,385
Total position assets	992	93,208	102,832	178	12	1,082	17,507	309	2,546	11,330	1,217	2,928	234,141
Total liabilities and net position	\$ 992	93,208	102,832	178	12	1,082	17,507	309	2,546	11,330	1,217	2,928	234,141

TOWN OF SCARBOROUGH, MAINE
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2014

	Shirley Grover Fund	Mary Campbell Pederson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
Additions													
Donations	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	3	270	298	-	-	3	55	1	7	33	3	8	681
Total additions	3	270	298	-	-	3	55	1	7	33	3	8	681
Deductions:													
School scholarships	-	2,000	2,000	-	-	-	1,500	-	-	250	-	-	5,750
Total deductions	-	2,000	2,000	-	-	-	1,500	-	-	250	-	-	5,750
Changes in net assets	3	(1,730)	(1,702)	-	-	3	(1,445)	1	7	(217)	3	8	(5,069)
Net position, beginning of year	989	94,938	104,534	178	12	1,079	18,952	308	2,539	11,547	1,214	2,920	239,210
Net position, end of year	\$ 992	93,208	102,832	178	12	1,082	17,507	309	2,546	11,330	1,217	2,928	234,141

TOWN OF SCARBOROUGH, MAINE
 Agency Funds
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 2014

		Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
STUDENT ACTIVITIES:					
ASSETS					
Cash	\$	184,648	705,651	659,822	230,477
LIABILITIES					
Payable to student groups	\$	184,648	705,651	659,822	230,477

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GENERAL LONG- TERM DEBT

TOWN OF SCARBOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
For the year ended June 30, 2014

	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
					Issued	Retired	
<u>General Obligation Bonds</u>							
1994 Capital Improvements	6.20%	2015	\$ 230,000 to 2015	460,000		230,000	230,000
1995 Capital Improvements	5.00%	2016	265,000 to 2016	795,000		265,000	530,000
1997 Capital Improvements	5.60%	2017	110,000 to 2017	440,000		110,000	330,000
2004 Capital Improvements	3.25%	2015	0 to 2014				
	4.40%		215,000 in 2015	215,000	-	-	215,000
2005 Capital Improvements	4.00%		305,000 in 2014				
	4.00%		315,000 in 2015				
	4.00%		250,000 in 2016	870,000		305,000	565,000
2006 Capital Improvements	4.00%	2021	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	2,550,000	-	515,000	2,035,000
2007 Capital Improvements	4.00%	2023	225,000 to 2017				
	4.00%		25,000 to 2022	1,025,000	-	225,000	800,000
2008 Capital Improvements	3.25%	2028	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	4,740,000	-	595,000	4,145,000
2009 Capital Improvements	2.00%	2029	400,000 to 2015				
	2.25%		315,000 to 2016				
	Varies		310,000 to 2019				
	3.00%		110,000 in 2020				
	Varies		100,000 to 2029	3,055,000	-	400,000	2,655,000
2009 Bond Refunding	2.00%	2020	185,000 to 2019				
	3.00%		115,000 in 2020	1,225,000	-	185,000	1,040,000
2010 Capital Improvements	Varies	2031	470,000 to 2016				
	Varies		345,000 to 2021				
	Varies		280,000 to 2026				
	4.00%		100,000 to 2031	5,035,000	-	470,000	4,565,000
2011 Capital Improvements	2.00%	2031	540,000 to 2015				
			525,000 in 2016				
			360,000 to 2018				
			355,000 to 2021				
			115,000 to 2026				
			110,000 to 2031	4,515,000	-	540,000	3,975,000

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

	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
					Issued	Retired	
General Obligation Bonds							
2012 Capital Improvements	1.50%	2042	\$ 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 1,775,000 in 2031 1,815,000 in 2032 1,800,000 in 2033				
			685,000 to 2042	45,570,000.00	-	615,000	44,955,000
2013 Capital Improvements	1.00%	2043	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	25,685,000.00	-	335,000	25,350,000
2014 Capital Improvements	2.00%	2034	490,000 in 2015 760,000 to 2017 735,000 in 2018 700,000 in 2019 325,000 to 2020 310,000 in 2021 300,000 to 2024 250,000 to 2029 50,000 to 2034				
				-	6,505,000	-	6,505,000
Total bonds				96,180,000	6,505,000	4,790,000	97,895,000
Total long-term debt			\$	96,180,000	6,505,000	4,790,000	97,895,000



STATISTICAL SECTION

TOWN OF SCARBOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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STATISTICAL SECTION

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

Contents

Table

Financial Trends

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.

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Table 1

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 53,887,278
Restricted	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	4,049,315
Unrestricted	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	3,907,583
Total governmental activities net position	\$ 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	\$ 61,844,176

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Program revenues:										
Charges for services										
General government	\$ 1,727,408	\$ 2,314,440	\$ 1,631,751	\$ 1,620,897	\$ 1,177,707	\$ 1,986,246	\$ 1,851,983	\$ 1,386,497	\$ 1,525,062	\$ 1,868,477
Public services	1,386,291	1,424,780	1,506,211	1,589,909	1,584,529	1,719,617	1,680,722	1,791,859	2,363,475	2,481,387
Public safety	1,489,408	1,374,106	1,667,291	1,648,995	1,760,683	1,629,561	1,632,627	2,069,487	2,449,062	2,156,498
Public works	605,336	655,416	1,754,971	2,023,638	1,515,042	1,665,084	1,542,707	1,843,317	1,405,040	1,590,382
Education	1,279,727	1,255,770	1,198,104	1,211,208	1,195,167	1,217,302	1,252,673	1,248,055	1,191,085	1,282,369
Interest on debt services	-	-	-	-	-	-	-	-	-	-
Operating grants and activities	9,297,328	10,705,583	11,402,628	12,374,645	15,486,627	12,269,970	11,719,082	11,093,321	9,912,515	9,983,992
Capital grants and contributions	-	4,680,951	(559,458)	112,751	112,090	122,376	170,480	174,652	97,351	159,089
General revenues:										
Property and excise taxes, levies for general purposes	40,075,286	41,406,244	42,771,603	44,691,242	46,620,992	47,029,220	49,050,813	50,571,377	54,442,643	58,838,156
Grants and contributions not restricted to specific programs	1,951,080	2,061,431	1,931,165	3,834,629	339,302	1,947,274	1,904,938	2,473,014	2,656,313	1,352,303
Unrestricted investment earnings	159,450	260,661	404,622	344,371	137,533	141,496	42,024	66,255	42,573	108,862
Total revenues	57,971,314	66,139,382	63,708,888	69,452,285	69,929,672	69,728,146	70,848,049	72,717,834	76,085,119	79,821,515
Expenses:										
General government	9,995,278	8,783,621	12,640,776	12,739,673	11,408,399	10,656,413	12,022,846	11,537,424	11,413,745	11,346,043
Public services	2,657,867	2,871,026	3,091,670	3,133,250	3,742,174	3,831,908	5,041,659	3,868,072	3,851,672	4,188,079
Public safety	6,153,444	6,552,131	7,080,161	7,424,751	7,812,611	8,265,739	7,331,259	8,691,510	8,555,020	9,362,899
Public works	5,882,495	6,276,324	6,425,408	7,493,947	7,156,188	9,479,984	7,245,892	7,805,045	7,874,408	7,617,844
Education	28,694,859	33,491,029	31,531,309	32,951,412	34,363,377	34,546,380	35,275,130	34,346,445	39,167,124	41,772,944
Interest on debt service	1,168,204	1,068,767	1,141,343	2,737,229	2,826,821	2,693,682	2,664,136	2,862,650	3,074,995	3,415,482
Total expenses	54,552,147	59,042,898	61,910,667	66,480,262	67,309,570	69,474,106	69,580,922	69,111,146	73,936,964	77,703,291
Net (expense)/revenue:	3,419,167	7,096,484	1,798,221	2,972,023	2,620,102	254,040	1,267,127	3,606,688	2,148,155	2,118,224
Change in Net Position	\$ 3,419,167	\$ 7,096,484	\$ 1,798,221	\$ 2,972,023	\$ 2,620,102	\$ 254,040	\$ 1,267,127	\$ 3,606,688	\$ 2,148,155	\$ 2,118,224

Table 3

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

	2005	2006	2007	2008*	2009	2010 ¹	2011 ²	2012	2013	2014
General Fund										
Reserved	\$ 697	\$ 771	\$ 674	\$ 618	\$ 630	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable Inventory								34	34	48
Restricted for Town						2,482	2,685	2,993	3,861	2,838
Restricted for Education						1,056	496	440	977	509
Committed - General Fund						634	630 ³	688 ³	374 ³	452
Committed - Education						-	-	-	-	-
Assigned - General Fund						1,469	2,223	1,606	1,825	1,584
Assigned - Education							-	200	200	800
Unassigned - General Fund						2,231	955	2,093	1,787	3,377
Unreserved	7,063	7,455	8,019	8,357	8,174	-	-			
Total general fund	\$ 7,760	\$ 8,226	\$ 8,693	\$ 8,975	\$ 8,804	\$ 7,872	\$ 6,989	\$ 8,054	\$ 9,058	\$ 9,608
All Other Governmental Funds										
Nonspendable Permanent Fund Principal						125	126	129	132	135
Nonspendable Inventory						26	21	27	27	14
Restricted Special Revenues						1,621	852	473	463	651
Restricted Capital Projects						2,483	1,941	20,027	22,904	9,495
Restricted Permanent Fund Interest						84	84	84	84	85
Committed - Special Revenues						4,820	4,292	4,309	4,362	4,446
Unassigned - Special Revenues						(129)	(115)	(262)	(683)	(1,083)
Unassigned - Capital Projects						(493)	(434)	(378)	(308)	(206)
Reserved	117	125	127	3,047	3,062	-	-			
Unreserved, reported in:										
Special revenue funds	4,403	8,180	7,523	4,589	5,039	-	-			
Capital projects funds	6,963	4,085	2,926	4,912	1,084	-	-			
Permanent funds	70	73	78							
Total all other governmental funds	\$ 11,553	\$ 12,463	\$ 10,654	\$ 12,548	\$ 9,185	\$ 8,537	\$ 6,767	\$ 24,409	\$ 26,981	\$ 13,537
Total Governmental Funds Fund Balances:						\$ 16,409	\$ 13,756	\$ 32,463	\$ 36,039	\$ 23,145

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

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 40,066	\$ 41,377	\$ 42,712	\$ 44,581	\$ 46,401	\$ 46,880	\$ 48,957	\$ 50,428	\$ 54,393	\$ 58,826
Licenses and permits	567	611	753	818	482	573	480	494	554	662
Intergovernmental	11,219	12,604	13,204	14,042	17,357	14,106	13,701	13,136	12,024	10,976
Interest earned	442	644	805	684	324	242	125	153	178	230
Other	5,677	10,921	6,247	9,288	7,545	7,849	7,549	8,420	8,883	8,966
Total revenues	57,971	66,157	63,721	69,413	72,109	69,650	70,812	72,631	76,032	79,660
Expenditures										
General government	3,727	4,340	4,401	4,483	4,615	4,742	6,144	4,403	4,957	5,201
Public services	2,643	2,849	3,070	3,103	4,033	3,766	4,831	3,841	3,931	4,146
Public safety	5,962	6,180	6,642	6,986	7,735	7,355	7,318	8,242	8,578	8,879
Public works	5,370	5,702	5,846	6,765	6,532	8,027	5,353	4,598	7,398	6,503
Education (Excludes School Debt)	26,647	28,064	29,194	31,695	33,105	33,127	33,364	33,220	37,295	39,049
Education Debt (Prin & Int)	4,272	4,728	4,458	4,419	4,475	4,174	4,142	3,758	3,653	4,150
County tax	1,520	1,584	1,615	1,735	1,837	1,886	1,923	1,976	2,075	2,194
Debt service (Principal-Town Only (1))	3,176	2,957	3,219	3,232	3,204	3,044	2,961	5,417	4,942	3,353
Debt service (Interest-Town Only)	1,128	1,108	1,177	1,488	1,867	1,911	1,810	1,151	1,109	1,118
Capital Outlay	23,374	11,467	7,999	9,305	10,196	5,167	6,037	6,347	16,988	22,940
Other	2,323	2,816	2,641	3,188	3,415	4,085	4,014	4,948	1,817	1,775
Total expenditures	80,142	71,795	70,262	76,399	81,014	77,284	77,897	77,901	92,743	99,308
Excess (deficiency) of revenues over (under) expenditures	(22,171)	(5,638)	(6,541)	(6,986)	(8,905)	(7,634)	(7,085)	(5,270)	(16,711)	(19,648)
Other financing sources (uses)										
Transfers in	2,923	2,780	2,794	3,695	3,453	1,982	1,477	2,061	1,845	1,371
Transfers out	(2,923)	(2,780)	(2,794)	(3,695)	(3,453)	(1,982)	(1,477)	(2,061)	(1,845)	(1,371)
Capital Lease proceeds	-	-	1,200	1,010	820	52	-	-	365	249
Refunding bond issued	-	-	-	-	-	-	1,155	24,605	7,065	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	(1,155)	(27,125)	(7,347)	-
Premium paid on refunded debt	-	-	-	-	-	-	(12)	2,642	322	-
Premium paid on issued debt	-	-	-	-	-	-	-	1,913	1,263	-
General obligation bonds and capital leases	10,665	7,014	4,000	8,513	4,560	6,002	4,445	21,940	18,620	6,505
Total other financing sources (uses)	10,665	7,014	5,200	9,523	5,380	6,054	4,433	23,975	20,288	6,754
Net change in fund balances	\$ (11,506)	\$ 1,376	(1,341)	2,537	(3,525)	(1,580)	(2,652)	18,705	3,577	(12,894)
Debt Service as a percentage of non-capital expenditures	7.58%	6.74%	7.06%	7.03%	7.16%	6.87%	6.64%	9.18%	7.99%	5.85%

Notes:

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

Table 5

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

Years ended	General government	Public service	Public safety	Public works	Education	County tax	Debt service	Capital expenditures	Total
2005	3,727,031	2,642,914	5,961,947	5,370,322	28,287,743	1,519,714	4,304,201	1,119,917	52,933,789
2006	4,340,348	2,849,393	6,179,751	5,702,033	30,348,883	1,584,344	4,065,377	1,114,864	56,184,993
2007	4,400,675	3,070,038	6,641,973	5,846,056	31,100,666	1,614,651	4,396,007	1,419,445	58,489,511
2008	4,482,678	3,102,548	6,986,430	6,765,228	32,865,105	1,735,302	4,720,620	2,665,445	63,323,356
2009	4,533,475	3,703,541	7,399,328	6,259,412	34,245,663	1,836,509	5,070,061	1,358,211	64,406,200
2010	4,701,884	3,730,927	7,720,965	6,224,169	34,084,528	1,885,984	4,956,091	1,210,474	64,515,022
2011	4,677,260	3,787,489	7,967,270	6,040,273	34,588,320	1,922,952	4,782,598	833,353	64,599,515
2012	4,401,899	3,841,168	8,241,916	6,598,823	34,018,975	1,975,585	5,416,558	924,372	65,419,296
2013	4,591,897	3,931,386	8,577,811	6,681,399	36,110,973	2,075,183	4,942,403	1,257,490	68,168,542
2014	5,059,198	4,146,541	8,879,022	6,502,618	39,078,563	2,193,813	4,470,950	1,146,088	71,476,793

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
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
2014	53,664,817	98,390	4,620,362	30,849	191,220	58,605,638

Table 7

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

<u>Fiscal Year</u>	<u>Real property</u>	<u>Personal property</u>	<u>Totals</u>		<u>Direct Tax Rate</u>	<u>Ratio of total assessed value to total estimated actual value</u>
	<u>Assessed property</u>	<u>Assessed property</u>	<u>Assessed property</u>	<u>Estimated actual value</u>		
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%
2014	3,544,777,800	115,527,900	3,660,305,700	3,660,305,700	14.77	100%

Source: Town of Scarborough Assessor's Office.

Table 8

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

<u>Fiscal Year</u>	<u>Town</u>	<u>School</u>	<u>County Tax</u>	<u>Tax Increment Financing District</u>	<u>Overlay</u>	<u>State Revenue Sharing ⁽¹⁾</u>	<u>Total Property Tax Rates by Year</u>
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
2014	4.663	9.479	0.599	0.240	0.095	(0.306)	14.77

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)

2005				2014			
Taxpayer	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxpayer	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value		Value		Value
Maine Life Care Retirement \$	46,347,000	1	2.25%	Maine Life Care Retirement \$	64,586,700	1	1.76%
Hannaford Brothers	29,417,000	2	1.43%	Wal-Mart	38,756,800	2	1.06%
Wal-Mart	21,364,000	3	1.04%	New England Expedition	39,155,100	3	1.07%
Gavin Ruotolo	10,797,000	4	0.52%	Hannaford Brothers	24,820,100	4	0.68%
Maine Historic Hotels	9,862,000	5	0.48%	Scarborough Gallery	23,349,100	5	0.64%
ERP Operating L.P.	8,871,000	6	0.43%	MMC Realty Maine Health	22,707,200	6	0.62%
Central Maine Power	8,365,000	7	0.41%	Central Maine Power	20,316,000	7	0.56%
Shaw's Supermarket	7,876,000	8	0.38%	Gavin Ruotolo	18,823,400	8	0.51%
Davric Maine Corporation	7,180,000	9	0.35%	RRE Foxcroft/Coach Lantern	13,229,000	9	0.36%
CNL Hospitality partners	6,638,000	10	0.32%	Shaw's Supermarket	12,901,400	10	0.35%
Total Principal Taxpayers	156,717,000		7.62%		278,644,800		7.61%
Total Assessed Value: \$ 2,057,589,000				\$ 3,660,305,700			

Source: Town of Scarborough, Maine Assessor

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Within Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	282,844	38,135,510	100.0%
2008	40,183,201	39,784,997	99.0%	379,993	40,164,990	100.0%
2009	42,397,139	41,890,825	98.8%	485,915	42,376,740	100.0%
2010	42,877,989	42,370,914	98.8%	486,850	42,857,764	100.0%
2011	44,928,747	44,325,013	98.7%	578,629	44,903,642	99.9%
2012	46,684,211	46,102,831	98.8%	555,613	46,658,444	99.9%
2013	50,125,493	49,483,773	98.7%	420,715	49,904,488	99.6%
2014	54,062,720	53,305,613	98.6%	-	53,305,613	98.6%

Source: Town of Scarborough Tax Collector's Office

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
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
2014	3,544,777,800	115,527,900	3,660,305,700	14.77	54,062,720

Source: Town of Scarborough Assessor's Office

Table 12

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

Fiscal Year	General Obligation Bonds	Other Bond Adjustments	Capital Leases	Total Outstanding Debt	Population*	Percentage of personal income	Debt Per Capita
2005	67,737,433		141,974	67,879,407	18,812	13.68%	3,608
2006	68,844,000		72,541	68,916,541	18,812	13.90%	3,663
2007	66,845,000		1,370,408	68,215,408	18,812	13.50%	3,626
2008	69,328,000		2,025,032	71,353,032	18,812	13.95%	3,793
2009	67,785,000		2,223,239	70,008,239	18,812	13.52%	3,721
2010	68,042,000		1,640,531	69,682,531	19,239	13.44%	3,622
2011	66,767,000		1,105,143	67,872,143	18,919	9.30%	3,588
2012	82,250,000	2,428,572	687,335	85,365,907	18,786	10.80%	4,544
2013	96,180,000	5,715,066	622,334	102,517,400	18,941	12.41%	5,412
2014	97,895,000	5,474,486	597,722	103,967,208	19,343	12.37%	5,375

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

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

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

Table 12A

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

Fiscal Year	General Obligation Bonds	Other Bond Adjustments	Total	Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Population*	Percentage of personal income	Debt Per Capita
2005	67,737,433		67,737,433	2,057,589,000	3.29%	18,812	13.68%	3,601
2006	68,844,000		68,844,000	3,256,841,900	2.11%	18,812	13.90%	3,660
2007	66,845,000		66,845,000	3,317,497,800	2.01%	18,812	13.50%	3,553
2008	69,328,000		69,328,000	3,397,230,200	2.04%	18,812	13.95%	3,685
2009	67,785,000		67,785,000	3,487,005,500	1.94%	18,812	13.52%	3,603
2010	68,042,000		68,042,000	3,524,771,600	1.93%	19,239	13.44%	3,537
2011	66,767,000		66,767,000	3,556,551,900	1.88%	18,919	9.30%	3,529
2012	82,250,000	2,428,572	84,678,572	3,571,196,300	2.30%	18,786	10.80%	4,378
2013	96,180,000	5,715,066	101,895,066	3,631,675,300	2.65%	18,941	12.41%	5,078
2014	97,895,000	5,474,486	103,369,486	3,660,305,700	2.67%	19,343	12.37%	5,061

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 Fund Expenditures
Last Ten Fiscal Years

Fiscal year	Principal	Interest	Total debt service	Total general fund expenditures	Ratio of debt service to general fund expenditures
2005	5,879,730	2,633,535	8,513,265	52,933,789	16.08%
2006	5,907,434	2,846,370	8,753,804	56,184,993	15.58%
2007	5,999,000	2,820,923	8,819,923	58,489,511	15.08%
2008	6,030,000	2,738,869	8,768,869	63,323,356	13.85%
2009	6,103,000	2,750,561	8,853,561	64,406,200	13.75%
2010	5,745,000	2,653,085	8,398,085	64,515,022	13.02%
2011	5,720,000	2,584,375	8,304,375	64,599,515	12.86%
2012	5,972,000	2,432,682	8,404,682	65,419,296	12.85%
2013	5,135,000	2,815,370	7,950,370	68,168,542	11.66%
2014	4,790,000	3,588,569	8,378,569	71,476,793	11.72%

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 380,820	\$ 430,980	\$ 488,370	\$ 529,673	\$ 534,488	\$ 543,068	\$ 534,623	\$ 533,513	\$ 522,375	\$ 536,918
Total net debt applicable to limit	67,737	68,844	66,845	69,328	67,785	68,042	66,767	84,679	101,895	103,369
Legal debt margin	313,083	362,136	421,525	460,345	466,703	475,026	467,856	448,834	420,480	433,549
Total net debt applicable to the limit as a percentage of debt limit	17.79%	15.97%	13.69%	13.09%	12.68%	12.53%	12.49%	15.87%	19.51%	19.25%

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Town of Scarborough:										
General Obligation Bonds	67,738	66,844	66,845	69,328	67,785	68,042	66,767	82,250	96,180	97,895
Capital Leases	-	-	-	2,025	2,223	1,641	1,105	687	623	598
Total Direct Debt	67,738	66,844	66,845	- 71,353	70,008	69,683	67,872	82,937	- 96,803	98,493
Cumberland County	1,055	883	685	535	481	327	126	3,352	3,254	3,458
Portland Water District	2,846	2,665	2,557	3,486	4,099	4,210	3,845	3,933	3,483	5,994
Total Overlapping Debt	3,901	3,548	3,242	- 4,021	4,580	4,537	3,971	7,285	- 6,737	9,452
ecomaine Waste Systems:										
Resource recovery system	4,062	3,573	3,016	2,393	1,601	792	231	-	-	-
Material recovery facility	352	317	278	231	182	125	120	-	-	-
Landfill closure/postclosure	1,581	1,682	1,697	1,956	1,242	1,266	1,302	1,371	1,405	1,436
Total Contingent Debt	5,995	5,572	4,991	- 4,580	3,025	2,183	1,653	1,371	- 1,405	1,436
Total Direct, Overlapping/Contingent	77,634	75,964	75,078	79,954	77,613	76,403	73,496	91,593	104,945	109,381

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

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (a)</u>	<u>Median Age (a)</u>	<u>School Enrollment (c)</u>	<u>Unemployment Rate (d)</u>
2005	18,812	495,150,652	26,321	39	3,308	3.00%
2006	18,812	495,150,652	26,321	39	3,324	3.00%
2007	18,812	495,150,652	26,321	39	3,361	2.90%
2008	18,880	496,940,480	26,321	39	3,347	3.30%
2009	19,054	501,520,334	26,321	39	3,343	5.60%
2010	19,239	506,389,719	26,321	39	3,363	5.40%
2011	18,919	718,146,321	37,959	44	3,269	5.40%
2012	18,786	761,359,008	40,528	44	3,205	5.00%
2013	18,941	775,103,302	40,922	45	3,157	5.00%
2014	19,343	791,554,246	40,922	45	3,112	3.50%

(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

2005			2014			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	1,384	1	Hannaford Brothers	1,308	1	9.0%
Hannaford Brothers	882	2	Town of Scarborough	1,282	2	8.9%
Wal-Mart	294	3	US Postal Service	589	3	4.1%
Maine Medical Center	180	4	Maine Medical Center	389	4	2.7%
Shaw's Supermarket	150	5	Wal-Mart	327	5	2.3%
RC Moore Trucking	150	6	Cabela's	285	6	2.0%
Sam's Wholesale Club	123	7	NorDX	207	7	1.4%
Konica Quality Photo	108	8	Piper Shores	207	8	1.4%
Rich Tool & Die Co.	90	9	Sam's Wholesale Club	188	9	1.3%
RTS Packaging	85	10	Alere	187	10	1.3%

* Source: Scarborough Economic Development Corporation (SEDCO)

2013 Total Town Average Annual Employment Estimate: 14,474 (Source: ME Dept of Labor, Annual 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
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%	5.0%
2013	5.5%	6.6%	4.8%
2014	4.1%	5.1%	3.5%

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Govt:										
Town Clerk										
Certified Copies	1,185	1,462	1,187	2,098	4,887	4,988	5,820	5,068	4,624	5,596
Licenses	360	296	365	432	436	440	545	585	572	861
Permits							919	905	889	930
Passports Applications	379	548	882	792	586	665	534	-	-	-
Tax Office										
Beach Passes	1,886	2,003	2,192	3,436	3,487	2,358	2,443	2,701	2,934	2,763
Licenses & Permits	1,847	1,643	1,298	1,166	1,168	991	817	782	791	670
Tax Bill Issued						9,389	9,809	9,516	9,594	9,623
Excise Registrations						25,570	25,384	25,637	30,477	29,566
Planning:										
Permits	1,501	1,561	1,438	1,346	1,091	558	554	553	621	609
Certificates of Occupancy	340	353	242	207	204	222	176	173	174	217
Public Safety:										
Police:										
Physical arrests	332	822	719	817	1,152	619	989	1,026	898	826
Traffic violations	1,077	1,337	975	792	741	1,404	819	1,069	1,126	1,007
Fire:										
Number of calls answered	1,225	1,275	1,228	1,303	1,615	1,598	1,718	1,733	1,610	1,744
Number of Inspections	472	642	884	1,825	3,351	3,537	3,394	3,583	3,455	3,378
Rescue:										
Number of calls answered	1,928	1,787	2,055	2,069	2,088	1,946	2,125	2,141	2,116	1,950
Public Works:										
Street resurfacing (miles)	5.26	6.03	7.32	3.90	6.31	8.62	6.37	6.45	3.62	5.31
Pot holes repaired (qty used in tons)	82	71	61	42	35	24	24	24	13	29
No. times plows dispatched	24	53	15	33	27	24	26	30	60	35

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 Six Fiscal Years

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

Source: Town of Scarborough various departments

Comment: Data not available for all years

Table 20

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

		<u>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>	<u>2014</u>
General Government:											
	Full time	35	35	37	37	39	35	37	35	34	32
	Part Time	36	58	19	59	53	72	55	57	61	52
Public Services:											
	Full time	13	14	14	15	15	17	23	15	15	15
	Part Time	77	99	103	130	159	134	146	148	160	139
Public Safety:											
Police											
	Full time	47	48	51	52	52	50	52	53	55	53
	Part Time	28	33	27	27	34	35	38	28	30	33
Fire											
	Full time	4	4	4	4	4	4	5	5	5	8
	Part Time	159	144	152	167	164	148	150	153	151	150
Rescue											
	Full time	9	9	12	12	12	16	20	20	20	21
	Part Time	16	18	15	14	15	10	11	11	10	0
Public Works:											
	Full time	32	32	33	36	35	31	31	31	31	31
	Part Time	3	2	2	3	3	4	1	1	3	1
Education:											
	Full time	724	766	733	750	761	503	460	452	449	443
	Part Time						268	262	302	296	246
Total:		1183	1262	1202	1306	1346	1327	1291	1311	1320	1224

Source: Town of Scarborough

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

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

Division	Department	Function	Division	Department	Function
General Government:	Legislative	Town Council	Public Works:	Public Works:	Road/Highway Maintenance
	Administration:	Executive			Vehicle Maintenance
		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
	Planning:	Assessing			Instruction Improvement
		Planning			Food Services
		Engineering			Special Services
		Code Enforcement			General & Special Administration
		Zoning & Planning Boards			Board of Education
	Information Syst.				Office of the Superintendent
Public Service:	Community Serv:	Recreation			Business Administration
		Youth Programs			Transportation
		Senior's Programs			Operation & Maintenance of Plant
		Parks			Debt Service
		Child Care			
		Beach Care			
		Grounds Maintenance			
		Sports Complex			
		Local Access Cable TV			
	Public Assistance	Welfare/Health Assistance			
	Economic Develop.				
	Library				
Public Safety:	Fire:	Fire Suppression			
		Fire Prevention			
		Rescue			
		Emergency Preparedness			
	Police:	Patrol			
		Dispatch			
		Marine Resources			
		Animal Control			

Source: Town of Scarborough

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APPENDIX B

PROPOSED FORM OF LEGAL OPINION

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

BERNSTEIN SHUR

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

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

_____, 2015

[BOND PURCHASER]

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$6,085,000* aggregate principal amount of 2015 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 _____, 2015. 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, 2015, at the respective rates per annum, as follows:

<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>
2015	\$500,000		2025	\$265,000	
2016	\$495,000		2026	\$265,000	
2017	\$485,000		2027	\$265,000	
2018	\$430,000		2028	\$265,000	
2019	\$430,000		2029	\$245,000	
2020	\$335,000		2030	\$165,000	
2021	\$335,000		2031	\$160,000	
2022	\$335,000		2032	\$160,000	
2023	\$320,000		2033	\$160,000	
2024	\$320,000		2034	\$150,000	

*subject to change



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

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,

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APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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

In connection with the issuance by the Town of Scarborough, Maine (the “Issuer”) of its \$6,085,000 2015 General Obligation Bonds, dated as of May 1, 2015 (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 22, 2015 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, 2015, 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: _____, 2015

By: _____

Its: Treasurer

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