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*Town of Scarborough, Maine
Comprehensive Annual Financial Report*



*For Fiscal Year Ended
June 30, 2005*



*Town of Scarborough, Maine
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005*



Scarborough Municipal Building

Ruth D. Porter
Finance Director

TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2005

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TOWN OF SCARBOROUGH, MAINE
Comprehensive Annual Financial Report
Year ended June 30, 2005

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Introduction





Town of Scarborough, Maine

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

RUTH D. PORTER
FINANCE DIRECTOR
TREASURER

December 5, 2005
Steve N. Ross, Council Chairman
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, 2005. Together with the Town's external auditors, the Finance Department has prepared this report using the new reporting requirements as prescribed by the Governmental Accounting Standard's Board (GASB) Statement No. 34. Responsibility for both the accuracy of the data and the completeness and fairness of the information, including all disclosures, rests with the Town of Scarborough. To the best of our knowledge and belief, 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 have been included.

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

TOWN'S ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

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

The Town was first settled in 1633 and 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 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.

The Town of Scarborough provides a full range of services, including:

- public safety protection which incorporates the police, fire, rescue and emergency management services;
- public safety dispatch for which the town is a PSAP (Public Safety Answering Point);
- sanitation and solid waste services; roads and highway maintenance and construction; vehicle maintenance;
- community services including recreation, parks, child care programs; beaches and grounds maintenance;
- human services and public assistance;
- education;
- planning and zoning and
- general administrative services.

Although legally separate entities, blended component units are, in substance, part of the Town's primary government operations. We have included the Scarborough Economic Development Corporation as part of the primary government's operations.

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 Towns.

Financial statements for the following entities are not included in this report as they are administered by boards that are legally separate from and independent of the Town Council and otherwise have not met the established criteria for inclusion in this report. A brief description, however, is incorporated in the notes to the financial statements:

Portland Water District
Regional Waste Systems

Scarborough Sanitary District
Biddeford Saco Water District

In accordance with the provisions of Article V of the Town Charter, the annual budget serves as the foundation for Scarborough's financial planning and control. The Town's budget year begins July 1 and ends June 30 of the following year. The Charter provides that the Town Manager submit a budget to the Town Council at least sixty days (60) 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 Finance Committee reviews the proposed budget and makes recommendations to the Town Council. The Council orders a public hearing with prior public notification. The Charter directs the Council to adopt their budget prior to July 1. If the Council fails to adopt the 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. The Town Council also authorizes budget amendments.

The Town Charter requires that the budget document include the following information:

Prior year actual expenditures,

Current year budget and Current year estimated expenditures,

New year Department requests and New year Town Manager request,

Increase (Decrease) of budgets shown as both a percentage and dollar amount, and the

Town Council approved budget

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.

ECONOMIC CONDITION AND FUTURE OUTLOOK

Maine Economy. By nearly every measure, the Maine economy continued to improve in 2005. For the past four years, Maine has outperformed the national and New England economies. Payroll employment increased by .6% or 3,600 jobs. Very low interest rates continued to fuel home sales, refinancing activity, and construction. Housing permits for the state jumped 9.5%. Interest rates are expected to rise over the next two years and will likely cause a slowdown in the housing industry. Research by the Muskie Institute has confirmed Maine's population is aging, possibly presenting future labor force problems.

Local Economy. The Town of Scarborough is primarily a suburban residential community that enjoys a favorable economic environment and local indicators continue to point to stability and growth. Approximately 1,050 businesses are located within Scarborough reflecting a 7% increase in businesses over last year. As well as being home to two excellent major medical research facilities, the Town of Scarborough continues to attract high tech and biotech industries. Additionally, the Town of Scarborough is an active participant in the development of private industrial and commercial facilities. The Town of Scarborough has a varied manufacturing, industrial and commercial base that adds to the relative stability of the unemployment rate.

The Maine Department of Labor provides unemployment data for various regions of the state. While data is not provided specifically for the Town of Scarborough, we are included in the information for the Portland Metropolitan Statistical Area (PMSA). The unemployment rate for the PMSA remained the same during 2005 and remains below state levels as of the month of June for the last five years:

	<u>PMSA</u>	<u>Statewide</u>
2001	2.9%	3.7%
2002	3.4%	4.3%
2003	3.7%	5.0%
2004	3.5%	4.4%
2005	3.5%	4.4%

The business community, in Scarborough, is diverse and is located primarily in distinct areas of the Town. U.S. Route One, one of three major routes through the community, is primarily a commercial business district serving the daily needs of Scarborough's residents. It is a mix of retail, amusement, and small professional offices. Payne Road, a continuation of the Maine Mall Road, is home to many larger, big box type retailers and serves a regional clientele. Industrial development is largely contained in the Scarborough Industrial Park and the Pleasant Hill Road Areas.

Interstate 95 bisects the Town of Scarborough, north to south, and Scarborough has direct access to Interstate 95 at Exit 42. Interstate 295 and the aforementioned U. S. Route One and Interstate 95 give Scarborough an enviable location advantage. Additionally, Scarborough is located ten minutes from downtown Portland, five minutes to the Portland International Jetport, and less than two hours from Boston. Access to the new Downeaster train service to Boston is located just north and south of Scarborough.

The Town of Scarborough is one of the fastest growing residential centers in the State of Maine. This growth has necessitated Scarborough's need to develop a strong and stable commercial base to help meet the ever-growing demands of its residents. To foster that development, the Town of Scarborough created a private non-profit Corporation in 1986 to encourage new business and retain and grow existing businesses and assist the community in its long term economic development planning.

Comprehensive Plan. The Town Council adopted Scarborough's current Comprehensive Plan in June of 1994. Since that time, the Town has continued its planning process with some studies. These studies include the Growth and Services study, the Haigis study and the development of a Comprehensive Growth Strategy. Part of the Comprehensive Growth Strategy included the adoption of the Residential Growth Control Ordinance by the Town Council. This ordinance allows growth to proceed at about 135 residential units per year to ensure that we do not overtax our infrastructure.

The first step, to develop a visioning process for the Town, is done. The visioning process provided insight to the Comprehensive Plan Committee as to the direction, needs and desires of Scarborough residents. In the fall of 2004, the process to update the Comprehensive Plan began. A committee, composed of a cross-section of citizens, has been meeting and a draft plan is scheduled for production for the spring of 2006.

Major Initiatives

For the year. The construction of the Haigis Parkway/Exit 42 infrastructure was completed. It is our vision that this area will become the pre-eminent commercial location in the State of Maine.

The Enterprise Business Park project received final approval from both the State and locally for the full build-out of the park. Phase one of the Enterprise Business Park is substantially completed. The Enterprise Business Park, a private business park, developed in partnership with the Town of Scarborough is filling up with the completion of both the fourth and fifth buildings and phase two of this project has begun. Presently, industrial and hi-tech research and development facilities, professional offices and a day care facility are currently located in the Enterprise Park.

As noted earlier, Scarborough continues to be a focal point for the development of small biotech start-up companies. A major biotech firm, Binax, moved its facilities from Portland to Scarborough. This development coupled with the continuing expansion of the Maine Medical Research Institute and the Foundation for Blood Research will undoubtedly spin off smaller ventures while attracting more established firms to the area.

Both the Planning Board and the Town Council have been active in reworking and developing Town Ordinances. Both the Subdivision Ordinance and the Site Plan Ordinance have been updated to reflect more accurately, the development process and to provide improved standards for land improvement. Additionally, the Planning Board developed a set of Design Guidelines to ensure new construction in commercial areas meets with standards for architecture control, sign, lighting and landscaping. All ordinances are adopted by the Town Council and are available for review on the Town's website www.scarborough.me.us.

Through the work of the Planning Board, the Town Council created two new zoning districts to promote new development projects with a village-like atmosphere. The Dunstan Village Residential District (DVR) encourages a mix of housing types, requires mandatory open space, allows clustering of lots and emphasizes a traditional grid layout. The Traditional Neighborhood Development District (TND) allows a slightly higher density of five units per acre with a required affordable housing component. This district also encourages a mix of housing types and open space preservation.

The park at the old drive-in property development was completed. The new name given to the facility is the Memorial Park. Within this facility is a skateboard park, multi-purpose sports fields, nature trails, open space park, amphitheater, gazebo, concession stand, restrooms and parking. To assist with beautifying and finishing the final amenities, a "Sponsor a Tree" program has been set up.

A grant, awarded to the Eastern Trail Management District, allowed for the development of trail systems across the Scarborough Marsh to Black Point Road. Approximately two miles of surface and trail were completed in 2005. A new bridge was installed in the Summer of 2004, spanning the Dunstan River on the Scarborough Marsh, to help further the future growth the Eastern Trail corridor.

The Fire Department has actively sought and received numerous grants from Homeland Security, FEMA, MEMA and the Maine Forest Service. These grants were used to fund a mobile command van, a vehicle exhaust removal system for all six fire stations and to fund public fire education and related educational materials and to install a water holding tank in the Ottawa Woods development.

The Public Work's Department was selected as a recipient of the *M.D.O.T.'s Community Gateway Grant Program*. The purpose of this grant is to enhance the appearance of the town's roadside. The funds are being used to create a roadside park at the location of the former Bette's Restaurant on Route One.

For the future. With the completion of infrastructure, development scenarios, and increasing interest from developers and businesses, the future of Scarborough's Professional Gateway at the Haigis Parkway is bright.

Planned retail and office development on Route One will ensure the continued upgrading of this strategic thoroughfare.

Scarborough is now in the construction phase for the United States Post Office Distribution Center, a Mercedes Dealership, and the Scarborough Gallery.

The Scarborough Gallery is a 500,000 square foot shopping destination anchored by both Super-Walmart and Lowes. The Scarborough Gallery will be nearing completion in 2006 and will spawn more retail development in the area.

Recommendations by the Comprehensive Plan committee, to provide more industrial and commercially zoned land, will be considered by the Town Council in 2006.

The Town is working with a developer on a wetlands mitigation project. This would involve the rehabilitation of a former gravel pit into a wetlands conservation area. Ultimately, the plan would protect over 280 acres of land and a mile on both sides of the Nonesuch River.

Phases Three and Four of the Enterprise Business Park are progressing. This park will ultimately house some thirty-five buildings.

Acquisition and preservation of open space and environmentally sensitive areas continue as high priorities for the citizens of Scarborough. In 2002, the citizen approved a \$1.5 million bond for open space preservation. Of this amount, \$300,000 is currently available. The voters also approved an additional \$2.5 million for open space preservation in 2003.

We expect the Eastern Trail Management District to continue to receive grants. These grants will allow for the southerly portion of the trail from Pine Point Road to Old Blue Point Road to be completed. New construction on the northerly portion of the trail behind Maine Medical Center is planned to take place next year. Completion of the Eastern Trail through Scarborough will allow for safer recreational biking and walking trails.

Long Term Financial Planning. Scarborough has a five year Capital Improvement Plan. We use this plan, not only to make decisions regarding equipment replacement, building, land and infrastructure improvements and purchases, but also for open space purchases and improvements.

The Town is one of twenty-one (21) communities that own and operate Regional Waste Systems (RWS). RWS was established in 1974 to dispose of the participating community's trash. In the past year, the organization hired a new general manager, reorganized the board of directors so that every member community has at least one vote

and created an Executive Committee to work with the general manager to monitor the daily operations. New agreements were negotiated with the member communities to create a perpetual public corporation and the agreements are expected to be approved by all member communities by the spring of 2006. RWS is moving forward with the expansion of the landfill for ash disposal without the issuance of any new debt. Additionally, recent changes in policies have stabilized the tipping fee. For the fiscal year ending in June 2005, RWS showed a net gain in revenues over expenditures of almost \$1.5 million resulting in part from a new electrical sales contract, a profitable recycling operation and the resumption of the operation and maintenance of the ash fill with plant personnel instead of a private contractor.

As the Town's population continues to grow, existing school buildings, already at or near capacity, are being stretched to the point that effective instruction for all students is becoming increasingly difficult to guarantee and is a top priority for the Town.

The citizens of Scarborough approved a \$28.6 million dollar high school expansion project. This project is expected to be completed in late 2005. Scarborough High School's new and improved physical facility will not merely provide a larger place for more students, but, guided by well-documented research, solid data, and successful best practices, the school will be able to offer new programs that will supplement an already strong, traditional secondary curricula. Distance learning, teaming, collaboration beyond the classroom, increased program individualization, creative use of time and technology and more will be possible upon completion of the high school construction project. Scarborough High School will possess the potential to become an institution of the 21st Century.

Scarborough Middle School for grades six through eight, reached its physical capacity of 600 when the building opened its doors in September 1996. By 2005, enrollment exceeded 800 and fifteen modular classrooms were needed. Future enrollment of the middle school population is projected to be above 900. Proposed development projects will likely push this figure even higher.

Similarly, the Wentworth Intermediate School, with a 2005 enrollment of over 750 is not conducive to currently accepted best practices in intermediate education. Additionally, building mechanicals (heating, lighting) and security concerns are outdated.

A facilities plan for both the middle school and the intermediate school has been completed. This plan includes a new grades 3-5 intermediate school and a major renovation and expansion of the middle school. Anticipated completion of the renovation of these two schools would be August 2010.

The Scarborough School system currently has three K-2 schools. As continued home construction and subdivisions are proposed and built, it may be necessary to build a fourth K-2 school.

FINANCIAL INFORMATION

Assessed Valuation and Collections. An indicator of our strong local economy is reflected in the growth of the Town's assessed value of real and personal property. The taxable valuation of Scarborough has more than doubled since 1990. For the 2005 tax year, the valuation was \$2,057,589,000 compared to the 1990 valuation of \$995,448,900. For the past five (5) years, residential and commercial construction have increased on an average of three (3%) to four (4%) percent per year.

Below is a list of unpaid property taxes, for the last five years:

\$928,272 in 2001,
\$770,311 in 2002,
\$431,169 in 2003,
\$440,255 in 2004,
\$462,450 in 2005.

The Town has been very successful in its efforts to collect all personal and real estate taxes. Our rate of tax collections exceeds 99% for the last two years' tax collections. Factors contributing to Scarborough's successful collections are the policy adopted by the Town Council for collection of prior year unpaid tax acquired property along with low interest rates for refinancing mortgages. Since this policy has been in effect, the Town has not foreclosed on any new real estate property. Those properties that the Town has foreclosed on prior to this policy, have either paid their outstanding balance or have signed payment agreements that, among other things, requires current taxes to be paid when due. Additionally, we have successfully utilized the services of a collection agency to help with outstanding personal property taxes.

Cash Management Policies and Practices. The Town of Scarborough invests cash, temporarily idle during the year, in demand deposits, certificates of deposit, U.S. Government obligations and repurchase agreements. The average yield on all investments was approximately 1.96%. Total investment income during the year amounted to \$480,095.

Risk Management. The Town of Scarborough continues to manage all aspects of its risk management program aggressively. The Human Resource staff is responsible for all employment, workers' compensation and ADA related issues. As claims arise, the staff identifies the situations that may cause injury or illness to employees, and they work to resolve safety issues and health concerns. An ADA Advisory Committee, consisting of Scarborough residents, was created to address any ADA matters that may arise.

The Administrative Assistant to the Town Manager is responsible for the property and casualty, police professional and general liability claims. The Town's risk pool insurance provider, as a part of their insurance service, provides safety training to the Town along with loss prevention analysis on a regular basis.

OTHER INFORMATION

Independent Audit. The Town Charter requires an annual financial audit by independent certified public accountants appointed by the Town Council. The firm of Runyon, Kersteen, and Ouellette was engaged to perform the annual audit for the Scarborough Town Council for the fiscal year 2005. This audit is designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The independent auditor's report is presented as the first component of the financial section of this report.

Acknowledgements. The preparation of the comprehensive annual financial report is possible due to the dedicated service of each member of the Scarborough Finance Department. I would like to acknowledge my gratitude for the information provided by the Department Administrators and their staff and the School Department staff. Additionally, I want to express my gratitude for the efforts of the Community Service staff to help with the pictorial displays used in this presentation. For his unfailing support for the work performed by the Accounting staff, I would also like to express my appreciation to the Town Manager, Ronald W. Owens. Furthermore, I would like to acknowledge the efforts of the accounting firm of Runyon, Kersteen, and Ouellette. Finally, I extend my appreciation to the Scarborough Town Council for their full support for maintaining the highest standards of professionalism in the management of the Town's finances.

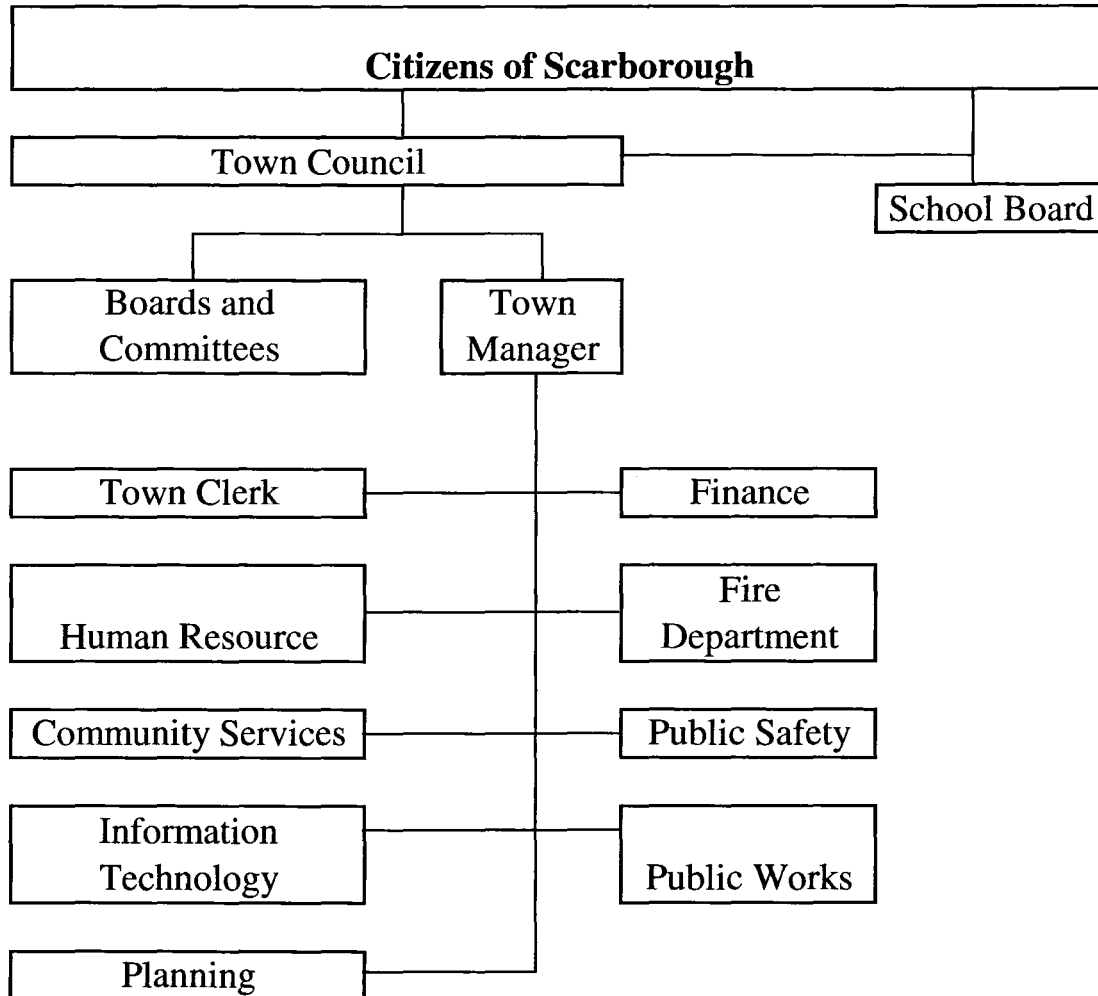
Respectfully Submitted,

Ruth D. Porter
Finance Director

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Town of Scarborough, Maine

Organizational Chart



TOWN OF SCARBOROUGH, MAINE
PRINCIPAL EXECUTIVE OFFICERS
AS OF JUNE 30, 2005

Elected Town Council

Jeffrey A. Messer, Chair

Shawn A. Babine
Sylvia J. Most
Patrick J. O'Reilly

Robert E. Patch
Carol S. Rancourt
Steve N. Ross

Appointed Town Staff

Ronald W. Owens	Town Manager
Yolande P. Justice	Town Clerk
Ruth D. Porter	Finance Director
Paul G. Lesperance	Assessor
Thomas P. Guter	Human Resource Director
Stephen Tewhey	Information Systems
Joseph F. Ziepniewski	Town Planner
Bruce W. Gullifer	Community Services Director
B. Michael Thurlow	Fire Chief
Robert A. Moulton	Police Chief
Michael E. Shaw	Public Works Director
William J. Michaud	Superintendent of Schools

Financial



One of two new fire trucks purchased in 2005 featuring compressed air foam technology.

Independent Auditor's Report

Town Council
Town of Scarborough, Maine

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Scarborough, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2005 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our 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. The introductory section, combining statements and individual fund schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.

A handwritten signature in black ink, reading "Runyon Kerateen Ouellette". The script is cursive and fluid, with the first name "Runyon" starting with a large capital 'R' and the last name "Ouellette" ending with a long, sweeping tail.

December 5, 2005
South Portland, Maine

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis
June 30, 2005

As management of the Town of Scarborough, we are presenting a narrative overview and analysis of the Town's financial activities during the fiscal year ended June 30, 2005. For the fiscal year ending June 30, 2005, the Town of Scarborough has prepared the financial statements based on the guidelines provided in Governmental Accounting Standards Board (GASB) Statement No. 34. 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. All dollar amounts are expressed in thousands of dollars unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Scarborough exceeded liabilities at the close of the 2005 fiscal year by \$47,389 (net assets).
- The Town's total net assets increased by \$3,419.
- The changes in beginning net assets occurred due to GASB Statement No. 34 which requires government-wide financial results to be reported on a full-accrual basis compared to modified accrual basis. Full accrual accounting measures resources on a long-term economic basis, whereas, modified accrual accounting measures near-term changes in resources.
- As of June 30, 2005, the Town's governmental funds reported combined fund balances of \$19,313, a decrease of \$11,506 compared with the prior year as restated. Of the approximately \$18,499 reported as unreserved fund balance, \$4,403 are special revenue funds authorized for specific projects, \$6,963 are for major capital construction projects and \$70 is for maintenance of the town's cemeteries. The remaining amount of \$7,063 is available for the discrete purposes for which these funds are collected.
- As of June 30, 2005, unreserved undesignated fund balance for the general fund was \$4,366 or 7.86% of the total general fund expenditures of \$55,565. The Town of Scarborough's Fund Balance policy calls for 8.33% of the total operating budget or \$4,629.
- The Town of Scarborough's total debt increased by \$4,785 from the prior year. Total debt retired was \$5,880. Total debt issued was \$10,665 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 are designed to provide readers with a broad overview of Town finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how Scarborough's net assets changed during the most recent fiscal year. All changes in net assets 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., uncollected taxes and earned but unused sick leave).

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Both of the government-wide financial statements 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, library, economic development), public safety, public works (highways, streets, and solid waste disposal), capital improvements, education and county tax.

The government-wide financial statements include not only the Town of Scarborough (known as the *primary government*), but also the legally separate public library for which the Town of Scarborough is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the Town of Scarborough itself. The Scarborough Economic Development Corporation, although also legally separate, functions for all practical purposes as a department of the Town of Scarborough, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 31-32 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that are 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 (Statements 4 and 5) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Scarborough maintains 31 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, General Town Improvements, and the General School Improvements all of which are considered to be major funds. Data from the remaining 23 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 elsewhere in this report.

The basic governmental funds financial statements can be found on pages 33-34 of this report.

Capital Projects Funds. The Capital Projects Fund was established to account for resources obtained and expended for the acquisition and improvement of major capital facilities and 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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

- The General Town Improvements Account was established to account for grants, awards, and money appropriated by the Town Council or approved by voter referendum for major municipal capital projects.
- The General School Improvements Account was established to account for grants, awards and money appropriated by the Town Council or approved by voter referendum for major school capital projects.

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

The capital projects fund financial statements can be found on pages 81-82 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 85-86 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 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 89-91 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-57.

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 61-96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the third year the Town has implemented GASB Statement No. 34. As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Town of Scarborough, assets exceeded liabilities by \$47,389 as of June 30, 2005.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Town of Scarborough's Net Assets

Governmental Activities

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 25,832	36,704
Capital Assets not depreciated	37,629	14,896
Capital assets	<u>60,136</u>	<u>54,953</u>
Total assets	<u>123,597</u>	<u>106,553</u>
 Long term liabilities outstanding	 62,352	 57,664
Other liabilities	<u>13,857</u>	<u>13,159</u>
Total liabilities	<u>76,209</u>	<u>70,823</u>
 Net assets		
Invested in capital assets, net of related debt	29,885	6,689
Restricted	7,629	19,331* <i>restated for 2005</i>
Unrestricted	<u>9,875</u>	<u>9,710* <i>restated for 2005</i></u>
Total Net Assets	<u>\$47,389</u>	<u>35,730* <i>restated for 2005</i></u>

Approximately 63.06% of the Town of Scarborough's net assets reflect its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt, still outstanding that is used to acquire those assets. Approximately 15% of the \$11,659 increase in net assets is due to the inclusion of certain Town roads previously considered State owned. The Town of Scarborough uses these capital assets to provide services to the 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 liabilities.

16.10% of the Town of Scarborough's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, in the amount of \$9,875, 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, the Town of Scarborough is able to report positive balances for its net assets.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

GOVERNMENTAL ACTIVITIES. All of the increase pertaining to the Town of Scarborough's net assets, of \$3,419, is due to the governmental activities of the Town. Key components of this increase are shown below:

Town of Scarborough's Changes in Net Assets

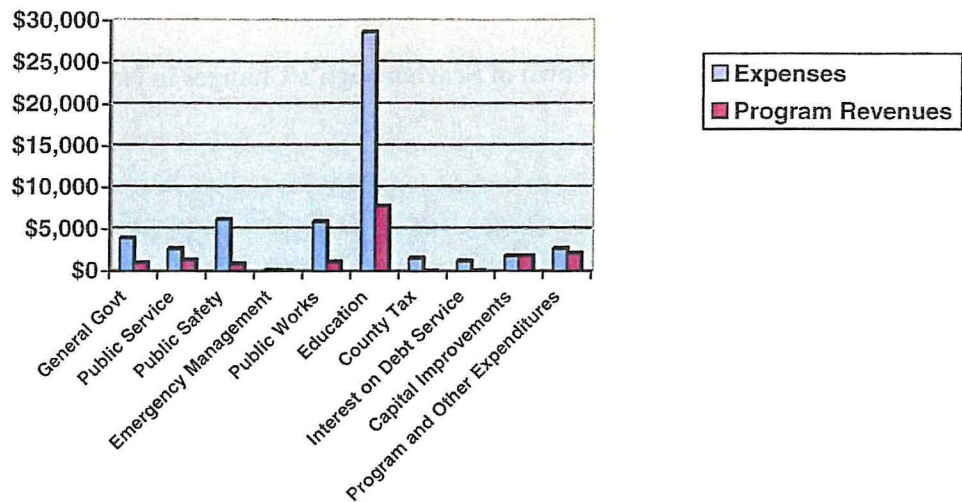
Governmental Activities

	<u>2005</u>	<u>2004</u>
Revenues:		
Program Revenues:		
Charge for services	\$ 6,488	5,238
Operating grants and contributions	9,297	8,744
Capital grants and contributions	--	--
General Revenues:		
Property and excise taxes, levied for general purposes	39,932	37,182
Franchise Fees	143	125
Grants and contributions not restricted to specific programs:	1,850	2,015
Unrestricted investment earnings	160	106
Other	101	80
Total Revenues	\$ 57,971	53,490
Expenses:		
General government	\$ 3,984	3,772
Public Services	2,658	2,597
Public Safety	6,153	6,127
Emergency Management	41	--
Public Works	5,883	5,266
Education	28,695	25,442
County Tax	1,520	1,442
Interest on Debt Service	1,168	2,610
Capital Improvements	1,770	1,303
Program and Other Expenditures	2,680	2,105
Total Expenses	54,552	50,664
Increase (decrease) in net assets	3,419	2,826
Net Assets Beginning	43,969	32,904
Net Assets Ending	\$ 47,388	35,730 *

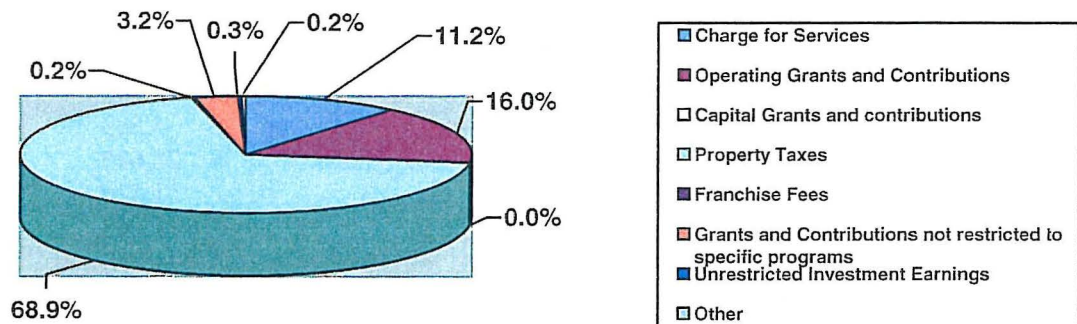
* Net Assets Ending June 30, 2004 was restated in the June 30, 2005 financial statements. The change is due to the inclusion of certain Town roads previously considered State owned.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE TOWN'S FUNDING

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

Governmental Funds. The general government functions are contained in the General, Special Revenue, Capital Project and Permanent Funds. The focus of the Town'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2005, the Town of Scarborough's governmental funds reported combined ending fund balances of \$19,313, a decrease of \$11,506 in comparison with the prior year. This decrease is the result of the ongoing high school construction project and the Haigis Parkway infrastructure project utilization of the bond proceeds.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Governmental Fund Balance Comparison

	<u>2005</u>	<u>2004</u>
General Fund	\$ 7,760	6,629
Special Revenue Funds	4,418	5,035
Capital Project Funds	6,963	18,611
Permanent Funds	172	168
<u>Total</u>	<u>\$ 19,313</u>	<u>30,443</u>

As noted earlier, governmental funds reported combined fund balances of \$19,313 a decrease of \$11,506 compared with the prior year. Of the \$18,499 reported as unreserved fund balance, \$4,403 are special revenue funds authorized for specific projects, \$6,963 are for major capital construction projects and \$70 is for maintenance of the town's cemeteries. The remaining amount of \$7,063 is available for the discrete purposes for which these funds are collected.

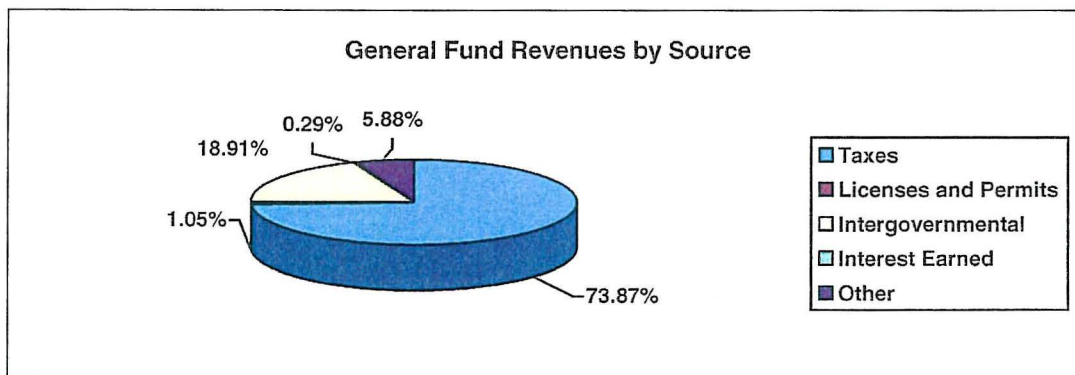
The remaining \$814 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

\$697	Non-current Fund Balances in the Special Revenue and Capital Projects Fund
102	Perpetual Care of Municipal Cemeteries
2	Industrial Park Non Current Notes Receivables
<u>13</u>	Food Service Inventory
<u>\$814</u>	Total Governmental Fund Reserved Fund Balance

General Fund Highlights

The General Fund is the chief operating fund of the Town of Scarborough. As of June 30, 2005, unreserved fund balance in the General Fund was \$7,063 compared to total fund balance of \$7,760. As a measure of the General Fund's liquidity, we believe it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.71% of total general fund expenditures, while total fund balance represents 13.97% of the same amount. Thus, the year-end fund balance is in compliance with the Town's policy of maintaining a minimum fund balance of 8.33% of the total operating budget for the General Fund.

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

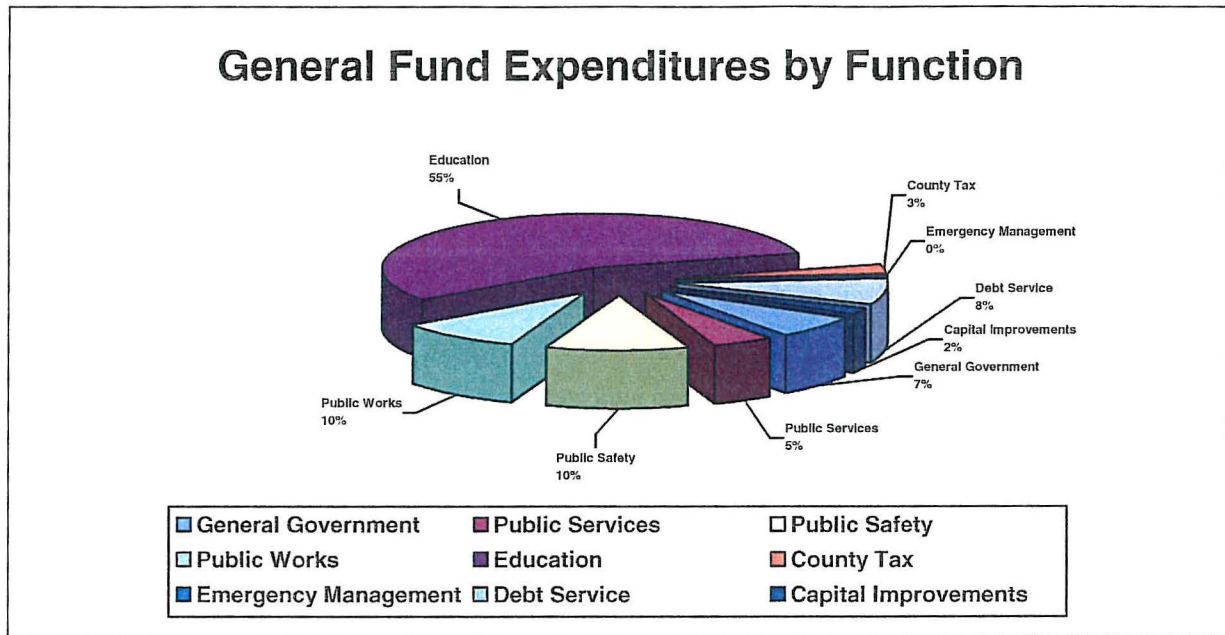


TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Property Tax revenues increased \$2,687 from 2004 to 2005.

A comparison of the actual revenues to estimated revenues can be found on page 36 of the financial statements.

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



Total general fund expenditures increased \$2,561 or 5.1%. Some of the key factors in this increase are:

- County Tax increased 5.42%
- Solid Waste increased 18.72%
- Public Works increased 10.11%
- Education increased 7.64%
- General Fund Capital Equipment increased 71.41%

Capital Projects Fund Highlights

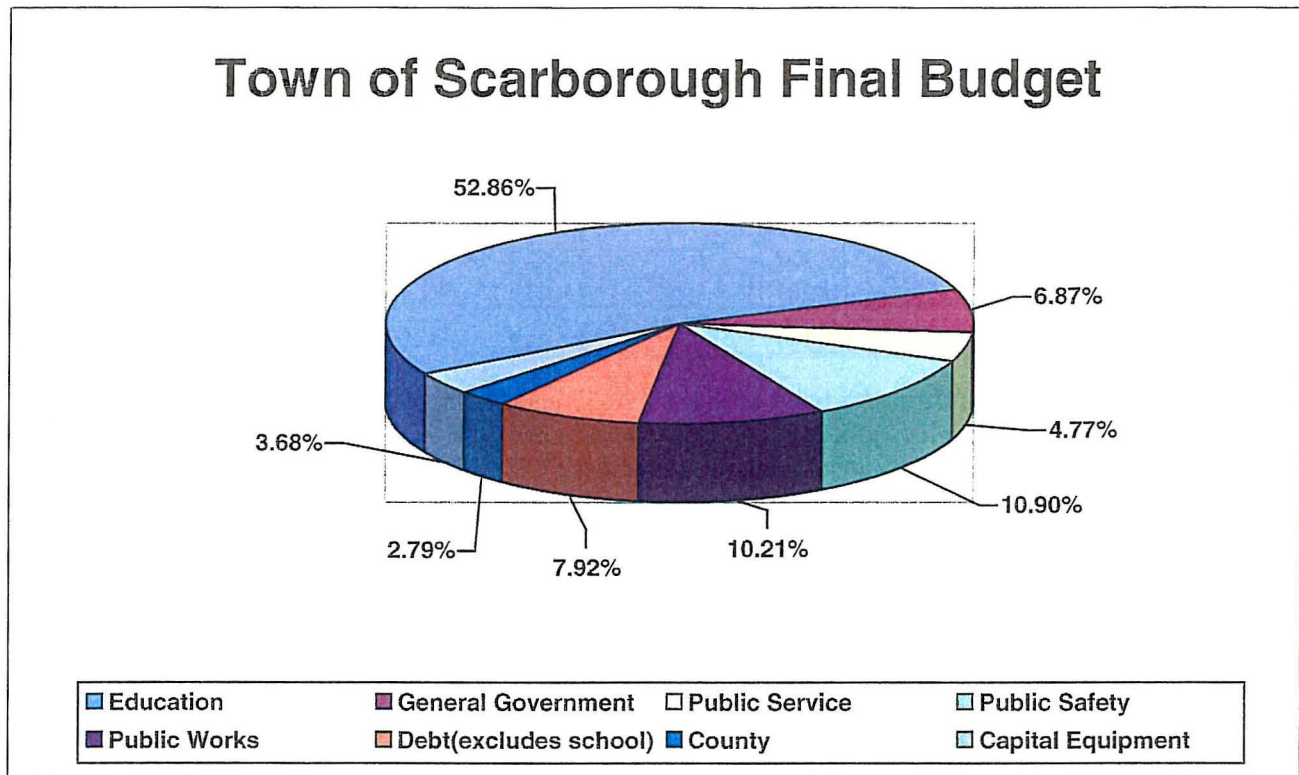
During this fiscal year, the Town of Scarborough's fund balances for Capital Projects decreased from \$18,611 in 2004 to \$6,963 in 2005. Expenditures increased from \$15,026 in 2004 to \$21,699 in 2005 due to the continuing high school construction project expected to be completed in December 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the Town's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any supplementary appropriations that may occur during the fiscal year. In fiscal year 2005, a total of \$2,696 has been set aside for prior year encumbrances and commitments. Differences between the original budget and the final amended budget amounted to an increase of \$1,346. The original General Fund budget for fiscal year 2005 was \$53,034.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

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



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental fund, as of June 30, 2005, amounts to \$97,765 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, improvements, machinery, equipment, and roads. The total increase in the Town's investment in capital assets for the current fiscal year was 25% taking into account the beginning balance restatement.

Town of Scarborough's Capital Assets
(net of depreciation)

Governmental Activities

	<u>2005</u>	<u>2004</u>
Land	\$ 3,625	3,685
Buildings	32,766	33,210
Vehicles	4,705	3,610
Equipment & Furniture	1,281	1,007
Infrastructure	21,384	13,441 <i>*restated in June 2005</i>
Construction in Progress	34,004	14,896
Total	\$ 97,765	69,849

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.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Additional information on the Town of Scarborough's capital assets can be found in Notes to the Basic Financial Statements on pages 46-47 of this report.

Long-Term Debt. As of June 30, 2005, the Town had long-term bonds outstanding of \$67,737 compared to \$62,952 in the prior year. This debt is backed by the full faith and credit of the Town of Scarborough.

	Outstanding Debt General Obligation Bonds	
	<u>2005</u>	<u>2004</u>
Municipal	\$ 15,552	16,684
Education	41,204	34,829
Sewer	10,981	11,439
<u>Total Debt</u>	<u>\$ 67,737</u>	<u>62,952</u>

Moody's Investors Service has affirmed a bond rating of "Aa3" and an "AA- (Stable)" rating was assigned from Standard and Poor's (S&P) to the Town of Scarborough, Maine's debt. Moody's prior assignment of "A1", first assigned in 1975, was upgraded in 2002 to an assignment of "AA3". S&P's "AA- (Stable)" was an "initial" rating for the Town of Scarborough in 2003.

These ratings reflect: "Strong continuing growth in the Town's tax base, favorable wealth levels, satisfactory operations and a manageable debt position". Moody's expects the Town's affluent tax base to continue to grow at a strong pace, given recent trends and room for continued development, citing evidence of the opportunities for development within the Town. Moody' believes the Town of Scarborough will continue to maintain satisfactory financial operations, supported by increasing reserves.

Note: Definitions of above ratings

Moody's definition of "AA" ratings: Assigned for issues judged to be of high quality by all standards and, together with "AAA", comprise what are generally known as "high grade" bonds.

S&P's definition "AA" ratings: indicates a very strong capacity to pay interest and repay principal and differs from the highest rated issues ("AAA") only in a small degree.

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 may factors in making judgments and estimates about the finances of the upcoming year. A primary objective is to continue to provide level services to the citizens in the Town of Scarborough while keeping any increase in the property tax rate between three and five percent.

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. Additionally, the Town also works collaboratively, not only within the Town's departments, but also with several neighboring communities and agencies to improve mutual operations and efficiencies and to reduce expenses where possible.

TOWN OF SCARBOROUGH, MAINE
Management Discussion and Analysis, Continued

Below is a comparison of the 2005 budget with the 2006 budget.

Appropriation Summary

	2005	2006
Departments:	<u>Budget</u>	<u>Budget</u>
Legislative	\$ 11,573	\$11,573
Administration	1,557,195	1,635,485
Finance Department	965,156	998,095
Information Systems	471,303	492,515
Planning Department	729,963	721,819
Community Services	1,738,270	1,810,742
Library	629,939	645,679 (shown as a component unit on financials)
Economic Development	208,225	208,082
General Assistance/Affordable Housing	16,685	15,185
Fire/Rescue/EMA Department	2,335,352	2,918,455
Public Safety Department	3,591,661	3,872,848
Public Works Department	5,551,927	5,718,671
Debt Service	4,309,239	4,098,398
Capital Equipment	<u>2,002,275</u>	<u>1,006,648</u>
Total Municipal Operating	24,118,763	24,154,195
Education	28,741,171	30,745,456
County Tax	<u>1,519,714</u>	<u>1,584,344</u>
Total Operating Budget	54,379,648	56,483,995
School Special Revenues	762,900	--
School Food Services	1,053,580	1,065,279
350 th Celebration	15,000	20,000
Capital Improvement-Municipal	2,118,542	9,874,800
Capital Improvement-School	1,535,845	1,707,144
TIFs and Overlay	<u>870,805</u>	<u>959,142</u>
Total Budget	\$ <u>60,736,320</u>	<u>70,110,360</u>

Additionally, the Town of Scarborough recognizes the importance of maintaining an appropriate level of undesignated fund balance. As stated earlier, the Town Council has adopted a fund balance policy. Once the fund balance level is achieved, the intent is to dedicate any excess balances towards major capital improvements and purchases.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF SCARBOROUGH, MAINE
Statement of Net Assets
June 30, 2005

	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 11,474,353	120,561
Investments	13,335,396	402,313
Receivables:		
Accounts	496,842	34,298
Intergovernmental	2,911	-
Taxes receivable	60,561	-
Tax liens	421,274	-
Notes	21,520	-
Tax acquired property	7,231	-
Inventory	12,558	1,708
Prepaid items	-	3,938
Capital assets, not being depreciated	37,628,956	-
Capital assets, net	60,135,692	919,921
Total assets	123,597,294	1,482,739
LIABILITIES		
Accounts payable and other current liabilities	3,630,754	25,875
Accrued payroll and other related liabilities	2,571,977	11,745
Compensated absences payable	1,138,318	13,471
Taxes collected in advance	15,944	-
Accrued interest	522,685	-
Noncurrent liabilities:		
Due within one year	5,976,867	-
Due in more than one year	62,352,174	-
Total liabilities	76,208,719	51,091
NET ASSETS		
Invested in capital assets, net of related debt	29,885,241	919,921
Restricted for:		
Nonexpendable trust principal	116,775	747,303
Capital projects	7,514,539	-
Unrestricted	9,872,020	(235,576)
Total net assets	\$ 47,388,575	1,431,648

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Activities
For the year ended June 30, 2005

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	Component unit
					Governmental activities	Public Library
Primary government:						
Governmental activities:						
General government	\$ 3,984,107	970,370	-	-	(3,013,737)	-
Public services	2,657,867	1,320,470	1,169	-	(1,336,228)	-
Public safety	6,153,444	641,510	188,607	-	(5,323,327)	-
Public works	5,882,495	602,086	441,604	-	(4,838,805)	-
Education	28,694,859	70,488	7,689,668	-	(20,934,703)	-
County tax	1,519,714	-	-	-	(1,519,714)	-
Emergency management	40,638	-	-	-	(40,638)	-
Interest on debt service	1,168,204	-	-	-	(1,168,204)	-
Capital maintenance expenses	1,770,394	1,776,965	-	-	6,571	-
Program expenses	2,181,712	1,102,836	976,280	-	(102,596)	-
Other	498,713	3,445	-	-	(495,268)	-
Total governmental activities	54,552,147	6,488,170	9,297,328	-	(38,766,649)	-
Total primary government	\$ 54,552,147	6,488,170	9,297,328	-	(38,766,649)	-
Component unit:						
Scarborough Public Library	\$ 798,513	753,415	-	-	-	(45,098)
General revenues:						
Property taxes, levied for general purposes				\$ 35,548,830	-	
Excise taxes				4,253,930	-	
Payments in lieu of taxes				71,450	-	
Interest and costs on taxes				57,852	-	
Cable franchise fees				143,224	-	
Grants and contributions not restricted to specific programs:						
Homestead exemption				300,361	-	
Other State aid				100,806	-	
State Revenue Sharing				1,449,141	-	
Unrestricted investment earnings				159,450		16,286
Other				100,772		7,651
Total general revenues				42,185,816		23,937
Change in net assets					3,419,167	(21,161)
Net assets - beginning, restated					43,969,408	1,452,809
Net assets - ending					\$ 47,388,575	1,431,648

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Balance Sheet
Governmental Funds
June 30, 2005

	General	General Town Improvements	General School Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,421,858	1,754,921	40,074	257,500	11,474,353
Investments	533,400	399,407	6,263,715	6,138,874	13,335,396
Receivables:					
Accounts	472,345	-	-	24,497	496,842
Intergovernmental	-	-	-	2,911	2,911
Taxes receivable	60,561	-	-	-	60,561
Tax liens	421,274	-	-	-	421,274
Notes	-	-	-	21,520	21,520
Interfund loans receivable	265,420	40,000	-	1,345,552	1,650,972
Tax acquired property	7,231	-	-	-	7,231
Inventory	-	-	-	12,558	12,558
Total assets	\$ 11,182,089	2,194,328	6,303,789	7,803,412	27,483,618
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	586,549	211,795	651,366	75,774	1,525,484
Accrued payroll	2,419,588	-	-	53,088	2,472,676
Interfund loans payable	-	120,417	-	1,530,555	1,650,972
Taxes collected in advance	15,944	-	-	-	15,944
Deferred tax revenue	400,000	-	-	-	400,000
Performance bond deposits	-	-	-	2,105,270	2,105,270
Total liabilities	3,422,081	332,212	651,366	3,764,687	8,170,346
Fund balances:					
Reserved	697,126	-	-	116,775	813,901
Unreserved, reported in:					
General fund - undesignated	4,366,474	-	-	-	4,366,474
General fund - designated	2,696,408	-	-	-	2,696,408
Special revenue funds	-	-	-	4,403,374	4,403,374
Capital projects funds	-	1,862,116	5,652,423	(551,199)	6,963,340
Permanent funds	-	-	-	69,775	69,775
Total fund balances	7,760,008	1,862,116	5,652,423	4,038,725	19,313,272
Total liabilities and fund balances	\$ 11,182,089	2,194,328	6,303,789	7,803,412	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	97,764,648
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	400,000
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	(67,737,433)
Capital leases	(141,974)
Accrued interest	(522,685)
Landfill liability	(449,634)
IUUAL liability	(99,301)
Accrued compensated absences	(1,138,318)

Net assets of governmental activities **\$ 47,388,575**

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, 2005

	General	General Town Improvements	General School Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 40,003,836	61,717	-	-	40,065,553
Licenses and permits	566,483	-	-	-	566,483
Intergovernmental	10,242,806	-	-	976,280	11,219,086
Interest earned	159,450	106,487	113,791	62,751	442,479
Donations	-	-	-	88,097	88,097
Sale of lots	-	-	-	2,187	2,187
Assessments and impact fees	-	-	-	167,753	167,753
Other	3,186,023	-	-	2,233,653	5,419,676
Total revenues	54,158,598	168,204	113,791	3,530,721	57,971,314
Expenditures:					
Current:					
General government	3,727,031	-	-	-	3,727,031
Public services	2,642,914	-	-	-	2,642,914
Public safety	5,921,309	-	-	-	5,921,309
Public works	5,370,322	-	-	-	5,370,322
Education	30,919,216	-	-	-	30,919,216
County tax	1,519,714	-	-	-	1,519,714
Emergency management	40,638	-	-	-	40,638
Debt service	4,304,201	-	-	-	4,304,201
Capital improvements	1,119,917	5,628,245	16,071,253	554,836	23,374,251
Program expenditures	-	-	-	2,181,712	2,181,712
Other	-	-	-	140,615	140,615
Total expenditures	55,565,262	5,628,245	16,071,253	2,877,163	80,141,923
Excess (deficiency) of revenues over (under) expenditures	(1,406,664)	(5,460,041)	(15,957,462)	653,558	(22,170,609)
Other financing sources (uses):					
Operating transfers - in	2,086,828	40,000	-	795,906	2,922,734
Operating transfers - out	(795,906)	(43,241)	(67,654)	(2,015,933)	(2,922,734)
General obligation bonds	870,175	639,400	9,155,425	-	10,665,000
Total other financing sources (uses)	2,161,097	636,159	9,087,771	(1,220,027)	10,665,000
Net change in fund balances	754,433	(4,823,882)	(6,869,691)	(566,469)	(11,505,609)
Fund balances, beginning of year, as restated	7,005,575	6,685,998	12,522,114	4,605,194	30,818,881
Fund balances, end of year	\$ 7,760,008	1,862,116	5,652,423	4,038,725	19,313,272

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, 2005

Net change in fund balances - total governmental funds (from Statement 4)	\$	(11,505,609)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 21,603,857	
Depreciation expense	(1,570,340)	
Loss on disposal of assets	(358,050)	19,675,467

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.	(31,891)
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	66,470
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$10,665,000) exceeded repayments (\$5,879,730).	(4,785,270)
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Change in net assets of governmental activities (see Statement 2)	\$	3,419,167
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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
General Fund
For the year ended June 30, 2005

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 39,968,877	39,968,877	40,003,836	34,959
Licenses and permits	495,949	495,949	566,483	70,534
Intergovernmental	7,149,779	7,149,779	7,667,604	517,825
Interest earned	120,000	120,000	159,450	39,450
Unclassified	2,883,528	2,883,528	3,186,023	302,495
Total revenues	50,618,133	50,618,133	51,583,396	965,263
Expenditures:				
Current:				
General government	3,735,190	3,735,190	3,727,031	8,159
Public services	2,593,119	2,593,119	2,642,914	(49,795)
Public safety	5,927,013	5,927,013	5,921,309	5,704
Public works	5,551,927	5,551,927	5,370,322	181,605
Education	28,741,171	28,741,171	28,287,743	453,428
County tax	1,519,714	1,519,714	1,519,714	-
Emergency management	-	-	40,638	(40,638)
Debt service	4,309,239	4,309,239	4,304,201	5,038
Capital improvements	656,775	2,002,275	1,119,917	882,358
Total expenditures	53,034,148	54,379,648	52,933,789	1,445,859
Deficiency of revenues under expenditures	(2,416,015)	(3,761,515)	(1,350,393)	2,411,122
Other financing sources (uses):				
Operating transfers - in	2,483,165	2,483,165	2,086,828	(396,337)
Operating transfers - out	(795,906)	(795,906)	(795,906)	-
Utilization of surplus	803,655	803,655	-	(803,655)
Overlay	(74,899)	(74,899)	-	74,899
Proceeds from capital leases	-	113,000	-	(113,000)
General obligation bonds	-	1,232,500	870,175	(362,325)
Total other financing sources (uses)	2,416,015	3,761,515	2,161,097	(1,600,418)
Net change in fund balances	-	-	810,704	810,704
Reconciliation to GAAP:				
Change in accrued salaries			(56,271)	
Fund balance, beginning of year, as restated			7,005,575	
Fund balance, end of year	\$		7,760,008	

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private-purpose Trust Funds (Scholarships)	Agency Funds	Totals
ASSETS			
Cash and cash equivalents	\$ -	193,461	193,461
Investments	246,742	-	246,742
Interfund loans receivable	1,000	-	1,000
Total assets	247,742	193,461	441,203
LIABILITIES			
Interfund loans	1,000	-	1,000
Accounts payable	1,950	-	1,950
Due to student groups	-	193,461	193,461
Total liabilities	2,950	193,461	196,411
NET ASSETS			
Held in trust	\$ 244,792	-	244,792

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2005

	Private-purpose Trust Funds (Scholarships)
Additions:	
Donations	\$ 27,124
Interest and dividends	4,196
Total additions	31,320
Deductions:	
School scholarships	4,150
Other	-
Total deductions	4,150
Change in net assets	27,170
Net assets, beginning of year	217,622
Net assets, end of year	\$ 244,792

See accompanying notes to financial statements.

TOWN OF SCARBOROUGH, MAINE
Notes to Basic 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. The 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 potential component unit addressed in defining the government's reporting entity.

Scarborough Economic Development Corporation (SEDCO) encourages and assists the development of business in the Town of Scarborough. All of the financial activity of SEDCO has been reported with the Town's general fund.

Scarborough Public Library promotes and maintains library facilities in and for the Town of Scarborough. The Scarborough Public Library has been included as part of these financial statements, using the discrete presentation method.

Both of the above 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 can be obtained from the Town of Scarborough Finance Department, P.O. Box 360, Scarborough, Maine 04074.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

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 required to be accounted for in another fund.

The General School Improvements fund accounts for certain school capital improvements.

The General Town Improvements fund accounts for certain town capital improvements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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.

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 and is recorded at a lower of cost or market basis on a first-in, first-out basis. 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 market 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 of the primary government are depreciated using the straight-line method over the asset's estimated useful lives ranging from 3 to 60 years.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 is 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 employee resignations and retirements. All accumulated leave is accrued when incurred in the government-wide financial statements.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. 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.

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.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions - Quasi-external transactions 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.

Comparative Data/Reclassifications - Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

A budget is adopted on a basis consistent with generally accepted accounting principles (GAAP), except as described in the notes, for the General Fund and certain capital projects. The level of control (level at which expenditures may not exceed budget) is the Department. At year end, department administrators 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 Balances - 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>
2004 -2005 budget as adopted	\$ 56,354,522	56,354,522
Budgetary adjustments:		
Supplemental adjustments	1,349,840	1,349,840
Capital Improvement Projects - Capital Projects Fund	(2,778,724)	(2,778,724)
2004 designated carryforwards	324,815	324,815
<u>Total adjusted budget</u>	<u>\$ 55,250,453</u>	<u>55,250,453</u>

B. Excess of Expenditures over Appropriations

The over-expenditure of the Public Service department was offset by an excess of actual over estimated grant and fee revenues.

C. Deficit Fund Balance

At June 30, 2005, the following special revenue and capital projects funds had deficit fund balances:

The Recreational Development Fund (a special revenue fund) had a deficit of \$105,987. It is expected that the deficit will be adequately funded in future years through development and user fees.

The Boat Launch Fund (a special revenue fund) had a deficit of \$39,940. It is expected that this deficit will be adequately funded in future years through additional contributions and revenues.

The School Lunch Program (a special revenue fund) had a deficit of \$37,434. It is expected that this deficit will be adequately funded in future years through future program revenues.

The Municipal Building Fund (a capital project fund) had a deficit of \$551,199. This deficit is expected to be adequately funded in future years with TIF revenues.

TOWN OF SCARBOROUGH, MAINE
Notes to Basic 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 to it. The Town does not have a formal policy with respect to custodial credit risk because it was not covered by F.D.I.C. insurance or additional collateral. As of June 30, 2005, the Town reported deposits of \$11,667,814 with a bank balance of \$12,616,590. Of the Town's bank balances of \$12,616,590, \$1,578,928 was exposed to custodial credit risk. The remaining balance of \$11,037,662 was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 11,474,353
Reported in fiduciary funds	193,461
Total deposits	\$ 11,667,814

At June 30, 2005, the Scarborough Public Library's cash balance was \$120,561 with a bank balance of \$100,160 all of which was covered by F.D.I.C. insurance.

B. Investments

At June 30, 2005, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
U. S. Government securities	\$ 7,427,101	7,427,101	-	-
Mutual funds (1)	6,155,037		not applicable	
Total investments	\$ 13,582,138	7,427,101	-	-

(1) Mutual funds are not considered securities and are exempt from credit risk disclosure noted below.

Investments have been reported as follows:

Reported in governmental funds	\$ 13,335,396
Reported in fiduciary funds	246,742
Total investments	\$ 13,582,138

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 bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. None of the Town's investments totaling \$13,582,138 was exposed to custodial credit risk.

At June 30, 2005, the Scarborough Public Library's investment balance was \$402,313, none of which was exposed to custodial credit risk.

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

PROPERTY TAX

Property taxes for the current year were committed on August 27, 2004, 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, 2004 and 50% on March 15, 2005. Interest at the rate of 6.5% 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, 2005 and the Town's value was 81% of the 2005 State valuation of \$2,538,800,000.

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 \$74,898 for the year ended June 30, 2005.

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 receivables 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 levy:

	2005	<u>2004</u>
Assessed value	\$ 2,057,589,000	2,002,987,200
Tax rate (per \$1,000)	17.34	16.46
Commitment	35,678,593	32,969,169
Supplemental taxes assessed	56,975	-
	35,735,568	32,969,169
Less - collections and abatements	35,423,922	32,747,993
<u>Receivable at June 30</u>	<u>311,646</u>	<u>221,176</u>
Consisting of:		
Taxes	23,981	14,605
Liens	287,665	206,571
<u>Receivable at June 30</u>	<u>\$ 311,646</u>	<u>221,176</u>
Collection rate	99.13%	99.33%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance June 30, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,685,100	-	(60,000)	3,625,100
Construction in progress	14,896,375	19,107,481	-	34,003,856
Total capital assets, not being depreciated	18,581,475	19,107,481	(60,000)	37,628,956
Capital assets, being depreciated:				
Buildings	39,321,595	-	-	39,321,595
Vehicles	7,808,405	1,923,727	(622,349)	9,109,783
Equipment and furniture	2,518,700	572,649	(110,733)	2,980,616
Infrastructure (restated)	28,595,767	-	-	28,595,767
Total capital assets being depreciated	78,244,467	2,496,376	(733,082)	80,007,761
Less accumulated depreciation for:				
Buildings	6,111,865	443,686	-	6,555,551
Vehicles	4,198,329	620,371	(413,258)	4,405,442
Equipment and furniture	1,512,068	209,271	(21,774)	1,699,565
Infrastructure (restated)	6,914,499	297,012	-	7,211,511
Total accumulated depreciation	18,736,761	1,570,340	(435,032)	19,872,069
Total capital assets being depreciated, net	59,507,706	926,036	(298,050)	60,135,692
Governmental activities capital assets, net	\$ 78,089,181	20,033,517	(358,050)	97,764,648

Beginning balances have been restated for infrastructure and infrastructure accumulated depreciation by increases of \$9,724,166 and 1,484,355, respectively to account for certain roads that were previously considered State owned and therefore not recorded by the Town. They were subsequently determined to be Town owned roads.

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

Governmental activities:	
General government	\$ 257,076
Public services	14,953
Public safety	237,830
Public works, including depreciation of general infrastructure assets	512,173
Education	548,308
Total depreciation expense – governmental activities	\$ 1,570,340

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

CAPITAL ASSETS, CONTINUED

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

Buildings	\$ 1,268,766
Equipment, artwork and software	509,210
Books	692,386
Total	2,470,362
<u>Less accumulated depreciation</u>	<u>1,550,441</u>
 <u>Property and equipment, net</u>	 <u>\$ 919,921</u>
 <u>Depreciation expense</u>	 <u>\$ 88,459</u>

INTERFUND BALANCES

Interfund balances result from the sharing of pooled cash and investments. Individual interfund receivables and payables at June 30, 2005, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 265,420</u>	<u>-</u>
<u>General Town Improvements</u>	<u>40,000</u>	<u>120,417</u>
Other Governmental Funds:		
Nonmajor Special Revenue Funds:		
Ferry Beach	-	66,758
Recreational development	-	234,188
Unemployment compensation	8,503	-
Scarborough Memorial improvement	2,187	-
Hurd Park	68,340	-
Sewer expansion	704,352	-
Industrial Park	-	21,442
Payne Road improvements	-	53,936
Payne Road Impact Fees	26,854	-
Boat launch	-	39,940
Police asset forfeiture	56,550	-
Fire Dept Equipment	14,347	-
Hunnewell House	784	-
Performance bonds	3,500	507,152
Departmental grants and programs	57,581	15,569
School development impact fees	219,450	-
Computer replacement fund	5,013	40,000
<u>Rescue equipment</u>	<u>175,878</u>	<u>-</u>
<u>Total Nonmajor Special Revenue Funds</u>	<u>1,343,339</u>	<u>978,985</u>

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

INTERFUND BALANCES, CONTINUED

	<u>Interfund receivables</u>	<u>Interfund payables</u>
Nonmajor Capital Project Funds:		
Municipal building fund	\$ -	551,199
Total Nonmajor Capital Project Funds	-	551,199
 Total Other Governmental Funds	 1,343,339	 1,530,184
Trust Funds:		
Scarborough Memorial Cemetery	2,213	-
Dunstan Perpetual Care	-	371
Total Trust Funds	2,213	371
 Total all funds	 \$ 1,650,972	 1,650,972

INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 2,086,828	795,906
General Town Improvements	40,000	43,241
General School Improvements	-	67,654
Other Governmental Funds	795,906	2,015,933
 Total	 2,922,734	 2,922,734

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005, 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	\$ 62,952,163	10,665,000	5,879,730	67,737,433	5,907,433
Capital leases	208,444	-	66,470	141,974	69,434
Landfill post-closure care costs	449,634	-	-	449,634	-
Governmental activity					
Long-term liabilities	\$ 63,610,241	10,665,000	5,946,200	68,329,041	5,976,867

As of June 30, 2005, the Town had authorized, but unissued debt totaling \$4,715,637.

The General Fund typically pays all governmental activities long-term debt service requirements.

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

BONDS PAYABLE

Bonds payable at June 30, 2005 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			
1987 Capital improvements	\$ 3,300,000	-	-	100.00%	Varies	2008	375,000
1988 Capital improvements	6,615,000	16.80%	-	83.20%	Varies	2009	1,100,000
1989 Capital improvements	2,300,000	100.00%	-	-	Varies	2009	430,000
1990 Capital improvements	7,415,000	-	100.00%	-	Varies	2011	1,970,000
1993 Capital improvements	1,135,000	100.00%	-	-	Varies	2012	200,000
1994 Capital improvements	6,775,000	6.23%	93.77%	-	Varies	2015	2,300,000
1995 Capital improvements	97,000	100.00%	-	-	6.00%	2006	12,433
1995 Capital improvements	6,160,000	4.29%	95.71%	-	Varies	2016	2,955,000
1997 Capital improvements	4,230,000	88.73%	11.27%	-	Varies	2017	1,510,000
1998 Capital improvements	1,475,000	76.62%	23.38%	-	Varies	2008	285,000
1999 Capital improvements	6,493,000	93.28%	6.72%	-	Varies	2019	2,290,000
2000 Capital improvements	4,770,000	70.40%	29.60%	-	Varies	2020	2,190,000
2001 Capital improvements	4,932,000	47.91%	52.09%	-	Varies	2021	2,575,000
2002 Capital improvements	4,000,000	48.63%	51.37%	-	Varies	2022	1,695,000
2003 Capital improvements	24,579,000	13.25%	49.74%	37.01%	Varies	2032	23,380,000
2004 Capital improvements	14,628,000	21.95%	72.44%	5.61%	Varies	2034	13,805,000
2005 Capital improvements	10,665,000	14.15%	85.85%	-	Varies	2034	10,665,000
Total							\$ 67,737,433

The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 5,907,433	2,846,370	8,753,803
2007	5,520,000	2,560,541	8,080,541
2008	4,815,000	2,347,666	7,162,666
2009	4,270,000	2,155,995	6,425,995
2010	3,285,000	1,997,614	5,282,614
2011-2015	13,400,000	8,119,705	21,519,705
2012-2020	9,455,000	5,738,824	15,193,824
2021-2025	8,825,000	3,616,294	12,441,294
2026-2030	6,300,000	2,117,989	8,417,989
2031-2035	5,960,000	584,228	6,544,228
Totals	\$ 67,737,433	32,085,226	99,822,659

TOWN OF SCARBOROUGH, MAINE
Notes to Basic 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, 2005 outstanding <u>bonds</u>	Percent of 2005 State assessed value of \$2,538,800,000	<u>Amount</u>	<u>Margin</u>
For school purposes	\$ 41,203,695	10.0%	253,880,000	212,676,305
For storm or sanitary sewer	10,981,200	7.5%	190,410,000	179,428,800
For municipal airport, water and special district purposes	-	3.0%	76,164,000	76,164,000
<u>For all other purposes</u>	<u>15,552,538</u>	<u>7.5%</u>	<u>190,410,000</u>	<u>174,857,462</u>
Total	\$ 67,737,433	15.0%	380,820,000	

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

CAPITAL LEASES

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

The following is an analysis of equipment leased under the capital lease as of June 30, 2005:

Municipal building - copiers
School - various copiers

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2005:

2006	\$ 76,679
<u>2007</u>	<u>76,679</u>
Total minimum lease payments	153,358
Less: amount representing interest	11,384
Present value of future minimum lease payments	\$ 141,974

TOWN OF SCARBOROUGH, MAINE
Notes to Basic 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, 2005, the Town's State valuation of \$2,538,800,000 was 8.38% of the County's State valuation of \$30,301,350,000. The Town's share is 8.38% or \$1,054,854 of Cumberland County's \$12,590,000 long-term debt outstanding as of June 30, 2005.

The Town is also served by the Portland Water District. At June 30, 2005, the Town's share of self-supporting bonded water debt is 12.41% or \$2,845,859 of total debt of \$22,940,000.

Contingencies

Regional Waste Systems, Inc. ("RWS"), 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 RWS, payable from and secured by a pledge of RWS 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. RWS 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 RWS 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, 2005, outstanding "Incinerator Debt" of RWS totaled \$50,092,000 of which the Town of Scarborough's share, based on estimated tonnage to be delivered, amounted to 8.11% or \$4,062,150.

The Town has also entered into an agreement with Regional Waste Systems, Inc. as one of the 21 RWS Member Municipalities along with an additional six Participating Municipalities, to establish a Material Recycling Facility ("MRF") at RWS' 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, 2005, the Town's share is 6.30% or \$352,359 of RWS' outstanding MRF debt of \$5,593,000.

RWS operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$19,953,270 at June 30, 2004, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 7.92%, or \$1,581,199.

Total Debt and Contingencies

Governmental Unit	As of June 30, 2005			
	Direct debt	Overlapping debt	Contingent debt	Total debt
Town of Scarborough	\$ 67,737,433	-	-	67,737,433
Cumberland County	-	1,054,854	-	1,054,854
Portland Water District - water debt	-	2,845,859	-	2,845,859
Regional Waste Systems:				
Resource recovery system	-	-	4,062,150	4,062,150
Material recovery facility	-	-	352,359	352,359
Landfill closure/postclosure costs	-	-	1,581,199	1,581,199
Totals	\$ 67,737,433	3,900,713	5,995,708	77,633,854

TOWN OF SCARBOROUGH, MAINE
Notes to Basic 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, 2005, substantially all such calculations have been performed.

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.

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 and has submitted a plan to the State for closure. The estimated total current cost of landfill closure, \$449,634, 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, 2005. Additionally, annual monitoring and maintenance costs are estimated to be \$4,050 per year. The total closure and postclosure care costs of \$449,634 have been accrued in the statement of activities. Presently, the State of Maine is providing partial funding for certain closure costs, however, future funding is based on availability of funds. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

DESIGNATED FUND BALANCES

At June 30, 2005, portions of the General Fund fund balance were designated to future periods as follows:

	<u>2005</u>
General Fund:	
Human Resource Supplies	\$221
Geographical Information	20,000
General Government Town Report	5,100
Co-Op Boat Launch Improvements	4,932
Community Services Mini-Bus	55,000
Community Services Pickup Truck with Plow	2,685
Public Safety Night Vision Goggles	6,540
Public Safety Marine Resource Inventory Management	4,520
Fire Department – Squad Truck	395,000
Fire Department – Municipal Holding Tank	7,994

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

DESIGNATED FUND BALANCES, CONTINUED

	<u>2005</u>
Comprehensive Plan	\$ 34,971
Municipal building improvements	(8,273)
Community services child care program	15,884
State Revenue Sharing	116,567
Summer recreation	48,149
Cable TV programming	44,062
Traffic Department – Traffic Signal Master Interconnect	40,000
Town Wide ADA projects	28,000
Town-wide computer purchases	35,735
Encumbered Purchase Orders	986,635
Reserve for accrued sick pay	852,686
<u>Total General Fund designated fund balance</u>	<u>\$2,696,408</u>

RESERVED FUND EQUITY

At June 30, 2005, the Special Revenue fund equity for the School Lunch Program included a reserve for inventory on hand at June 30, 2005 of \$12,558. Also, at June 30, 2005, the Special Revenue fund equity was reserved in the Industrial Park Fund to reflect the noncurrent portion of notes receivable amounting to \$2,289. Fund balance has been reserved in the permanent funds for nonexpendable principal of \$99,715. The total reserved fund balance for other governmental funds on Statement 3 was \$114,562. As of June 30, 2005, the General Fund fund balance was reserved in the amount of \$697,126, reflecting the non-current portion of the interfund loan receivable from the Municipal Building Fund in the amount of \$551,199, the Boat Launch Fund deficit of \$39,940 and the Recreation Development Fund amount of \$105,987.

SCHOOL OPERATIONS UNDESIGNATED DEFICIT/BUDGETARY VS. GAAP BASIS

At June 30, 2005, School operations (General Fund and Adult Education) reported a fund balance of \$693,088 on a GAAP basis and a fund balance of \$2,827,186 on a budgetary basis, the difference resulting from the accrual of earned but unpaid summer salaries. The School Department's policy is to budget for teacher salaries when paid rather than when the obligation is incurred. Additionally, as required by accounting principles generally accepted in the United States of America (GAAP), the School Department has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Scarborough School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America. An intergovernmental revenue of \$2,575,202 and an education expenditure of \$2,575,202 have been included in the General Fund on Statement 4 and on Statement 2 (GAAP basis) and have not been reported on Statement 6 (budgetary basis). There is no effect on the fund balance at the end of the year.

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

SCHOOL OPERATIONS UNDESIGNATED DEFICIT/BUDGETARY VS. GAAP BASIS, CONTINUED

The following reconciles the GAAP vs. budgetary basis fund balances:

	GAAP basis	Summer salary accrual	On- behalf payments	Budgetary basis
Balance, June 30, 2004	\$ 468,684	2,068,037	-	2,536,721
Revenues and other sources	31,143,580	-	(2,575,202)	28,568,378
Expenditures and other uses	(30,919,176)	66,101	2,575,202	(28,277,913)
Balance June 30, 2005	\$ 693,088	2,134,138	-	2,827,186

The GAAP basis fund balance of \$693,088 is comprised of the following components:

General fund - undesignated	\$ 623,524
Adult Education	69,564
Total	\$ 693,088

The School Department has been designating a portion of budgetary fund balance to fund accrued summer salaries. It expects to fund a portion of future fund balances until the accrual is fully funded. As of June 30, 2005, \$2,100,000 of budgetary fund balance has been designated to fund summer salary obligations.

MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The Town contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State 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 State 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 School had its separate, individual existing unfunded actuarial liability calculated. The School will pay this initial unpooled unfunded liability on a scheduled basis, in addition to making the normal contribution to the plan. The (IUUAL) is being amortized over nineteen years although the remaining balance will be paid off in eleven years. The current rate is 2.8% of annual covered payroll for School employees participating in the District Plan, 2.8% for Town employees and 4.0% for Police. 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 MSRS Consolidated Plan for the year ended June 30, 2005 were \$48,977 including IUUAL payments of \$14,376.

Teacher Group - All schoolteachers, plus other qualified educators, participate in the Maine State 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 State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to

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

**MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN,
CONTINUED**

establish and amend benefit provisions rests with the State legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,575,202 (17.77%) for the fiscal year 2005. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4).

DEFINED CONTRIBUTION PENSION PLAN

Defined Contribution Pension Plan - 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 Maine State 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 account at that time. Each employee must contribute a minimum of 6% of his or her gross earnings to the pension plan, while the Town is required to contribute an amount equal to 6% of the employee's gross earnings.

During the year, the Town's required and actual contributions amounted to \$346,160, which was 6% of its current year covered payroll. The covered payroll amounted to \$5,769,330, while the Town's total payroll was \$8,217,962.

Employee's required contributions amounted to \$346,160, which was 6% of the Town's current year covered payroll.

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

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

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

DEFERRED COMPENSATION PLAN

The Town of Scarborough offers all its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees 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.

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, were removed from the Town's financial statements.

TAX INCREMENT FINANCING DISTRICTS

The Town has established two Tax Increment Financing Districts under the terms of applicable State laws. The 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 status of the various Tax Increment Financing Districts is summarized below:

Scarborough Town Center Development District:	
Original assessed value based on April 1, 1985 valuation	\$ 6,915,000
Maximum authorized captured value	6,900,000
Amount captured as of June 30, 2005	6,900,000
Scarborough Eight Corners Development District:	
Original assessed value based on April 1, 1986 valuation	4,522,700
Maximum authorized captured value	39,000,000
Amount captured as of June 30, 2005	39,000,000

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, 2005.

CONSTRUCTION COMMITMENTS

As of June 30, 2005, the Town had construction commitments for construction of the High School and for Haigis Parkway. As of June 30, 2005, the balance of those commitments was \$5,115,545 and \$950,255, respectively.

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

RESTATEMENT OF FUND BALANCE/NET ASSETS

As of July 1, 2004, the Town changed its method of accounting for certain compensated absences to comply with recent interpretations of previously issued standards. Fund balance as of July 1, 2004 has been restated as follows:

	General Fund
Fund balance as previously reported	\$ 6,629,342
Add back accrued vacation (change in accounting policy)	376,233
Fund balance, as restated	\$ 7,005,575

Additionally, net assets for the governmental activities have been restated for certain infrastructure assets that were not previously reported as a result of identifying certain Town owned roads that were previously considered State owned:

Net assets as previously reported	\$ 35,729,597
Record capital assets net of accumulated depreciation	8,239,811
Fund balance, as restated	\$ 43,969,408

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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, 2005 and 2004

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 9,421,858	6,885,074
Investments	533,400	2,692,139
Receivables:		
Taxes receivable	60,561	75,740
Tax liens	421,274	364,515
Accounts receivable	472,345	535,740
Due from State of Maine	-	52,814
Interfund loans receivable	265,420	1,438,719
Tax acquired property	7,231	7,231
Total assets	\$ 11,182,089	12,051,972
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	586,549	809,838
Accrued payroll	2,419,588	2,274,593
Accrued vacation and sick leave	-	375,384
Interfund loans payable	-	1,526,628
Taxes collected in advance	15,944	36,187
Deferred tax revenues	400,000	400,000
Total liabilities	3,422,081	5,422,630
Fund balance:		
Reserved	697,126	710,484
Unreserved:		
Designated - Town	2,696,408	1,225,294
Undesignated - Education	693,048	468,684
Undesignated - Town	3,673,426	4,224,880
Total fund balance	7,760,008	6,629,342
Total liabilities and fund balance	\$ 11,182,089	12,051,972

TOWN OF SCARBOROUGH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the year ended June 30, 2005
(with comparative totals for June 30, 2004)

	2005					2004 Actual
	2004 carryforward	Budget	Total Available	Actual	Variance positive (negative)	
Revenues:						
Taxes:						
Property taxes	\$ -	35,601,877	35,601,877	35,548,830	(53,047)	32,861,926
Change in deferred property tax revenue	-	-	-	-	-	-
Excise taxes	-	4,175,000	4,175,000	4,253,930	78,930	4,170,216
Cable franchise fee	-	130,000	130,000	143,224	13,224	125,453
Interest and costs on taxes	-	62,000	62,000	57,852	(4,148)	72,420
Total taxes	-	39,968,877	39,968,877	40,003,836	34,959	37,230,015
Licenses and permits:						
Plumbing fees	-	22,000	22,000	19,350	(2,650)	22,169
Town Clerk fees	-	80,325	80,325	94,517	14,192	89,014
Building permits	-	293,174	293,174	356,502	63,328	236,511
Electrical permits	-	20,000	20,000	20,900	900	21,966
Zoning Board of Appeals	-	10,000	10,000	4,575	(5,425)	7,900
License plate fees	-	60,450	60,450	66,064	5,614	66,430
Subdivision fees	-	10,000	10,000	4,575	(5,425)	36,450
Total licenses and permits	-	495,949	495,949	566,483	70,534	480,440
Intergovernmental:						
Education state subsidies	-	4,503,857	4,503,857	4,532,559	28,702	4,669,174
FEMA reimbursement	-	-	-	149,408	149,408	170,000
FEMA fire account	-	-	-	50,687	50,687	23,189
Homeland Security	-	5,000	5,000	53,160	48,160	17,784
State Revenue Sharing	-	1,341,589	1,341,589	1,449,141	107,552	1,358,586
Homestead exemption	-	300,361	300,361	300,361	-	341,272
URIP (D.O.T. block grant)	-	240,000	240,000	292,196	52,196	240,980
Regional Waste payment in lieu of taxes	-	71,450	71,450	71,450	-	77,148
Adult education State subsidies	-	29,000	29,000	30,425	1,425	28,915
General assistance reimbursement	-	7,868	7,868	1,169	(6,699)	2,657
COPS Fast Grant	-	-	-	-	-	-
Federal HIDTA revenues	-	100,000	100,000	84,760	(15,240)	88,470
Medicaid	-	150,000	150,000	162,103	12,103	-
Other Federal and State revenues - School	-	368,046	368,046	389,379	21,333	276,239
Other Federal and State revenues - Town	-	32,608	32,608	100,806	68,198	39,231
Total intergovernmental	-	7,149,779	7,149,779	7,667,604	517,825	7,333,645
Interest earned	-	120,000	120,000	159,450	39,450	105,034
Unclassified:						
School Department	-	37,000	37,000	63,553	26,553	235,047
Adult education	-	17,500	17,500	6,935	(10,565)	13,513
Community services	-	1,214,105	1,214,105	1,320,470	106,365	1,161,560
Police court time	-	10,000	10,000	15,312	5,312	22,477
Snow plowing service	-	4,000	4,000	4,100	100	4,100
Alarm repair reimbursements	-	3,500	3,500	11,625	8,125	7,750
Insurance reimbursements	-	11,000	11,000	38,383	27,383	23,908
Parking violations	-	9,000	9,000	10,649	1,649	13,765
Special police	-	111,000	111,000	93,293	(17,707)	106,722
Inspection/review fees	-	90,200	90,200	180,631	90,431	61,510
Rescue donations	-	330,000	330,000	330,000	-	330,000
Rental income	-	30,192	30,192	20,606	(9,586)	44,659
Sale of Town-owned property	-	32,214	32,214	46,810	14,596	64,279
Legal/engineering salary reimbursement	-	441,000	441,000	383,281	(57,719)	243,937
Vehicle fuel reimbursement	-	214,378	214,378	294,668	80,290	202,943
Vehicle maintenance reimbursement	-	271,400	271,400	264,935	(6,465)	243,791
Miscellaneous	-	57,039	57,039	100,772	43,733	80,339
Total unclassified	-	2,883,528	2,883,528	3,186,023	302,495	2,860,300
Total revenues	-	50,618,133	50,618,133	51,583,396	965,263	48,009,434

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

		2005					
		2004		Total		Variance	2004
		carryforward	Budget	available	Actual	positive (negative)	Actual
Expenditures:							
Current:							
General government:							
Town Council	\$	-	11,573	11,573	11,572	1	11,572
Administration	-	-	221,068	221,068	223,925	(2,857)	224,525
Town Clerk	-	-	179,380	179,380	169,076	10,304	166,612
Planning	-	-	729,963	729,963	746,862	(16,899)	649,805
Assessing department	-	-	216,864	216,864	221,699	(4,835)	203,286
Human resources	-	-	174,272	174,272	172,474	1,798	169,013
Personnel benefits	-	-	(54)	(54)	39,737	(39,791)	41,427
Management information systems	-	-	471,303	471,303	471,197	106	457,308
Municipal building	281	-	258,586	258,867	238,265	20,602	234,793
General government	-	-	94,745	94,745	71,894	22,851	67,170
Finance	-	-	425,806	425,806	341,949	83,857	407,856
Purchasing	-	-	14,400	14,400	96,222	(81,822)	9,074
Taxation/Treasury	-	-	308,086	308,086	308,593	(507)	289,248
Legal	-	-	86,500	86,500	84,944	1,556	105,115
Risk management	-	-	451,400	451,400	459,533	(8,133)	447,532
Public information	6,153	-	9,600	15,753	5,220	10,533	1,847
Engineering	-	-	17,422	17,422	6,742	10,680	22,119
Grants management	-	-	-	-	-	-	3,298
Outside agencies	-	-	57,842	57,842	57,127	715	56,703
Total general government		6,434	3,728,756	3,735,190	3,727,031	8,159	3,568,303
Public services:							
Library	-	-	629,939	629,939	629,939	-	606,395
Public health and welfare	-	-	16,685	16,685	2,221	14,464	6,040
Enterprise Park tax rebate	-	-	-	-	50,397	(50,397)	29,136
Economic Development Corporation	-	-	208,225	208,225	206,126	2,099	174,258
Community services	-	-	1,738,270	1,738,270	1,754,231	(15,961)	1,756,560
Total public services	-	-	2,593,119	2,593,119	2,642,914	(49,795)	2,572,389
Public safety:							
Fire Department	13,855	-	1,360,279	1,374,134	1,414,202	(40,068)	1,388,724
Police Department	5,865	-	3,514,700	3,520,565	3,493,267	27,298	3,583,635
Civil Emergency Preparedness	-	-	34,717	34,717	29,349	5,368	32,504
Marine resources	-	-	71,096	71,096	69,829	1,267	62,128
Emergency Medical Services	3,100	-	923,401	926,501	914,662	11,839	866,603
Total public safety	22,820	-	5,904,193	5,927,013	5,921,309	5,704	5,933,594
Public works:							
Public Works Department	27,981	-	2,225,835	2,253,816	2,082,358	171,458	1,889,019
Vehicle maintenance	980	-	1,207,481	1,208,461	1,257,943	(49,482)	1,217,135
Water charges	-	-	167,972	167,972	163,602	4,370	153,230
Street lighting	-	-	135,400	135,400	139,201	(3,801)	131,859
Traffic signals	4,852	-	102,263	107,115	87,317	19,798	89,677
Cemetery care	-	-	25,600	25,600	23,869	1,731	22,246
Memorials	1,400	-	8,503	9,903	8,576	1,327	6,000
Shade trees	-	-	13,800	13,800	8,350	5,450	22,970
Engineering services	-	-	15,000	15,000	16,591	(1,591)	12,123
Solid waste program	-	-	1,614,860	1,614,860	1,582,515	32,345	1,332,952
Total public works	35,213	-	5,516,714	5,551,927	5,370,322	181,605	4,877,211
Education:							
Regular high school (9-12)	-	-	4,370,121	4,370,121	4,357,551	12,570	3,976,401
Regular middle school (6-8)	-	-	3,258,101	3,258,101	3,248,521	9,580	3,108,798
Regular elementary school (3-5)	-	-	3,209,707	3,209,707	3,204,114	5,593	3,021,894
Regular elementary school (K-2)	-	-	2,944,362	2,944,362	2,881,333	63,029	2,846,226
Special services	-	-	4,640,657	4,640,657	4,465,957	174,700	4,086,336
Transportation	-	-	1,215,400	1,215,400	1,172,590	42,810	1,160,370
Maintenance	-	-	2,035,116	2,035,116	2,025,541	9,575	1,673,667
Central office	-	-	679,326	679,326	635,597	43,729	607,693
Debt service	-	-	4,272,027	4,272,027	4,272,027	-	3,853,190
System-wide	-	-	1,694,626	1,694,626	1,650,470	44,156	1,576,593
Computer systems management	-	-	313,200	313,200	297,604	15,596	288,880
Adult education	-	-	108,528	108,528	76,438	32,090	80,361
Total education	-	-	28,741,171	28,741,171	28,287,743	453,428	26,280,409

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

	2005					2004 Actual
	2004 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Current, continued:						
County tax	\$ -	1,519,714	1,519,714	1,519,714	-	1,441,610
Emergency management	-	-	-	40,638	(40,638)	-
Debt service (excluding education):						
Principal	-	3,098,697	3,098,697	3,113,081	(14,384)	3,812,154
Interest and other costs	-	1,210,542	1,210,542	1,191,120	19,422	1,234,088
Total debt service	-	4,309,239	4,309,239	4,304,201	5,038	5,046,242
Capital Improvements	260,348	1,741,927	2,002,275	1,119,917	882,358	653,352
Total expenditures	324,815	54,054,833	54,379,648	52,933,789	1,445,859	50,373,110
Excess (deficiency) of revenues over (under) expenditures	(324,815)	(3,436,700)	(3,761,515)	(1,350,393)	2,411,122	(2,363,676)
Other financing sources (uses):						
Operating transfers - in	-	2,483,165	2,483,165	2,086,828	(396,337)	1,304,889
Operating transfers - out	-	(795,906)	(795,906)	(795,906)	-	(755,514)
General obligation bonds	-	1,232,500	1,232,500	870,175	(362,325)	1,562,000
Proceeds from capital leases	-	113,000	113,000	-	(113,000)	-
Utilization of prior year surplus and carryforward balance	324,815	478,840	803,655	-	(803,655)	-
Overlay	-	(74,899)	(74,899)	-	74,899	-
Total other financing sources (uses)	324,815	3,436,700	3,761,515	2,161,097	(1,600,418)	2,111,375
Net change in fund balances - budgetary basis	-	-	-	810,704	810,704	(252,301)
Reconciliation to GAAP:						
Change in accrued salaries				(56,271)		(81,741)
Fund balances, beginning of year, as restated				7,005,575		6,963,384
Fund balances, end of year				\$ 7,760,008		6,629,342

OTHER GOVERNMENTAL FUNDS

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TOWN OF SCARBOROUGH, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2005

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 257,500	-	-	257,500
Investments	5,969,013	-	169,861	6,138,874
Accounts receivable	24,497	-	-	24,497
Notes receivable	21,520	-	-	21,520
Due from State of Maine	2,911	-	-	2,911
Interfund loans	1,343,339	-	2,213	1,345,552
Inventory	12,558	-	-	12,558
Total assets	\$ 7,631,338	-	172,074	7,803,412
LIABILITIES AND FUND BALANCES				
Liabilities:				
Performance bonds	2,105,270	-	-	2,105,270
Accounts payable	75,774	-	-	75,774
Accrued payroll	53,088	-	-	53,088
Interfund loans	978,985	551,199	371	1,530,555
Total liabilities	3,213,117	551,199	371	3,764,687
Fund balances (deficit):				
Reserved for:				
Noncurrent notes receivable	2,289	-	-	2,289
Inventory	12,558	-	-	12,558
Principal	-	-	101,928	101,928
Unreserved, undesignated	4,403,374	(551,199)	69,775	3,921,950
Total fund balances (deficit)	4,418,221	(551,199)	171,703	4,038,725
Total liabilities and fund balances	\$ 7,631,338	-	172,074	7,803,412

TOWN OF SCARBOROUGH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2005

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 976,280	-	-	976,280
Contributions	88,097	-	-	88,097
Assessments and impact fees	167,753	-	-	167,753
Sale of lots	2,187	-	-	2,187
Other revenue	2,233,653	-	-	2,233,653
Interest revenue	59,306	-	3,445	62,751
Total revenues	3,527,276	-	3,445	3,530,721
Expenditures:				
Current:				
Capital expenditures	554,836	-	-	554,836
Program expenditures	2,181,712	-	-	2,181,712
Other	140,615	-	-	140,615
Total expenditures	2,877,163	-	-	2,877,163
Excess of revenues over expenditures	650,113	-	3,445	653,558
Other financing sources (uses):				
Transfer from other funds	676,260	119,646	-	795,906
Transfer to other funds	(1,942,640)	(73,293)	-	(2,015,933)
Total other financing sources (uses)	(1,266,380)	46,353	-	(1,220,027)
Net change in fund balances	(616,267)	46,353	3,445	(566,469)
Fund balances (deficit), beginning of year	5,034,488	(597,552)	168,258	4,605,194
Fund balances (deficit), end of year	\$ 4,418,221	(551,199)	171,703	4,038,725

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:

Unemployment Compensation

The Unemployment Compensation fund represents money set aside to be expended for unemployment compensation coverage (reimbursed to the State of Maine, Department of Manpower Affairs) for all municipal and school employees.

Ferry Beach

To account for all fees collected from the sale of resident and non-resident parking stickers, and day-to-day parking fees. Fees from combination passes are split evenly between Pine Point Beach and Ferry Beach funds. The monies are used for the maintenance of the beach parking area.

Recreation Development

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

Sewer Expansion

The purpose of this fund is to collect user and impact fees as well as tax increment financing district revenues to fund the related debt service.

Hurd Park

To account for all fees collected from the sale of resident and non-resident parking stickers, and day-to-day parking fees. Funds from combination passes are split evenly between the Hurd Park fund and the Ferry Beach fund. The funds are used for the maintenance of the beach parking area.

Scarborough Memorial Improvement

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

Dunstan Cemetery Improvement

To account for funds accumulated by the sale of lots in the Dunstan Cemetery. These funds are used to maintain the grounds.

Industrial Park

To account for the sale of property lots in the Scarborough Industrial Park.

Prouts Landing Conservation

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

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

Performance Bonds

To account for funds temporarily held by the Town until work is completed by developers. If the work is not completed, these funds are retained by the Town and the town completes the required work.

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.

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.

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)).

Hunnewell House

To account for monies spent in the upkeep of the plot of land on the corner of the Black Point and Winnocks Neck roads, which was purchased by the Town on May 2, 1973. The Hunnewell House (built in 1638) was set on the plot and is used as a Town Park. Donations and appropriations are also accounted for in this fund.

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.

Department Grants and Programs

To account for various federal and state grants and non-budget programs.

NONMAJOR SPECIAL REVENUE FUNDS, CONTINUED

School Development 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 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.

Friends of the Scarborough Marsh

The Friends of the Scarborough Marsh is a coalition of private citizens dedicated to conserve, protect, restore and enhance the Scarborough Marsh watershed. In an agreement with the Scarborough Planning Board and the Friends of the Scarborough Marsh, \$10,000 was donated to the Town and dedicated for Water Quality Improvement Projects. Use of the funds will require approval, by majority vote, of the Board of Directors of the Friends of the Scarborough Marsh and by the Town Manager. Approved, June 29, 2004.

Pleasant Hill Area Drainage

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

School Categorical Programs

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

School Lunch Program

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

Computer Replacement Fund

This fund is used for the replacement of municipal computers.

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TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	Unemploy- ment Compensation	Ferry Beach	Recrea- tional Develop- ment	Sewer Expansion	Hurd Park	Scarborough Memorial Improve- ment	Dunstan Cemetery Improve- ment	Industrial Park	Prouts Landing Conserva- tion	Perform- ance Bonds	Payne Road Improvements
ASSETS											
Cash and cash equivalents	\$ -	-	128,201	-	-	-	-	-	-	25,715	-
Investments	162,542	184,371	-	-	141,736	67,865	1,096	574,961	21,152	2,637,278	182,710
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	10,985	-	-	-
Due from State of Maine	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	8,503	-	-	704,352	68,340	2,187	-	-	-	3,500	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 171,045	184,371	128,201	704,352	210,076	70,052	1,096	585,946	21,152	2,666,493	182,710
LIABILITIES AND FUND BALANCES											
Liabilities:											
Performance bond deposits	-	-	-	-	-	-	-	-	-	2,105,270	-
Accounts payable	-	-	-	-	-	-	-	-	-	54,071	-
Accrued wages	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	66,758	234,188	-	-	-	-	21,442	-	507,152	53,936
Total liabilities	-	66,758	234,188	-	-	-	-	21,442	-	2,666,493	53,936
Fund balances:											
Reserved	-	-	-	-	-	-	-	2,289	-	-	-
Unreserved:											
Undesignated	171,045	117,613	(105,987)	704,352	210,076	70,052	1,096	562,215	21,152	-	128,774
Total fund balances (deficit)	171,045	117,613	(105,987)	704,352	210,076	70,052	1,096	564,504	21,152	-	128,774
Total liabilities and fund balances	\$ 171,045	184,371	128,201	704,352	210,076	70,052	1,096	585,946	21,152	2,666,493	182,710

TOWN OF SCARBOROUGH, MAINE
Nonmajor Special Revenue Funds, Continued
Combining Balance Sheet

Payne Road Impact Fees	Boat Launch	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Development Impact Fees	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund	Totals
-	-	-	-	-	-	-	-	-	16,655	127,147	(40,218)	-	257,500
1,475,991	-	2,389	3	154,948	2,800	5,421	260,656	10,146	-	-	-	82,948	5,969,013
-	-	-	-	24,497	-	-	-	-	-	-	-	-	24,497
-	-	-	-	-	-	10,535	-	-	-	-	-	-	21,520
-	-	-	-	-	-	-	-	-	-	2,823	88	-	2,911
26,854	-	56,550	784	175,878	14,347	57,581	219,450	-	-	-	-	5,013	1,343,339
-	-	-	-	-	-	-	-	-	-	-	12,558	-	12,558
1,502,845	-	58,939	787	355,323	17,147	73,537	480,106	10,146	16,655	129,970	(27,572)	87,961	7,631,338
-	-	-	-	-	-	-	-	-	-	-	-	-	2,105,270
-	-	-	-	-	-	-	-	-	-	11,841	9,862	-	75,774
-	-	-	-	-	-	-	-	-	-	53,088	-	-	53,088
-	39,940	-	-	-	-	15,569	-	-	-	-	-	40,000	978,985
-	39,940	-	-	-	-	15,569	-	-	-	64,929	9,862	40,000	3,213,117
-	-	-	-	-	-	-	-	-	-	-	12,558	-	14,847
1,502,845	(39,940)	58,939	787	355,323	17,147	57,968	480,106	10,146	16,655	65,041	(49,992)	47,961	4,403,374
1,502,845	(39,940)	58,939	787	355,323	17,147	57,968	480,106	10,146	16,655	65,041	(37,434)	47,961	4,418,221
1,502,845	-	58,939	787	355,323	17,147	73,537	480,106	10,146	16,655	129,970	(27,572)	87,961	7,631,338

TOWN OF SCARBOROUGH, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2005

	Unemploy- ment Compen- sation	Ferry Beach	Recrea- tional Develop- ment	Sewer Expansion	Hurd Park	Scarborough Memorial Improve- ment	Dunstan Cemetery Improve- ment	Industrial Park	Prouts Landing Conserva- tion	Perform- ance Bonds	Payne Road Improvements
Revenues:											
Intergovernmental	\$ -	-	-	-	-	-	-	-	-	-	-
Interest earned	2,388	2,708	-	-	2,610	1,047	16	11,618	310	-	2,687
Contributions	5,000	-	-	-	44,952	-	-	-	-	-	-
Sale of Lots	-	-	-	-	-	2,187	-	-	-	-	-
Other	-	7,600	-	-	-	-	-	-	-	-	-
Assessments and impact fees	-	-	35,000	105,900	-	-	-	-	-	-	-
Total revenues	7,388	10,308	35,000	105,900	47,562	3,234	16	11,618	310	-	2,687
Expenditures:											
Construction and acquisitions	-	20,037	-	-	34,301	-	-	40,000	-	-	35,538
Benefits paid	239	-	-	-	-	-	-	-	-	-	-
Program expenditures	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	9,707	-	-	-	-	-	-	-	-
Total expenditures	239	20,037	9,707	-	34,301	-	-	40,000	-	-	35,538
Excess (deficiency) of revenues over (under) expenditures	7,149	(9,729)	25,293	105,900	13,261	3,234	16	(28,382)	310	-	(32,851)
Other financing sources (uses):											
Operating transfers - in	-	-	-	676,260	-	-	-	-	-	-	-
Operating transfers - out	-	-	(18,785)	(1,069,055)	-	(10,000)	-	(180,000)	-	-	-
Total other financing sources (uses)	-	-	(18,785)	(392,795)	-	(10,000)	-	(180,000)	-	-	-
Net change in fund balances	7,149	(9,729)	6,508	(286,895)	13,261	(6,766)	16	(208,382)	310	-	(32,851)
Fund balances (deficit), beginning of year	163,896	127,342	(112,495)	991,247	196,815	76,818	1,080	772,886	20,842	-	161,625
Fund balances (deficit), end of year	\$ 171,045	117,613	(105,987)	704,352	210,076	70,052	1,096	564,504	21,152	-	128,774

TOWN OF SCARBOROUGH, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

Payne Road Impact Fees	Boat Launch	Police Asset Forfeiture	Hunnewell House	Rescue Equipment	Fire Department	Departmental Grants & Programs	School Development Impact Fees	Friends of the Scarborough Marsh	Pleasant Hill Area Drainage	School Categorical Programs	School Lunch Program	Computer Replacement Fund	Totals
-	-	-	-	-	-	-	-	-	-	824,398	151,882	-	976,280
21,664	-	35	-	2,299	41	318	10,201	146	-	-	-	1,218	59,306
-	7,951	-	1,224	-	13,970	15,000	-	-	-	-	-	-	88,097
-	-	-	-	-	-	-	-	-	-	-	-	-	2,187
-	-	93,442	-	738,111	-	84,990	190,650	-	-	131,833	963,615	23,412	2,233,653
26,853	-	-	-	-	-	-	-	-	-	-	-	-	167,753
48,517	7,951	93,477	1,224	740,410	14,011	100,308	200,851	146	-	956,231	1,115,497	24,630	3,527,276
-	2,823	42,139	-	330,000	-	42,340	-	-	1,194	-	-	6,464	554,836
-	-	-	-	-	-	-	-	-	-	-	-	-	239
-	-	-	-	-	-	-	-	-	-	1,022,321	1,159,391	-	2,181,712
-	-	-	-	130,669	-	-	-	-	-	-	-	-	140,376
-	2,823	42,139	-	460,669	-	42,340	-	-	1,194	1,022,321	1,159,391	6,464	2,877,163
48,517	5,128	51,338	1,224	279,741	14,011	57,968	200,851	146	(1,194)	(66,090)	(43,894)	18,166	650,113
-	-	-	-	-	-	-	-	-	-	-	-	-	676,260
-	(45,068)	-	-	(133,732)	-	-	(446,000)	-	-	-	-	(40,000)	(1,942,640)
-	(45,068)	-	-	(133,732)	-	-	(446,000)	-	-	-	-	(40,000)	(1,266,380)
48,517	(39,940)	51,338	1,224	146,009	14,011	57,968	(245,149)	146	(1,194)	(66,090)	(43,894)	(21,834)	(616,267)
1,454,328	-	7,601	(437)	209,314	3,136	-	725,255	10,000	17,849	131,131	6,460	69,795	5,034,488
1,502,845	(39,940)	58,939	787	355,323	17,147	57,968	480,106	10,146	16,655	65,041	(37,434)	47,961	4,418,221

TOWN OF SCARBOROUGH, MAINE
School Categorical Funds - Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2005

	Fund balances beginning of year	Revenues		Program expenditures	Fund balances end of year
		Grants	Other		
Federal education grant programs:					
NCLB/Title IA	\$ 1,902	136,855	-	137,551	1,206
NCLB/Title IIA	19,612	57,195	-	80,554	(3,747)
NCLB/Title IID	854	4,853	-	800	4,907
NCLB/Title IVA	7,733	12,529	-	16,201	4,061
NCLB/Title VA	3,898	15,215	-	17,378	1,735
Refugee Resettlement	4,241	-	-	(394)	4,635
Local Entitlement	55,449	455,275	-	511,703	(979)
Title II (Eisenhower Math and Science)	4,108	-	-	-	4,108
Goals 2000	48	-	-	-	48
Total federal education grant programs	97,845	681,922	-	763,793	15,974
Other State grant programs:					
State Agency Clients	1	102,529	-	94,745	7,785
Professional Development Grant	13,570	32,400	-	11,072	34,898
Total other state grant programs	13,571	134,929	-	105,817	42,683
Co-curricular programs:					
Red Storm Football	252	-	21,022	21,433	(159)
Ice Hockey	950	-	16,243	17,193	-
HS Girls Ice Hockey	585	-	9,123	9,708	-
HS Lacrosse	2,709	-	6,776	6,908	2,577
Girl's Lacrosse	(1,892)	-	6,024	5,991	(1,859)
Gym Dandies	265	-	24,393	24,347	311
Varsity Track	-	-	-	-	-
Baseball and Softball	(3)	-	-	-	(3)
High School/MS Swimming	911	-	12,814	13,725	-
Field Hockey	-	7,547	-	7,652	(105)
Foreign Language Club	(59)	-	-	-	(59)
HS Volleyball	1,467	-	4,800	6,162	105
HS Wrestling	2,936	-	10,000	15,803	(2,867)
Maine Nutrition Program	500	-	-	-	500
Community Services transportation	-	-	15,593	16,628	(1,035)
Community Foundation Grant	98	-	-	-	98
Band	-	-	-	-	-
Beacon Learning Center	(20,214)	-	-	2,011	(22,225)
MS Health Grant	(388)	-	-	-	(388)
Total co-curricular programs	(11,883)	7,547	126,788	147,561	(25,109)
Other special programs:					
Wellness Activities	84	-	740	719	105
Winslow Homer Auditorium	4,412	-	4,305	4,431	4,286
Beacon Learning Center	27,102	-	-	-	27,102
Total other special programs	31,598	-	5,045	5,150	31,493
Total school categorical programs	\$ 131,131	824,398	131,833	1,022,321	65,041

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:

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, 2005

		Municipal Building Fund
ASSETS		
Cash and cash equivalents	\$	-
Interfund loans receivable		-
Total assets	\$	-
LIABILITIES AND FUND BALANCE		
Liabilities:		
Interfund loans payable		551,199
Total liabilities		551,199
Fund balance (deficit):		
Unreserved:		
Designated		-
Undesignated		(551,199)
Total fund deficit		(551,199)
Total liabilities and fund balance	\$	-

TOWN OF SCARBOROUGH, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2005

	Municipal Building Fund
Revenues:	
Interest earned	\$ -
Intergovernmental	-
Other	-
Total revenues	-
Expenditures:	
Construction and professional services	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	-
Other financing sources (uses):	
Operating transfers - in	119,646
Operating transfers - out	(73,293)
Proceeds of general obligation bonds	-
Total other financing sources (uses)	46,353
Net change in fund balances	46,353
Fund deficit, beginning of year	(597,552)
Fund deficit, end of year	\$ (551,199)

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, 2005

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
ASSETS				
Investments	\$ 141,871	25,196	2,794	169,861
Interfund loans receivable	2,213	-	-	2,213
Total assets	\$ 144,084	25,196	2,794	172,074
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	371	-	371
Total liabilities	-	371	-	371
Fund balances:				
Principal	88,061	13,367	500	101,928
Unexpended income	56,023	11,458	2,294	69,775
Total fund balances	144,084	24,825	2,794	171,703
Total liabilities and fund balances	\$ 144,084	25,196	2,794	172,074

TOWN OF SCARBOROUGH, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2005

	Scarborough Memorial Cemetery	Dunstan Perpetual Care	Mary A. Tucker Fund	Totals
Revenues:				
Interest and dividends	\$ 3,437	-	8	3,445
Sale of lots/perpetual care deposits	-	-	-	-
Total revenues	3,437	-	8	3,445
Expenditures:				
Earnings retained by General Fund	-	-	-	-
Other	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	3,437	-	8	3,445
Fund balances, beginning of year	140,647	24,825	2,786	168,258
Fund balances, end of year	\$ 144,084	24,825	2,794	171,703

PRIVATE-PURPOSE TRUST FUNDS

Shirley Grover Fund

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.

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.

PRIVATE-PURPOSE TRUST FUNDS, CONTINUED

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.

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 in memory of Virginia Jackson established by her family to provide a \$1,500 annual scholarship to one Scarborough High School senior who will be attending college upon graduation.

TOWN OF SCARBOROUGH, MAINE
Trust Funds - Private-purpose
Combining Statement of Fiduciary Net Assets
June 30, 2005

	Shirley Grover Fund	Mary Campbell Peterson Fund	Edith Warga Art Scholarship	Packy McFarland Scholarship Fund	Roy Nelson Scholarship Fund	Daniel Tranchemontagne Scholarship Fund	Virginia Jackson Scholarship Fund	Evelyn J. Chaddon Mem. Scholarship Fund	S. Dwight Howard Mem. Scholarship Fund	Bertha Libby-Lary Scholarship Fund	Academic Decathlon Scholarship Fund	Kathy Pearson Scholarship Fund	Totals
ASSETS													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	\$ 1,391	91,455	101,425	3,320	583	1,013	25,868	267	3,279	12,297	1,868	3,976	246,742
Interfund loans	-	-	-	-	-	1,000	-	-	-	-	-	-	1,000
Total assets	\$ 1,391	91,455	101,425	3,320	583	2,013	25,868	267	3,279	12,297	1,868	3,976	247,742
LIABILITIES AND NET ASSETS													
Liabilities:													
Interfund loans	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Accounts payable	-	-	-	-	-	-	-	200	-	1,500	-	250	1,950
Total liabilities	-	1,000	-	-	-	-	-	200	-	1,500	-	250	2,950
Net assets:													
Principal	1,240	87,680	100,000	-	-	-	-	-	2,026	3,500	-	3,810	198,256
Undesignated	151	2,775	1,425	3,320	583	2,013	25,868	67	1,253	7,297	1,868	(84)	46,536
Total net assets	1,391	90,455	101,425	3,320	583	2,013	25,868	67	3,279	10,797	1,868	3,726	244,792
Total liabilities and net assets	\$ 1,391	91,455	101,425	3,320	583	2,013	25,868	267	3,279	12,297	1,868	3,976	247,742

TOWN OF SCARBOROUGH, MAINE
Trust Funds - Private-purpose
Combining Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2005

	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
Additions													
Donations	\$ -	-	-	-	-	-	27,124	-	-	-	-	-	27,124
Interest and dividends	18	1,286	1,417	46	12	1,013	244	4	30	52	32	42	4,196
Total additions	18	1,286	1,417	46	12	1,013	27,368	4	30	52	32	42	31,320
Deductions:													
School scholarships	-	2,000	-	-	300	-	1,500	-	-	250	100	-	4,150
Total deductions	-	2,000	-	-	300	-	1,500	-	-	250	100	-	4,150
Changes in net assets	18	(714)	1,417	46	(288)	1,013	25,868	4	30	(198)	(68)	42	27,170
Net assets, beginning of year	1,373	91,169	100,008	3,274	871	1,000	-	63	3,249	10,995	1,936	3,684	217,622
Net assets, end of year	\$ 1,391	90,455	101,425	3,320	583	2,013	25,868	67	3,279	10,797	1,868	3,726	244,792

TOWN OF SCARBOROUGH, MAINE
Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2005

	Balance			Balance
	July 1, 2004	Additions	Deletions	June 30, 2005
STUDENT ACTIVITIES:				
ASSETS				
Cash	\$ 143,210	195,701	145,450	193,461
LIABILITIES				
Payable to student groups	\$ 143,210	195,701	145,450	193,461

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GENERAL LONG-TERM DEBT

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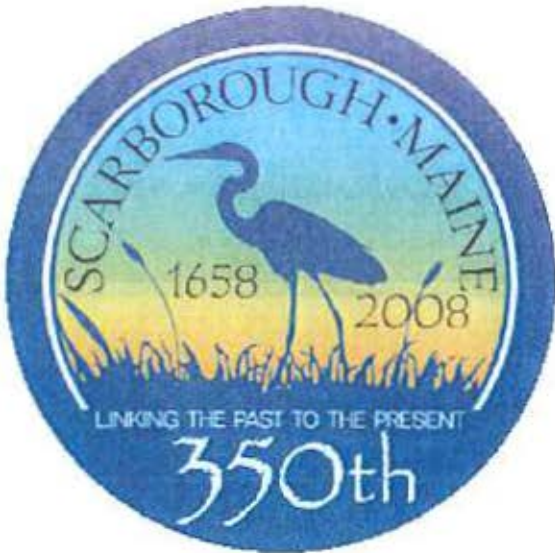
TOWN OF SCARBOROUGH, MAINE
Statement of Changes in Long-term Debt
Year ended June 30, 2005

	Interest rate	Final maturity date		Annual principal payments	Balance beginning of year	Current Year		Balance end of year
<u>General Obligation Bonds</u>								
1987 Capital Improvements	Varies	2008	\$	125,000 to 2008	500,000	-	125,000	375,000
1988 Capital Improvements	Varies	2009		275,000 to 2009	1,375,000	-	275,000	1,100,000
1989 Capital Improvements	Varies	2009		120,000 in 2005 110,000 to 2008 100,000 in 2009	550,000	-	120,000	430,000
1990 Capital Improvements	Varies	2011		335,000 to 2007 325,000 to 2010	2,305,000	-	335,000	1,970,000
1992 Capital Improvements	Varies	2013		150,000 to 2013				
1993 Capital Improvements	Varies	2013		25,000 to 2013	225,000	-	25,000	200,000
1994 Capital Improvements	Varies	2015		430,000 to 2005 230,000 to 2015	2,730,000	-	430,000	2,300,000
1995 Capital Improvements	6.00%	2006		11,729.43 in 2005 12,433.22 in 2006	24,163	-	11,730	12,433
1995 Capital Improvements	Varies	2016		305,000 to 2006 265,000 to 2016	3,260,000	-	305,000	2,955,000
1997 Capital Improvements	Varies	2017		205,000 to 2007 110,000 to 2017	1,715,000	-	205,000	1,510,000
1998 Capital Improvements	Varies	2008		100,000 to 2007 85,000 in 2008	385,000	-	100,000	285,000
1999 Capital Improvements	Varies	2019		400,000 to 2007 395,000 to 2009 70,000 to 2019	2,690,000	-	400,000	2,290,000
2000 Capital Improvements	Varies	2020		445,000 in 2005 210,000 to 2008 205,000 to 2010 155,000 to 2020	2,635,000	-	445,000	2,190,000
2001 Capital Improvements	Varies	2021		535,000 in 2005 510,000 in 2006 190,000 in 2007 180,000 to 2011 120,000 in 2012 115,000 to 2021	3,110,000	-	535,000	2,575,000
2002 Capital Improvements	2.000% 2.375% 2.700%	2007		875,000 in 2005 850,000 in 2006 845,000 in 2007	2,570,000	-	875,000	1,695,000
2003 Capital Improvements	Varies	2033		870,000 in 2005 1,070,000 in 2006 890,000 in 2007 995,000 in 2008 655,000 in 2009 685,000 in 2010 750,000 in 2011 840,000 in 2012 925,000 in 2013 595,000 in 2014 685,000 in 2015 780,000 in 2016 885,000 in 2017 1,005,000 in 2018 1,135,000 in 2019 1,280,000 in 2020 1,435,000 in 2021 1,610,000 in 2022 1,800,000 in 2023 430,000 in 2024 450,000 in 2025 475,000 in 2026 495,000 in 2027 520,000 in 2028 545,000 in 2029 570,000 in 2030 595,000 in 2031 625,000 in 2032 655,000 in 2033	24,250,000	-	870,000	23,380,000

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

	Interest rate	Final maturity date	Annual principal payments	Balance beginning of year	Current Year		Balance end of year
					Issued	Retired	
<u>General Obligation Bonds</u>							
2004 Capital Improvements	2.250%	2034	823,000 in 2005 830,000 in 2006 975,000 to 2008 985,000 in 2009 665,000 in 2010 680,000 to 2012 690,000 in 2013 555,000 in 2014 215,000 in 2015 225,000 in 2016 235,000 in 2017 245,000 in 2018 255,000 in 2019 265,000 in 2020 280,000 in 2021 290,000 in 2022 305,000 in 2023 320,000 in 2024 335,000 in 2025 350,000 in 2026 365,000 in 2027 385,000 in 2028 400,000 in 2029 420,000 in 2030 440,000 in 2031 460,000 in 2032 480,000 in 2033 500,000 in 2034	14,628,000	-	823,000	13,805,000
2005 Capital Improvements	Varies	2034	315,000 in 2005 340,000 in 2006 510,000 in 2007 520,000 in 2008 525,000 in 2009 385,000 in 2010 390,000 in 2011 395,000 in 2012 305,000 in 2013 315,000 in 2014 250,000 in 2015 230,000 in 2016 240,000 in 2017 250,000 in 2018 260,000 in 2019 270,000 in 2020 280,000 in 2021 290,000 in 2022 300,000 in 2023 315,000 in 2024 325,000 in 2025 340,000 in 2026 355,000 in 2027 370,000 in 2028 385,000 in 2029 405,000 in 2030 420,000 in 2031 440,000 in 2032 460,000 in 2033 480,000 in 2034	-	10,665,000	-	10,665,000
Total bonds				62,952,163	10,665,000	5,879,730	67,737,433
Total long-term debt		\$		62,952,163	10,665,000	5,879,730	67,737,433

Statistical



Communtiy Services



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.

<u>Contents</u>	<u>Table</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	1-7
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, property tax.</i>	8-12
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	13-15
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	16
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the government provides and the activities it performs.</i>	17

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

Table 1

**Town of Scarborough
Net Assets by Component
Last Ten Fiscal Years**

(accrual basis of accounting)
(amounts expressed in thousands)

	<u>Fiscal Year</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities			
Invested in Capital Assets, net of related debt	6,893	6,689	29,885
Restricted	21,040	19,332	7,629
Unrestricted	<u>10,187</u>	<u>9,709</u>	<u>9,874</u>
Total Governmental Activities Net Assets	38,120	35,730	47,388

Table 2

**Changes in Net Assets
Last Ten Fiscal Years**

(accrual basis of accounting)
(amounts expressed in thousands)

	<u>Fiscal Year</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
REVENUES:			
PROGRAM REVENUES:			
Charge for services	2,728	5,363	6,488
Operating grants & contributions	6,992	8,744	9,297
Capital grants & contributions	-	312	-
GENERAL REVENUES:			
Property & excise taxes, levied for general purposes	34,472	37,182	40,075
Grants & contributions not restricted to specific programs	4,133	1,910	1,952
Unrestricted investment earnings	<u>209</u>	<u>105</u>	<u>159</u>
Total Revenues	51,379	53,490	57,971
EXPENSES:			
General government	3,508	3,772	3,984
Public services	2,701	2,597	7,658
Public safety	5,552	6,127	6,153
Public works	5,175	5,266	5,882
Education	23,464	25,442	28,695
County tax	1,306	1,442	1,520
Emergency management	-	-	41
Interest on debt service	895	2,610	1,168
Capital improvements	2,261	1,303	1,770
Program & other expenditures	<u>2,556</u>	<u>2,105</u>	<u>2,681</u>
Total Expenses	47,668	50,664	54,552
CHANGE IN NET ASSETS	\$ 3,711	\$ 2,826	\$ 3,419

Note: 1996 to 2002 information is unavailable. From 2003 forward, will be providing last ten fiscal years.

Table 3

Town of Scarborough
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>Fiscal Year</u>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund										
Reserved	\$1,255	\$1,643	\$1,373	\$ 991	\$ 936	\$ 889	\$ 800	\$ 752	\$ 710	\$ 697
Unreserved	<u>830</u>	<u>792</u>	<u>926</u>	<u>1,735</u>	<u>2,778</u>	<u>3,669</u>	<u>5,753</u>	<u>6,211</u>	<u>5,919</u>	<u>7,063</u>
Total General Fund	\$2,085	\$2,434	\$2,299	\$2,726	\$3,713	\$4,558	\$6,553	\$6,963	\$6,629	7,760
 All other governmental funds										
Reserved	\$ (37)	\$ 56	\$ 218	\$ 350	\$ 668	\$ 955	\$ 339	\$ 132	\$ 123	\$ 115
Unreserved, reported in:										
Special Revenue Funds	397	316	1,016	1,878	3,040	3,756	4,288	5,010	5,011	4,403
Capital Projects Funds	972	416	(281)	24	207	864	239	20,278	18,611	6,963
Permanent Funds	<u>48</u>	<u>51</u>	<u>55</u>	<u>64</u>	<u>72</u>	<u>84</u>	<u>93</u>	<u>68</u>	<u>69</u>	<u>72</u>
Total all other governmental funds	\$1,380	\$ 840	\$1,008	\$2,316	\$3,986	\$5,659	\$4,958	\$25,489	\$23,814	\$ 11,553

Table 4

Town of Scarborough
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>Fiscal Year</u>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues										
Taxes	\$21,988	\$23,258	\$25,015	\$25,260	\$27,560	\$29,311	\$32,380	\$34,582	\$37,191	40,066
Licenses and Permits	330	390	386	419	653	433	413	428	480	566
Intergovernmental	4,813	4,570	5,073	6,236	7,238	8,090	7,522	7,622	10,823	11,219
Interest earned	188	236	265	190	260	302	158	124	348	442
Donations	-	-	-	-	-	-	-	-	120	88
Sale of lots	-	-	-	-	-	-	-	-	19	2
Special assessments	-	-	-	-	-	-	-	-	406	168
Other	<u>1,297</u>	<u>1,352</u>	<u>1,563</u>	<u>1,785</u>	<u>1,957</u>	<u>2,058</u>	<u>2,376</u>	<u>3,036</u>	<u>4,101</u>	<u>5,420</u>
Total Revenues	\$28,617	\$29,807	\$32,302	\$33,890	\$37,669	\$40,194	\$45,793	\$42,849	\$53,490	\$57,971
Expenditures										
General government	\$ 1,964	\$ 2,221	\$ 2,358	\$ 2,538	\$ 2,756	\$ 2,923	\$ 3,041	\$ 3,425	\$ 3,568	3,768
Public services	1,913	1,668	1,960	1,996	2,305	2,504	2,653	2,325	2,572	2,643
Public safety	3,181	3,395	3,551	3,850	4,271	4,465	5,275	4,705	5,933	5,921
Public works	3,119	3,017	3,318	3,641	3,585	4,103	4,767	4,108	4,877	5,370
Education	13,993	15,180	16,298	17,403	19,138	20,721	24,171	22,688	28,862	30,919
County tax	862	882	890	902	842	933	1,306	1,062	1,442	1,520
Debt service	2,587	2,329	2,468	2,452	2,819	3,046	3,040	3,192	5,046	4,304
Capital improvements	-	-	-	-	-	-	1,233	1,209	15,820	23,374
Program expenditures	-	-	-	-	-	-	-	-	2,005	2,182
Other	<u>47</u>	<u>92</u>	<u>93</u>	<u>82</u>	<u>-</u>	<u>-</u>	<u>102</u>	<u>148</u>	<u>1</u>	<u>141</u>
Total expenditures	\$27,702	\$28,786	\$30,945	\$32,829	\$35,766	\$38,752	\$42,305	\$46,147	\$70,127	80,142
Excess of revenues over(under)										
Expenditures	\$ 915	\$ 1,020	\$ 1,357	\$ 1,060	\$ 1,903	\$ 1,443	\$ 543	\$ (355)	\$(16,637)	\$(22,171)
Other financing sources (uses)										
Operating transfers in	\$ 894	\$ 732	\$ 685	\$ 662	\$ 601	\$ 658	\$ 1,430	\$ 640	\$ 2,114	2,923
Operating transfers out	(1,105)	(1,265)	(2,078)	(1,048)	(1,513)	102	(1,050)	(898)	(2,114)	(2,923)
General obligation bonds	-	-	-	-	-	-	1,192	1,210	14,628	10,665
Net change in fund balances	\$ (704)	\$ (487)	\$ (35)	\$ 675	\$ 990	\$2,203	\$ 2,115	\$ 597	\$ (2,009)	10,665
Debt service as a % of non-capital Expenditures										

Table 5

Town of Scarborough
General Government Expenditures by Function
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Service</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Education</u>	<u>County Tax</u>	<u>Debt Service</u>	<u>Other</u>	<u>Capital Expenditures</u>	<u>Totals</u>
June 30, 1996*	\$ 1,964	1,913	3,181	3,119	15,413	862	2,587	65	-	29,104
June 30, 1997	2,221	1,668	3,395	3,017	16,931	882	2,329	93	-	30,537
June 30, 1998	2,358	1,960	3,552	3,318	16,298	900	2,468	92	-	30,945
June 30, 1999	2,538	1,996	3,850	3,641	17,403	902	2,452	47	-	32,829
June 30, 2000	2,756	2,305	4,271	3,585	19,138	842	2,819	51	-	35,766
June 30, 2001	2,923	2,504	4,465	4,103	20,721	933	3,046	57	-	38,752
June 30, 2002**	3,041	2,325	4,705	4,108	22,688	1,062	3,040	103	1,233	42,305
June 30, 2003	3,425	2,653	5,275	4,767	24,171	1,306	3,192	148	1,209	46,147
June 30, 2004	3,727	2,643	5,921	5,370	28,288	1,520	4,304	-	1,120	52,893
June 30, 2005										

* Effective June 30, 1996 the Town has classified certain personnel benefits to the individual departments. Previous to that time, these costs were reported in general government.

** Effective June 30, 2002, the Town has accounted for capital expenditures in the general fund. Prior to that, these expenditures were reported in a budgeted capital project fund.

Town of Scarborough
Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Vehicle Excise Tax</u>	<u>Boat Excise Tax</u>	<u>Total</u>
June 30, 1996	\$ 19,662	\$ 2,167	\$ 21	\$ 21,851
June 30, 1997	20,752	2,434	22	23,208
June 30, 1998	21,890	2,658	22	24,570
June 30, 1999	22,201	2,929	27	25,157
June 30, 2000	24,145	3,269	26	27,440
June 30, 2001	25,778	3,412	20	29,208
June 30, 2002	28,611	3,637	27	32,275
June 30, 2003	30,230	3,828	27	39,085
June 30, 2004	32,862	4,143	27	37,032
June 30, 2005	35,548	4,228	26	39,802

Town of Scarborough
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Excise Tax</u>	<u>Total</u>
1996	\$ 19,663	\$ 2,188	\$ 21,851
1997	20,752	2,456	23,208
1998	21,891	2,674	24,565
1999	22,201	2,956	25,157
2000	24,185	3,295	28,110
2001	25,765	3,431	29,197
2002	28,450	3,664	32,114
2003	30,230	3,855	34,086
2004	32,862	4,170	37,032
2005	35,548	4,254	39,802

Table 8

Town of Scarborough
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended <u>Dec 31</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Totals</u>		Ratio of Total Assessed Value to Total Est. Actual Value
	Assessed <u>Value</u>	Est. Actual <u>Value</u>	Assessed <u>Value</u>	Est. Actual <u>Value</u>	Assessed <u>Value</u>	Est. Actual <u>Value</u>	
1996	\$1,046,396	\$1,046,396	\$50,289	\$50,289	\$1,096,685	\$1,096,685	100%
1997	1,083,312	1,083,312	50,652	50,652	1,138,964	1,138,964	100%
1998	1,125,960	1,125,960	60,195	60,195	1,186,155	1,186,155	100%
1999	1,138,292	1,138,292	67,851	67,851	1,206,144	1,206,144	100%
2000	1,180,279	1,180,279	79,051	79,051	1,259,330	1,259,330	100%
2001	1,230,378	1,230,378	83,306	83,306	1,313,684	1,313,684	100%
2002	1,764,041	1,764,041	94,303	94,303	1,858,345	1,858,345	100%
2003	1,831,117	1,831,117	99,459	99,459	1,930,576	1,930,576	100%
2004	1,903,869	1,903,869	99,118	99,118	2,002,987	2,002,987	100%
2005	1,951,952	1,951,952	105,637	105,637	2,057,589	2,057,589	100%

Table 9

**Town of Scarborough
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Town</u>	<u>School</u>	<u>Services</u>	<u>Community County Tax</u>	<u>Tax Increment Financing District</u>	<u>Overlay</u>	<u>(1) State Revenue Sharing</u>	<u>Total Property Tax Rates by Year</u>
June 30, 1996	\$7.082	9.701	0.405	0.786	0.398	0.260	(0.729)	17.90
June 30, 1997	7.116	10.009	0.338	0.774	0.390	0.319	(0.746)	18.20
June 30, 1998	6.919	10.333	0.346	0.758	0.642	0.160	(0.759)	18.40
June 30, 1999	6.826	11.107	0.349	0.748	0.702	0.103	(1.435)	18.40
June 30, 2000	7.169	11.640	0.356	0.668	0.701	0.141	(1.476)	19.20
June 30, 2001	7.250	12.168	0.327	0.710	0.686	0.104	(1.646)	19.60
June 30, 2002	5.507	9.393	0.231	0.571	0.378	0.210	(0.991)	15.30
June 30 2003	5.487	9.848	0.224	0.677	0.373	0.051	(0.960)	15.70
June 30, 2004	5.554	10.410	0.191	0.720	0.364	0.041	(0.820)	16.46
June 30, 2005								

Town of Scarborough
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)

<u>1996</u>				<u>2005</u>			
	Taxable		Percentage of		Taxable		Percentage of
	Assessed		Total Taxable		Assessed		Total Taxable
<u>Taxpayer</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Taxpayer</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>
James McBrady	20,001	1	1.9%	Maine Life Care	46,347	1	2.25%
Walmart	15,759	2	1.5%	Hannaford Brothers	29,417	2	1.43%
Gavin Ruotolo	9,542	3	0.9%	Walmart/Sam’s Club	21,364	3	1.04%
Hannaford Brothers	8,954	4	0.8%	Gavin Ruotolo	10,797	4	0.52%
Konica Quality Photo	8,838	5	0.8%	Maine Historic Hotels	9,862	5	0.48%
Shaw’s Supermarket	7,466	6	0.7%	ERP Operating L.P.	8,871	6	0.43%
Central Maine Power	6,587	7	0.6%	Central Maine Power	8,365	7	0.41%
Ram Trust 2 and 3	6,078	8	0.6%	Shaw’s Supermarket	7,876	8	0.38%
Davric Maine Corp.	5,412	9	0.5%	Davric Maine Corp.	7,180	9	0.35%
Black Point Inn	4,486	10	0.4%	CNL Hospitality	6,638	10	0.32%

Town of Scarborough
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended <u>December 31</u>	Property Tax Levy for <u>Fiscal Year(1)</u>	Collected within the Fiscal Year of the Levy(2)	
		<u>Amount</u>	<u>% of Levy</u>
1996	\$19,663	\$18,997	96.60%
1997	20,753	20,114	96.92%
1998	21,889	21,382	97.68%
1999	22,202	21,746	97.94%
2000	24,185	23,716	98.06%
2001	25,765	25,339	98.35%
2002	28,450	28,120	98.84%
2003	30,348	30,104	99.20%
2004	32,969	32,748	99.33%
2005	55,736	35,424	99.13%

(1) Includes supplemental taxes

(2) Includes abated taxes

Town of Scarborough
Assessed Valuations and Tax Levies
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Personal Property Valuation</u>	<u>Total Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>
June 30, 1996	\$ 1,046,396	\$ 50,289	\$ 1,096,685	\$ 17.90	\$ 19,631
June 30, 1997	1,083,312	55,652	1,138,964	18.20	20,729
June 30, 1998	1,125,960	60,195	1,186,155	18.40	21,825
June 30, 1999	1,138,292	67,851	1,206,144	18.40	22,193
June 30, 2000	1,180,279	79,051	1,259,330	19.20	24,179
June 30, 2001	1,230,378	83,306	1,313,684	19.60	25,748
June 30, 2002	1,764,013	94,303	1,858,345	15.30	28,433
June 30, 2003	1,831,117	99,459	1,930,576	15.70	30,310
June 30, 2004	1,903,869	99,118	2,002,987	16.46	32,969
June 30, 2005	1,951,952	105,637	2,057,589	17.34	35,679

Town of Scarborough
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1996	\$31,042	2.59%	\$1,988
1997	32,500	2.65%	2,131
1998	31,532	2.45%	2,053
1999	34,072	2.62%	2,233
2000	35,060	2.56%	1,900
2001	35,787	2.49%	1,929
2002	35,096	1.72%	1,889
2003	54,759	2.67%	3,039
2004	62,952	2.89%	3,412
2005	67,737		

Town of Scarborough
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt to
Total General Fund Expenditures
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Services</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Service to General Fund Expenditures</u>
June 30, 1996	\$3,019	\$1,767	\$4,786	\$29,855	16.03%
June 30, 1997	2,772	1,890	4,662	30,051	15.51%
June 30, 1998	3,193	1,991	5,184	30,945	16.75%
June 30, 1999	3,203	1,927	5,130	32,829	15.63%
June 30, 2000	3,782	1,905	5,687	35,766	15.90%
June 30, 2001	4,204	1,858	6,062	38,752	15.64%
June 30, 2002	4,692	1,895	6,587	42,305	15.57%
June 30, 2003	4,915	1,634	6,549	46,463	14.10%
June 30, 2004	6,435	2,358	8,793	50,373	17.46%
June 30, 2005	5,880	2,634	8,514	52,934	16.08%

Town of Scarborough
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$150,840	\$159,053	\$166,425	\$173,295	\$188,018	\$206,243	\$235,755	\$279,720	\$323,745	\$380,820
Total net debt applicable to limit	31,042	32,500	31,532	34,072	35,060	35,788	35,096	54,759	62,952	67,737
Legal debt margin	119,798	126,553	134,893	139,223	152,958	170,455	200,659	224,961	260,793	313,083
Total net debt applicable to the limit as a percentage of debt limit	20.58%	20.43%	18.95%	19.66%	18.65%	17.35%	14.892%	19.57%	19.44%	17.79%

Note: Under state finance law, the Town of Scarborough's outstanding general obligation debt should not exceed 10 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.

**Town of Scarborough
Principal Employers
Current Year and Nine Years Ago**

<u>1996</u>			<u>2005</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Hannaford Brothers	780	1	Town of Scarborough	1,384	1
Konica Quality Photo	450	2	Hannaford Brothers	882	2
Hanover Insurance	185	3	Walmart	294	3
Walmart	161	4	Maine Medical Center	180	4
Humpty Dumpty	155	5	Shaw's Supermarket	150	5
Gabriel Electronics	116	6	R.C. Moore Trucking	150	6
Rock-Tenn Converting	100	7	Sam's Wholesale Club	123	7
Rich Tool & Die	80	8	Konica Quality Photo	108	8
Sam's Wholesale Club	60	9	Rich Tool & Die	90	9
Bayley's Quality Seafood	30	10	RTS Packaging	85	10

Source: 1996 & 2005 Scarborough Bond Issue Proposals

**Town of Scarborough
Operating Indicators by Function
Last Ten Fiscal Years**

	<u>Fiscal Year</u>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function										
Police										
Physical arrests	519	531	469	273	349	429	587	634	401	332
Traffic violations	2,463	2,957	3,158	1,754	2,892	2,263	2,637	2,455	1,976	1,077
Fire										
Number of calls answered(1)	1,034	1,145	1,366	1,501	1,452	1,114	2,646	2,868	2,916	
Public Works(2)										
Street resurfacing (miles)									1.94	5.26
Pot holes repaired									57	109
# times plows dispatched									19	24

(1) All years include calls to assist rescue except for the year 2001.

(2) Information for prior years is unavailable.