

OFFICIAL STATEMENT DATED SEPTEMBER 17, 2013



MOORS & CABOT
INVESTMENTS
Banking & Advisory Group

NEW ISSUE

Moody's: Aa2
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In the opinion of Bernstein, Shur, Sawyer & Nelson, P.A., Bond Counsel, under existing statutes and court decisions, and assuming compliance with certain covenants, interest on the Series A Bonds will be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax. Interest on the Series B Bonds is not excludable from gross income for purposes of federal income taxation. Bond Counsel is also of the opinion that, pursuant to Title 30-A, Section 5772(9), of the Maine Revised Statutes, as amended, the interest paid on the Series A Bonds and Series B Bonds is exempt from taxation within the State of Maine (the "State"). **The Series A Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

TOWN OF YARMOUTH, MAINE
\$5,493,000

2013 GENERAL OBLIGATION BONDS – SERIES A

Dated: October 1, 2013

Due: November 15, as shown below

Year of Maturity	Interest	Yield or Price	Year of Maturity	Interest	Yield or Price	
Maturity	Amount	Rate	Maturity	Amount	Rate	
2016	\$150,000	2.00%	0.75	2025	\$230,000	3.00%
2017	155,000	2.00	1.05	2026	275,000	3.25
2018	263,000	2.00	1.50	2027	300,000	3.50
2019	275,000	2.00	1.70	2028	315,000	4.00
2020	305,000	2.00	1.90	2029	340,000	4.00
2021	310,000	2.00	2.10	2030	340,000	4.00
2022	380,000	2.50	2.40	2031	340,000	4.00
2023	400,000	2.50	2.60	2032	350,000	4.00
2024	410,000	3.00	2.70	2033	355,000	4.00

\$387,000

2013 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)

Dated: October 1, 2013; 3.00%, to Yield 2.25; Due: November 15, 2018

The 2013 Series A Bonds and Series B Bonds (together, the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and with one Series A Bond in the denomination of \$3,000 that will mature in 2018; with one Series B Bond in the denomination of \$2,000. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on May 15, 2014 and semi-annually on each November 15 and May 15 thereafter until maturity, or, in the case of the Series A Bonds, redemption prior to maturity.

The legal opinion of Bond Counsel, will be provided to the initial purchaser and will indicate that the Bonds are valid general obligations of the Town of Yarmouth, Maine (the "Town") and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter 5 of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). Bonds issued for School Projects(as defined herein) are not subject to the property tax limit set forth in Section 5721-A. The Treasurer has certified that no agreements under Chapter 223, Subchapter 5, to share assessed valuation with another municipality, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the initial purchaser.

Series A Bonds maturing on and before November 15, 2023 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 15, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 15, 2023 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein. Series B Bonds are not subject to optional redemption prior to their stated date of maturity.

The Bonds are offered when, as and if issued, subject to the approval of legality by Bernstein, Shur, Sawyer & Nelson, P.A. of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about October 1, 2013.

For the Series A Bonds:

STIFEL

For the Series B Bonds:

Roosevelt & Cross, Inc. and Associates

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

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

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

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

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

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

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

Nathaniel J. Tupper
Treasurer
Town of Yarmouth, Maine

OFFICIAL STATEMENT
TOWN OF YARMOUTH, MAINE
\$5,493,000 2013 GENERAL OBLIGATION BONDS – SERIES A
and
\$387,000 2013 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Yarmouth, Maine (the “Town” or “Yarmouth”) in connection with the sale of its 2013 General Obligation Bonds – Series A (the “Series A Bonds”) and of its General Obligation Bonds – Series B (Federally Taxable) (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated October 1, 2013 and issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). DTC will act as the securities depository for the Bonds (the “Securities Depository”). Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and with one Series A Bond in the denomination of \$3,000 that will mature in 2018; with one Series B Bond in the denomination of \$2,000. The Bonds will bear interest, payable on May 15, 2014, and semi-annually thereafter on November 15 and May 15 of each year until maturity, or, in the case of the Series A Bonds, redemption prior to maturity. It is expected that the Bonds will be available for delivery at DTC on or about October 1, 2013. The Bonds will mature as follows:

Series A Bonds

Amount	November 15,	CUSIP	Amount	November 15,	CUSIP
\$150,000	2016	985046GP0	\$230,000	2025	985046GY1
155,000	2017	985046GQ8	275,000	2026	985046GZ8
263,000	2018	985046GR6	300,000	2027	985046HA2
275,000	2019	985046GS4	315,000	2028	985046HB0
305,000	2020	985046GT2	340,000	2029	985046HC8
310,000	2021	985046GU9	340,000	2030	985046HD6
380,000	2022	985046GV7	340,000	2031	985046HE4
400,000	2023	985046GW5	350,000	2032	985046HF1
410,000	2024	985046GX3	355,000	2033	985046HG9

Series B Bonds

\$387,000 Bonds Due: November 15, 2018; CUSIP: 985046HH7

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS-BOOK-ENTRY-ONLY SYSTEM” herein.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Series A Bonds maturing on and before November 15, 2023 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 15, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after November 15, 2023, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

Series B Bonds are not subject to optional redemption prior to their stated date of maturity.

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

In the case of every redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner. Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The Town shall notify the Securities Depository in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

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

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

Cancellation

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

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected by the Town by lot or in such other manner, as the Town in its discretion may deem appropriate.

RECORD DATE; PAYMENT OF THE BONDS

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

AUTHORIZATION AND PURPOSE

The Bonds are issued under the authority of Title 30-A, Section 5772 of the Maine Revised Statutes, as amended; orders adopted by the Town Council at meetings held on August 16, 2012, September 20, 2012 and November 15, 2012; Article VIII, Section 2 of the Town's Charter (as defined herein); and referendum elections held on November 6, 2012 and June 11, 2013.

A portion of the proceeds from the Series A Bonds, in an amount not to exceed: \$1,500,000, will be used to provide funds to finance the cost of improvements and repairs to the Yarmouth High School athletic field and track (the "Turf Project" and a "School Project"); \$2,490,000 to provide funds to finance the cost of acquisition of land adjacent to the Public Works Garage and School Bus repair facility on North Road (the "Knaub Property") with improvements to and expansion of the Public Works Garage and School Bus repair facility (the "Garage Project"); and \$1,500,000 to provide funds to finance the cost of improvements and repairs to Merrill Memorial Library (the "Library Project")(collectively, the "Series A Projects").

The proceeds from the Series B Bonds, in an amount not to exceed \$390,000, will be used to provide funds to finance a further cost of the Knaub Property and certain improvements thereon, the portion of which the Town does not foresee using for the Garage Project, and intends to re-sell at market (the "Series B Project")(collectively, with the "Series A Projects", the "Projects").

A portion of the proceeds of the Bonds will be used to refund, on a current basis, the Town's \$4,380,000 2013 General Obligation Bond Anticipation Notes dated May 30, 2013 and maturing on October 15 (the "2013 BANs"). The 2013 BANs were used to provide interim funds to finance the Projects.

In the event that any proceeds of the Bonds remain unspent upon completion of the Project(s) or the Town abandons any of the Projects, the Town reserves the right to reallocate unspent proceeds to the costs of other qualified projects approved, or to be approved, pursuant to the Charter, or to apply unspent proceeds to the payment of debt service on the Bonds.

AMORTIZATION OF THE BONDS

FY ended <u>June 30,</u>	Due <u>Nov. 15,</u>	Garage	Turf	Library	Sr A Bonds	Sr B Bonds
2015	2014	\$0	\$0	\$0	\$0	
2016	2015	0	0	0	0	
2017	2016	0	150,000	0	150,000	
2018	2017	0	155,000	0	155,000	
2019	2018	53,000	160,000	50,000	263,000	\$387,000
2020	2019	65,000	160,000	50,000	275,000	
2021	2020	65,000	165,000	75,000	305,000	
2022	2021	65,000	170,000	75,000	310,000	
2023	2022	125,000	175,000	80,000	380,000	
2024	2023	140,000	180,000	80,000	400,000	
2025	2024	140,000	185,000	85,000	410,000	
2026	2025	140,000		90,000	230,000	
2027	2026	175,000		100,000	275,000	
2028	2027	200,000		100,000	300,000	
2029	2028	200,000		115,000	315,000	
2030	2029	225,000		115,000	340,000	
2031	2030	225,000		115,000	340,000	
2032	2031	225,000		115,000	340,000	
2033	2032	225,000		125,000	350,000	
2034	2033	225,000		130,000	355,000	
Bonds:		\$2,493,000	\$1,500,000	\$1,500,000	\$5,493,000	\$387,000

SOURCE OF PAYMENT AND REMEDIES

General

The Bonds are valid general obligations of the Town and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter 5 of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality (see “THE BONDS – SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein); and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the district to pay costs of the development projects described in the development programs adopted with respect to the districts (see “TOWN FINANCES – TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The Treasurer has certified that no agreements under Title 30-A, Chapter 223, Subchapter 5, to share assessed valuation with another municipality, now

exist. There is no statutory provision for a lien on any portion of the tax levy to secure Bonds, or judgments thereon, in priority to other claims.

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

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

Limitation on Municipal Property Tax Levy

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

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

In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new Revenue Sharing funds provided by the State.

The Town may increase or exceed the Property Tax Levy Limit by a majority vote of the Town Meeting on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit.

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

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

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

Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. Because debt service on bonds issued for School Projects is includable in the school budget the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on bonds issued for such projects.

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

TAX MATTERS

The Bonds

Under existing statutes, regulations and court decisions interest on the Series A Bonds is excludable from the gross income of the owners of the Series A Bonds for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations however, such interest on the Series A Bonds will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax.

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

The opinion will further state, as applicable, that Bond Counsel has examined the Issuer's Arbitrage and Use of Proceeds Certificate, the Certificate of Treasurer and the Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") all delivered concurrently with the Series A Bonds, which Tax Certificates will contain provisions and procedures regarding compliance with the requirements of the Code. The Town in executing the Tax Certificates, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series A Bonds shall not be included in the gross income of the owner thereof for federal income tax purposes. In rendering its

opinion Bond Counsel will rely upon the representations of the Town set forth in the Tax Certificates and assume that the Town will comply with the provisions and procedures set forth in the Tax Certificates.

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

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

Qualified Tax-Exempt Obligations

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

The Town *will not designate* the Series B Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

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

Original Issue Premium

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

Additional Federal Income Tax Consequences

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

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

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

Changes in Federal Tax Law

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

Extent of Opinion

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

BOOK-ENTRY-ONLY SYSTEM

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

One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

CUSIP IDENTIFICATION NUMBERS

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

RATINGS

The Bonds are rated "Aa2" by Moody's Investors Service ("Moody's") and "AA" by Standard & Poor's, Public Finance Ratings ("S&P") and, collectively, with Moody's, the "Rating Agencies" and, individually, each a "Rating Agency"). The Town furnished the Rating Agencies certain information and materials, some of which has not been included in this Official Statement. Generally, a rating agency bases any rating established by it on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. The ratings reflect only the view of Moody's or S&P and are subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and its explanation of

such rating. A rating is not a recommendation to buy, sell or hold the Bonds and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding state and local debt obligations, including the Bonds.

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

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule") the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX E. The Certificate will be executed by the Treasurer of the Town, and incorporated by reference in the Bonds. The Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

On December 5, 2008, the SEC adopted amendments to the Rule, effective July 1, 2009 (the "2009 Amendments"). Thus, under the amended Rule: (a) if an issuer (or obligated person) customarily prepares and makes available financial information and operating data, then that issuer (or obligated person) for bonds issued after July 1, 2009 the issuer (or obligated person) must file the information with the MSRB, in the electronic form prescribed by the MSRB; and (b) on and after July 1, 2009, filings were no longer filed with the four formerly recognized Nationally Recognized Municipal Securities Information Repository ("NRMSIR") but were instead to be filed to the through its Electronic Municipal Market Access System ("EMMA"). The following list summarizes the five prior years' and the current year's financial filings by the Town:

Financial Period	Filed with EMMA	Days from end of FY	Filed with NRMSIRs	Days from end of FY
06/30/12	1/08/13	192	01/08/13	192
06/30/11	1/14/12	198	01/24/12	208
06/30/10	1/31/11	215	02/02/11	217
06/30/09	1/07/10	191	01/25/10	209
06/30/08	-	-	01/07/09	191
06/30/07	-	-	03/24/08	268

SOURCE: Search for CUSIP 985046FX

FINANCIAL ADVISOR

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

STATUTORY REFERENCES

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

CONDITIONS PRECEDENT TO DELIVERY

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

No Litigation

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

Approval of Legality

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

Certificate With Respect to Official Statement

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

Certificate With Respect to Treasurer

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer of the Town which certifies that no agreements under Title 30-A, Chapter 223, Subchapter 5 of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, now exist.

TOWN OF YARMOUTH

GENERAL

The Town of Yarmouth is located on the southern coast of the State of Maine in the northeastern section of the County of Cumberland, the State's most populous county. The Town is approximately 11 miles northeast of Portland, the State's largest city. The Town's northeast border is formed by the towns of Freeport and Pownal, with North Yarmouth on the northwest and Cumberland on its southwest. The Atlantic Ocean establishes the Town's southeastern line. The Cousins River separates a portion of Yarmouth from Freeport and the Royal River flows through the center of the Town. Access to Yarmouth is provided by two exits of U.S. Interstate 295, by U.S. Route 1 and State Route 88, each intersecting from a north/south direction; and State Route 115, which intersects the Town from an east/west direction.

The area embracing Yarmouth, first settled in 1636, was abandoned twice before successful

final settlement in 1713. In 1646, William Royall purchased a farm on the river that, since, has borne his name. John Cousins, a few years previous, occupied a neck of land between branches of a stream and owned an island, both now bearing his name. These settlements were established in the vicinity, called by the Wabanakis, as "Wescustogo". Yarmouth originally constituted the eastern portion of North Yarmouth, the "North" in the name intended to differentiate it from the Town of Yarmouth, Massachusetts in Cape Cod. North Yarmouth was chartered on September 22, 1680, encompassing the area of the present Town of North Yarmouth and the towns of Harpswell (separating off in 1750), Freeport (separating off in 1789), Pownal (separating off from Freeport in 1808), Cumberland (separating off in 1821), and Yarmouth (separating off in 1849). Settling originally on the ocean at Casco Bay, by 1830 the town center shifted upstream to the lower part of the Royal River. Yarmouth was incorporated as the Town on August 8, 1849.

Yarmouth is an affluent suburban coastal community beautifully situated on the Maine Coast. The Town exhibits above average wealth and housing levels, with per capita growth outpacing the State. Primarily a residential suburb of the greater Portland area, the Town enjoys commercial corridors containing both retail and commercial developments. Approximately 71% of the working residents of Yarmouth commute to workplaces outside of the Town; but, as a destination workplace, over 62% of the people that work in Yarmouth are transients. Yarmouth is the home of the North Yarmouth Academy, an independent college preparatory day school founded in 1814 that serves students from grades six through 12, and several Town-owned public parks and open space areas.

The Town has predominately single family, owner occupied dwellings. The land area of the Town is comprised of residential, local business, industrial, commercial and resource protection zones, as well as recreation, oceanfront, open space, farmland and woodlands encompassing an area of 12.51 square miles.



**CUMBERLAND
COUNTY**

GOVERNMENT

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

The Town operates under a charter adopted in 1965 and amended most recently on June 13, 2000, (the “Charter” or the “Town’s Charter”), providing for a Council/Town Meeting/Manager form of government with a seven-member Town Council, all elected at-large for three-year staggered terms. The Charter grants to the Town Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town’s property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies, giving effect to any vote of the Town authorizing the issuance of debt, and providing for an annual audit of the Town’s accounts. Town Meeting action is required for budget approval, appropriations of \$100,000 or more and for the issuance of debt. The Town Manager is the chief administrative officer of the Town.

MUNICIPAL SERVICES

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

The Town owns and maintains its own wastewater treatment system and is responsible for the costs of maintenance, improvements and expansion of the system. Water is provided by the Yarmouth Water District, a wholly separate quasi-municipal entity whose operation and obligations are not part of the Town.

Public Safety

The Yarmouth Police Department is staffed by 13 full-time employees which include a Chief, one Lieutenant, two Sergeants and nine Patrol Officers. The Police Department roster also includes a seasonal Harbormaster/Shellfish Warden, two assistant Harbormaster/Shellfish Wardens, an Animal Control Officer and two School Crossing Guards. The Department maintains seven vehicles, which are in excellent repair. The majority of Yarmouth Police Officers have received basic training as Emergency Medical Technicians (“EMT”).

The Yarmouth Fire Rescue Department is staffed by two full time members, the Chief and a Deputy Chief/EMS Director, along with one part-time administrative assistant. There are a total of 80 members in the department comprised of: two other Deputy Chiefs, five Captains and five Lieutenants; eight members that make up the Wyman Fire Brigade operating out of the Wyman Generating plant on Cousins Island; twelve per diem members for partial daytime coverage and as evening paramedics. Included in the 80 personnel are four Live-in students that are currently enrolled in the Fire Science Program at Southern Maine Community College. Also, six high school students make up an Explorer Division. The

rest of the component are volunteers who are fire fighters and/or EMS providers. The Department operates three type "A" engines, one 95 foot tower ladder, one brush truck, one water rescue boat, two class "3" ambulances, the EMS Director's vehicle and the Chief's vehicle.

Public Works

The Public Works Department, under the jurisdiction of the Public Works Director, is comprised of three divisions: Highway, Fleet Maintenance, and Sanitation (Transfer and Recycling Station). These divisions are staffed with a Public Works Director, three superintendents, 15 full-time and various part-time employees. The Department operates 22 vehicles, which are in excellent repair. The Department maintains a Public Works Garage, constructed in 1960 and a Transfer Station, established in 1989. The Public Works Department currently maintains 63.8 miles of roads, more than 1,220 catch basins and 23 miles of sidewalks.

The Town's solid waste is brought to the ecomaine's waste-to-energy plant in Portland by the private haulers as a condition of their license. Demolition debris is disposed at the Town's landfill, which is allowed to operate until it has reached capacity under an order from the State Department of Environmental Protection. ecomaine (formerly Regional Waste Systems, Inc.), a Maine Corporation with 27 member municipalities ("Member Municipalities"), including the Town, maintains a waste-to-energy resource recovery system ("RRS") for which the Member Municipalities are obligated severally to deliver certain of the solid waste produced within each such Member Municipality to ecomaine for processing. In 1991, six participating municipalities ("Participating Municipalities") entered into an agreement with ecomaine, along with its Member Municipalities, to establish a Material Recycling Facility ("MRF") at ecomaine's demolition debris and recycling facility in Gorham. See "INDEBTEDNESS – CONTINGENT DEBT – ecomaine" herein.

Engineering

The Town's Engineering Department is headed by the Town Engineer who is responsible for providing review, advisory and inspection services to the Planning and Codes Department, Parks and Public Works Departments and direct supervision of the Town's Water Pollution Control Facility ("WPCF"). In addition, the Town Engineer provides engineering support services to all municipal departments. The WPCF was originally constructed in 1967 with a design flow of 0.42 million gallons per day ("MGD"). From minor expansions and improvements in 1981, 1984, 1987 and a \$8.5 million major upgrade in 1993, the facility has a current dry weather design capacity of 1.31 MGD and a wet weather peak capacity of over 4.0 MGD.

PUBLIC EDUCATION

Supervision of Educational Programs

The Town operates its educational program for grades K through 12 under its own supervision. Article IV of the Town's Charter provides that the Department of Education for the Town be administered by a School Committee (the "School Board") comprised of seven members, who are elected by the voters of the Town at-large for three-year staggered terms. No member of the School Board is eligible for re-election for more than two consecutive terms. The School Board performs all duties and functions in regard to the care and management of the public schools of the Town. The School Board prepares and submits its budget to the Town Manager, who includes it in the budget process. See also "TOWN FINANCES - BUDGETARY PROCESS" section herein. The School's staff consists of a Superintendent, one Business Manager, one Director of Special Education, six full-time principals, 219.17 full-time equivalent teachers and various other professional and non-professional staff. The

following are a list of the Town's schools, its approximate capacity and the most current enrollment for each and the Town's school enrollments over the last ten years:

School	Grade	Estimated Capacity	Enrollment
William H. Rowe	K - 1	230	185
Yarmouth Elementary	2 - 4	390	327
Frank H. Harrison Middle	5 - 8	450	442
Yarmouth High	9 - 12	600	485

School Enrollments

April 1,	Grades				Total Enrollment
	K-1	2-4	5-8	9-12	
2013	185	327	442	485	1,439
2012	190	329	443	496	1,458
2011	198	309	452	463	1,422
2010	190	301	437	483	1,411
2009	183	287	450	476	1,396
2008	173	298	443	479	1,393
2007	172	292	433	509	1,406
2006	164	312	428	493	1,397
2005	172	304	443	488	1,407
2004	178	301	438	490	1,407

SOURCE: State of Maine, Department of Education, "April 1 Census of Students Educated at Public Expense".

Portland Arts and Technology High School

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for "applied technology education" or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via an applied technology center (a "Center") or an applied technology region (a "Region"). A Center is governed by a single school administrative unit and its obligations are those of the unit.

The Town has entered into a cooperative agreement (the "Cooperative Agreement") between the City of Portland's Portland Arts and Technology High School ("PATHS") and 11 area school units (collectively the "Member Units") to allow Yarmouth students to attend PATHS. The law regarding the funding of Portland Arts and Technology High School ("PATHS"), a Center, was changed by Private and Special Laws of Maine for its 2000/2001 school year such that the Member Units no longer pay per student tuition to Portland but pays for attendance through a cost sharing agreement. State subsidy for PATHS no longer goes entirely to Portland; rather each school sending students to PATHS receives some subsidy for Career and Technical Education ("CTE") based on its costs for student enrollment at PATHS. For the school year 2013/2014, the Yarmouth's School Department's assessment is 3.147% of the total of the 2012/2013 Part I cost and the 2013/2014 Part II cost for PATHS. This represents the enrollment average for October 1, 2012, being 11.0 FTE students from Yarmouth of the 508.5 student total enrollment average for PATHS.

LABOR RELATIONS

The Town employs approximately 54 full-time employees and various part-time and seasonal employees. In addition, the School Department employs approximately 230 employees and various part-time employees. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union	Bargaining Unit	Date of Contract	
		Effective	Expiration
YWDEA	Wastewater Division Employees	July 1, 2012	June 30, 2015
YPPWEA	Parks & Public Works Employees	July 1, 2012	June 30, 2015
YPA	Police Officers & Sergeants	July 1, 2012	June 30, 2015
YEA (MEA)	Educational Technicians	Sept. 1, 2012	Aug. 31, 2015
YEA (MEA)	Teachers	Sept. 1, 2013	Aug. 31, 2016
YAA	School Administrators	July 1, 2011	June 30, 2014
AFSCME	Bus Drivers, Custodians & Nutrition	July 1, 2013	June 30, 2016

NOTE: "YWDEA" indicates Yarmouth Wastewater Division Employees Association; "YPPWEA" indicates Yarmouth Parks and Public Works Employees Association; "YPA" indicates Yarmouth Police Association, as separate bargaining units; "MEA" indicates the Maine Education Association of which the various components of the Yarmouth Education Association ("YEA") are affiliated, as separate bargaining units; "YAA" indicates the Yarmouth Administrators Association; and: "AFSCME" indicates the American Federation of State, County and Municipal Employees, as Local 2010, Council 93.

BUILDING PERMITS

Fiscal Year Ended June 30,	Commercial		Residential		Total	
	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost
2012	11	\$1,868,100	202	\$8,561,983	214	\$10,430,083
2011	17	2,875,100	197	6,781,936	214	9,657,036
2010	14	1,271,150	223	11,284,350	237	11,411,500
2009	20	1,888,809	168	7,029,161	188	8,917,970
2008	15	1,432,709	218	11,050,609	233	12,483,318
2007	9	1,204,000	217	22,448,085	220	23,652,085
2006	14	226,770	232	12,235,210	246	12,855,910
2005	16	5,801,900	250	11,444,093	265	17,245,993
2004	26	1,463,185	243	15,310,118	269	16,773,303
2003	7	12,989,657	227	12,054,846	234	25,044,503

MERRILL MEMORIAL LIBRARY

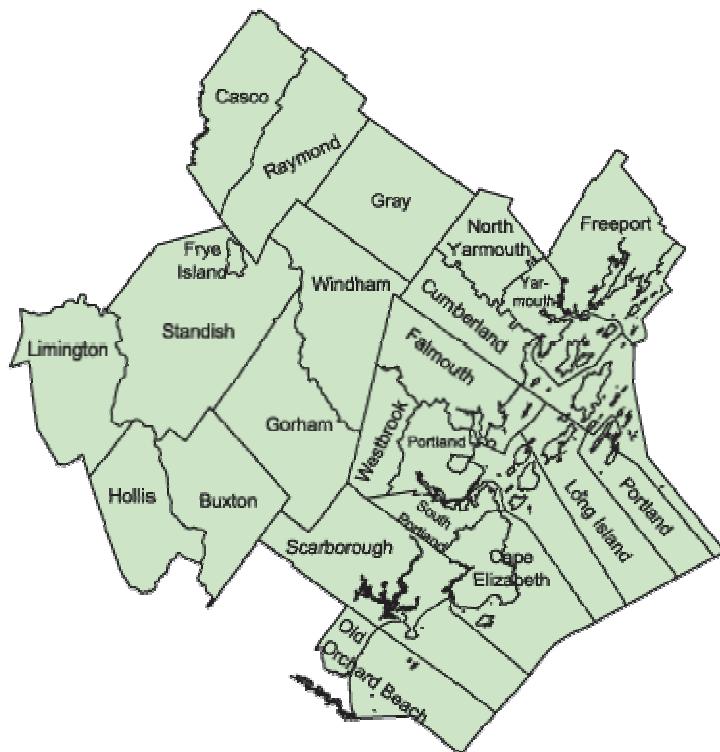
The Merrill Memorial Library was organized in 1904 and incorporated in January of 1905. Originally constructed in 1904, the library was expanded to its present 17,000 square feet facility in 1987. The Library is governed by a seven-member Board of Trustees, as an unincorporated, not-for-profit organization. Under the Trustees' direction, but as a department of the Town, the library is managed by a Library Director, who is assisted by a staff of eight, including a Circulation/Assistant Librarian, a Technical services/Reference Librarian and a Children's Librarian. Approximately all of the Library's funding is derived by a yearly appropriation from the Town.

The Library's current collection consists of a sustained level of approximately 42,000 materials. The Library has an enrollment of over 7,900 borrowers and its annual circulation exceeds 140,000 items per year. The 2012 circulation was recorded at 145,000 items or approximately 17 items circulated per capita. The Library's facilities offer free wireless Internet access, reference assistance, art exhibits, municipal meeting space and a variety of programs for children and adults.

ECONOMIC DEVELOPMENT

Former Portland Metropolitan Statistical Area

The Town is part of the former Portland Metropolitan Statistical Area ("Portland MSA"). The U.S. Department of Commerce, Bureau of the Census formerly defined a metropolitan statistical area ("MSA") as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England). An MSA was also considered a labor market area. The map displays the three cities and 19 towns that comprised the former Portland MSA.



Representative Employers

Representative Employer	Type of Business	Approximate # Employees
Yarmouth School Department	Municipal Government	250
DeLorme Mapping	Map Publisher (Corp. Headquarters)	182
Tyler Technologies	Software Technology	100
Hannaford Bros.	Grocery Store	85
NextEra	Electric Utility	75
Town of Yarmouth	Municipal Government	60
Brentwood Rehab	Assisted Living	57
North Yarmouth Academy	Private Secondary School	42

Retail Trade

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

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2012	7,000.9	16,278.4	15,420.8	2,059.8	11,585.0	28,971.2	16,130.2	97,446.3	90,445.4
2011	9,610.9	12,762.3	15,283.8	2,208.4	11,290.3	24,474.7	15,012.5	90,642.9	81,032.0
2010	6,713.0	12,883.1	15,457.5	3,299.7	13,057.9	22,492.5	15,103.4	89,007.1	82,294.1
2009	7,257.0	15,252.2	15,623.6	3,211.4	13,104.3	22,067.8	14,889.8	91,406.1	84,149.1
2008	8,101.4	19,421.7	15,916.0	3,781.5	14,156.5	22,561.7	15,464.1	99,402.9	91,301.5
2007	9,188.3	16,219.8	16,108.5	3,727.8	14,771.0	23,463.2	15,807.8	99,286.4	90,098.1
2006	9,827.5	22,675.3	15,893.2	4,443.0	14,215.1	24,736.7	15,724.3	107,515.1	97,687.6
2005	8,711.6	24,204.3	15,231.2	4,614.1	13,960.3	23,180.6	14,391.7	104,293.8	95,582.2
2004	7,148.4	26,486.2	14,879.2	3,804.0	12,999.2	25,399.9	13,802.3	104,519.2	97,370.8

SOURCE: State of Maine, Department of Taxation, Sales Tax Section. The State Department of Taxation data base currently does not warehouse data prior to 2004.

Commuter Trends

The following table displays the residential component of the Town's workforce, the respective component of its workers as a percentage of their local (i.e., home) workforce; and the geographic place of employment for the Town's residents:

People who commute to Yarmouth but live in:	Number of Workers	% Yarmouth Workforce	People who live in Yarmouth, but commute to:	Number of Workers	% Yarmouth Workers
Yarmouth	1,148	32.11%	Yarmouth	1,148	25.78%
Portland	365	10.21	Portland	1,123	25.22
Freeport	227	6.35	Freeport	303	6.80
Gray	162	4.53	South Portland	295	6.62
Falmouth	144	4.03	Westbrook	225	5.05
Brunswick	141	3.94	Brunswick	199	4.47
North Yarmouth	138	3.86	Augusta	106	2.38
Cumberland	110	3.08	Scarborough	103	2.31
Windham	107	2.99	Falmouth	92	2.07
Pownal	79	2.21	Gorham	84	1.89
Bath	79	2.21	Lewiston	63	1.41
Scarborough	75	2.10	Bath	55	1.24
Westbrook	58	1.62	Topsham	53	1.19
Durham	56	1.57	Saco	51	1.15
Cape Elizabeth	56	1.57	Cumberland	46	1.03
South Portland	56	1.57	NYC NY	38	0.85
Topsham	46	1.29	New Gloucester	35	0.79
Lisbon	43	1.20	Standish	35	0.79
Gorham	31	0.87	Windham	34	0.76
All other	454	12.70	All other	365	8.20
	3,575	100.00%		4,453	100.00%

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

ECONOMIC CHARACTERISTICS

	% Change-----			
Population	Town of Yarmouth	Town	State	USA
1970	4,854	38.0%	2.4%	13.4%
1980	6,585	35.7	13.4	11.4
1990	7,862	19.4	9.2	9.8
2000	8,360	6.3	3.8	13.2
2010	8,349	(0.1)	4.2	8.9

Population Characteristics^(a)	Town of Yarmouth	Cumberland County	State of Maine	USA
Median age (years)	45.9	41.0	42.7	37.2
% school age	18.6%	15.7%	18.2%	20.4%
% working age	60.5%	64.8%	63.4%	62.9%
% 65 and over	16.7%	14.3%	15.9%	13.0%
Persons/household	2.34	2.32	2.32	2.58

Income^(a)	Town of Yarmouth	Cumberland County	State of Maine	USA
Median family income	\$91,632	\$71,335	\$58,185	\$62,982
% below poverty level	4.4%	10.5%	12.6%	13.8%
Per capita income	\$46,090	\$31,041	\$25,385	\$27,334

Housing	Town of Yarmouth	Cumberland County	State of Maine	USA
% owner occupied ^(a)	71.5%	68.5%	73.1%	66.6%
% Built before 1939 ^(b)	22.2%	29.0%	29.1%	15.0%
% Built since 1990 ^(b)	12.3%	13.7%	14.6%	17.0%
Owner occupied med. value ^(a)	\$359,900	\$248,400	\$176,200	\$188,400
Median gross rent ^(a)	\$937	\$868	\$707	\$841
Occupied housing units ^(a)	3,471	116,616	551,125	-

SOURCE: ^(a) 2010 Census; ^(b) 2000 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Yarmouth	Cumberland County	State of Maine	USA
2012	4.7%	5.8%	7.3%	8.1%
2011	5.1	6.0	7.5	8.9
2010	5.2	6.3	7.9	9.6
2009	5.3	6.4	8.0	9.3
2008	3.4	4.0	5.4	5.8
2007	3.0	3.5	4.6	4.7
2006	2.8	3.4	4.6	4.6
2005	3.1	3.6	4.8	5.1
2004	2.9	3.3	4.6	5.5
2003	2.3	3.0	5.1	6.0

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

TOWN FINANCES

BUDGETARY PROCESS

Article V of the Town's Charter provides for a budget process. The fiscal year (or "budget year") of the Town begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter provides that the Town Manager submit a budget to the Council at least 35 days prior to the beginning of each budget year. The budget contains (1) a statement of the financial condition of the Town, (2) a statement of appropriations recommended for current expenses and permanent improvements, (3) a statement of estimated revenue from all sources other than taxation and of taxes required and (4) such other information as required by the Council which has the prerogative to modify the expenditures of the proposed budget. The Town budget is published and a public hearing is held; the Council reviews the budget; and recommends it with or without change to the annual Town Meeting which is held not more than 45 days prior to the beginning of the budget year. The budget becomes effective only after it is adopted at the Town Meeting by a majority vote of the voters at the Town Meeting. The Annual Town Meeting, in its vote of each article, approves or declines the items which form the Town's budget. Pursuant to State law, if the Appropriation Resolve increases the property tax levy from the prior year by more than a specified Growth Limitation factor then the excess of the appropriation must be approved by a majority of the Town Meeting voters. The school budget is subject to referendum by the voters of the Town through a Budget Validation process. Upon adoption of the budget, a property tax levy is then established and filed with the Town Assessor.

Annual Budget Fiscal Year Ending June 30,

Revenues	2010	2011	2012	2013	2014
Property taxes	\$25,131,806	\$25,027,051	\$25,221,888	\$26,496,402	26,531,930
Excise taxes	1,481,000	1,481,000	1,535,000	1,525,000	1,525,000
Licenses & permits	105,350	119,750	113,200	118,200	118,700
Intergovernmental	3,410,956	2,290,237	2,663,136	2,611,338	3,347,785
Investment income	40,000	40,000	20,000	6,000	6,000
Other	436,800	488,882	631,500	946,471	769,300
Total revenues	30,605,912	29,446,920	\$30,184,724	31,703,411	32,298,715
Expenditures					
General government	\$2,038,687	1,963,178	2,135,014	2,264,667	2,310,424
Public works	3,031,554	2,702,615	2,724,799	2,249,965	2,286,449
Public safety	2,263,431	2,156,837	2,181,084	2,881,907	3,112,207
Health & welfare	34,680	34,150	34,150	34,050	33,550
Public services (Library)	369,648	371,173	386,425	397,443	401,429
Public services (Other)	695,711	666,935	667,966	752,056	794,372
Debt Service (Town)	1,223,272	1,128,272	1,129,448	731,355	902,079
<i>Sub-total - Municipal</i>	<i>9,656,983</i>	<i>9,023,160</i>	<i>9,258,886</i>	<i>9,311,443</i>	<i>9,840,510</i>
TIF	102,350	96,141	98,653	102,019	106,638
County Tax	884,229	868,195	869,105	865,897	898,853
Overlay ⁽¹⁾	195,827	239,972	0	0	0
Education	16,713,159	16,443,047	17,127,234	18,747,342	19,397,909
Debt Service (Education)	1,984,546	1,925,606	1,878,174	1,422,622	1,397,425
Total expenditures	29,537,093	28,596,121	29,232,052	30,449,322	31,641,334
Excess revenues	\$1,068,819	\$850,799	\$952,672	\$1,254,089	\$657,381

NOTE: Excess Revenue over expenditures represents CIP allocation net budget adjustments for budgeted surplus transfers.

⁽¹⁾ "Overlay" was budgeted in fiscal year ended June 30, 2012 and subsequent years, but not separately stated.

PROPERTY TAX LEVY LIMIT

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

Fiscal year:	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2012/2013</u>	<u>2013/2014</u>
State Personal Income Factor:	2.24%	2.28%	1.78%	1.66%	1.43%
Town Property Growth Factor:	<u>0.96%</u>	<u>0.97%</u>	<u>0.60%</u>	<u>1.10%</u>	<u>1.55%</u>
Growth Limitation Factor:	3.20%	3.25%	2.38%	2.76%	2.98%
Property Tax Levy Limit:	\$7,133,485	\$7,361,757	\$7,781,402	\$7,990,488	\$8,228,605
Property Tax Levy:	<u>7,010,633</u>	<u>6,872,440</u>	<u>6,752,798</u>	<u>6,700,782</u>	<u>7,067,500</u>
Over/(below) Property Tax Levy Limit:	(\$122,852)	(\$489,317)	(\$1,028,604)	(\$1,289,706)	(\$1,161,105)

CAPITAL IMPROVEMENT PROGRAM

Article V, Section 10 of the Town's Charter provides for a formal Capital Improvement Plan ("CIP"). The CIP includes a Capital Budget for the next five years that includes funds, and financing sources, necessary to acquire or improve buildings, lands, major equipment and other commodities that are of significant value and have a useful life of several years. The overall program is driven by a number of factors and may be revised and/or extended from year to year. Pursuant to Article VIII, Section 2 of the Town's Charter issuance of debt issues of \$100,000 or more is effective only after it has been adopted and then approved by a majority of the voters of the Town at a Town Meeting.

INVESTMENT POLICY

The Town Council has an Investment Policy, adopted in 2002, that complies with applicable Maine law [Title 30-A, Section 5706 et seq. of the Maine Revised Statutes, as amended (the "Act")] such that all investments of the Town are to be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FUND BALANCE POLICY

The Town established, and follows, a formal policy that recognizes the importance of maintaining an appropriate level of unrestricted fund balance. On November 17, 2011 the Town amended its Fund Balance Policy, previously adopted in June 2002, to comply with Governmental Accounting Standards Board (“GASB”) Statement 54 (“GASB 54”). The purpose of the policy is to establish a target level of fund balance for the General Fund and to establish a process and criteria for the continued evaluation of that target level as conditions warrant. After evaluating the Town’s operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes goals regarding to the unrestricted fund balances of the General Fund of the Town.

The Town has instituted a formal Surplus Management Policy (“Fund Balance Policy”). In its policy, “surplus” is defined as the total of undesignated and unreserved General Fund balances as reflected on the balance sheet of the Town at its fiscal year end as reported in its audited financial statements. The Town’s management objective is to carry a surplus balance of approximately 8.3% (1/12th) of the total annual budget and includes schools, contributions to capital reserves and debt service. In its policy the Town identifies surplus balances of less than 5% to be cause for concern, barring unusual or deliberate circumstances; and surplus balances in excess of 10% to be considered excessive and should be applied to either capital projects or to reduce the annual tax requirements of the Town. The Town Council annually determines the amount of surplus to be applied to the subsequent year during its budget deliberations and with the Town Manager and Finance Director recommend an amount of surplus that may be applied to the budget proposal which allows a carried surplus balance consistent with its policy.

Fund Balance as % Operating Budget

	Fiscal Year Ended June 30,			
	2009	2010	2011	2012
Unrestricted General Fund Balance				
Assigned & Unassigned Fund Balance	\$1,701,005	\$1,557,203	\$1,587,355	\$1,327,372
Committed Capital Reserves (Town)	2,299,159	2,160,703	2,310,299	2,376,275
Committed Capital Reserves (School)	745,413	1,250,264	733,901	954,639
Total Available Fund Balance	4,745,577	4,968,170	4,631,555	4,658,286
Total Budgeted Expenditures	29,067,408	29,537,093	28,596,121	29,323,052
Fund Balance as % of Budgeted Expenditures	16.33%	16.82%	16.20%	15.89%
Assigned & Unassigned General Fund Balance				
Town Assigned & Unassigned Fund Balance	\$3,124,399	\$2,943,451	\$2,820,108	\$2,585,060
School Assigned & Unassigned Fund Balance ⁽¹⁾	(1,423,394)	(1,386,248)	(1,232,753)	(1,257,688)
Total Assigned & Unassigned Fund Balance	1,701,005	1,557,203	1,587,355	1,327,372
Total Budgeted Expenditures	29,067,408	29,537,093	28,596,121	29,323,052
Fund Balance as % of Budgeted Expenditures	5.85%	5.27%	5.55%	4.53%
Total Town Unassigned General Fund Balance				
Total Town Unassigned General Fund Balance	\$3,053,696	\$2,802,230	\$2,702,642	\$2,450,277
Total Budgeted Expenditures	29,067,408	29,537,093	28,596,121	29,323,052
Fund Balance as % of Budgeted Expenditures	10.51%	9.49%	9.45%	8.36%

NOTE: The Town implemented GASB 54 in FY 2011. Prior year amounts may have previously been reported as “Unreserved” or as “Undesignated”.

⁽¹⁾ Net Summer teacher pay accruals are outstanding obligations of the Town at June 30 to cover teacher contract payments that expire August 31. However, the Town annually covers a full contract obligation in each annual budgetary cycle, so the Town Council has determined that there will be greater public accountability and understanding if the timing difference between the fiscal year and teacher contracts is not included in most presentations.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter 8 of the Maine Revised Statutes, as amended, and Article II, Section 3(VII) of the Town's Charter provide for independent annual audits of the Town's accounts and establishes procedures for such audits. The Town of Yarmouth, in conformance with this statute and its Charter, currently engages the services of Runyon Kersteen Ouellette, Certified Public Accountants, to conduct its audit.

The Town's fiscal year 2012 Annual Report, audited by Runyon Kersteen Ouellette, is presented as APPENDIX A to this Official Statement. The consent of Runyon Kersteen Ouellette for the incorporation of the Financial Statements included in APPENDIX A has not been requested by the Town, nor has it been received.

FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The Town has the following fund types:

Governmental Funds are used to account for most governmental functions of the Town. Governmental Funds include the following fund types:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments' programs.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Town Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

Private Purpose Trust Funds are used to report any trust arrangements under which principal and income benefit individuals, private organizations, and other governments and that are not accounted for in other fiduciary funds.

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

Town of Yarmouth
Comparative Balance Sheet
General Fund
(As of June 30,)

	2012	2011	2010	2009	2008
ASSETS					
Cash and equivalents	\$6,307,653	\$6,811,285	\$7,202,110	\$6,099,254	\$5,240,944
Receivables:					
Taxes (current year)	435,384	447,909	359,952	382,392	402,776
Taxes (prior years)	31,726	18,353	9,688	9,886	6,796
Tax liens	86,712	68,984	70,595	62,791	40,013
Accounts (Town)	308,806	130,960	110,059	110,674	50,347
Accounts (School)	25,719	21,899	34,078	45,596	67,815
Prepaid	35,971	0	0	18,123	0
Inventory	18,235	13,536	26,398	12,484	28,747
Interfund loans	0	0	0	460,482	553,852
TOTAL ASSETS	7,250,206	7,512,926	7,812,880	7,201,682	6,391,290
LIABILITIES					
Accounts payable	403,966	327,400	364,854	621,685	487,529
Escrows and deposits	0	0	0	0	25,496
Accrued payroll (Town)	66,424	50,801	32,790	0	0
Accrued payroll (School)	1,436,460	1,633,692	1,471,483	1,532,889	1,149,028
Deferred tax revenue	300,527	285,000	249,215	206,266	193,629
Taxes paid in advance	15,676	7,134	4,894	0	0
Interfund loans	352,405	484,081	673,347	0	0
TOTAL LIABILITIES	2,575,458	2,788,108	2,796,583	2,360,840	1,855,682
FUND BALANCES					
Reserved:					
Encumbrances	-	-	21,729	82,781	93,287
Capital reserves (Town)	-	-	2,160,703	2,299,159	1,894,766
Capital reserves (School)	-	-	1,250,264	745,413	659,871
Inventory	-	-	26,398	12,484	28,747
Unreserved:					
Designated	-	-	141,221	70,703	85,833
Undesignated	-	-	1,415,982	1,630,302	1,773,104
Non-spendable ⁽¹⁾	18,235	13,536	-	-	-
Restricted ⁽¹⁾	(1,773)	79,727	-	-	-
Committed ⁽¹⁾	3,330,914	3,044,200	-	-	-
Assigned ⁽¹⁾	136,556	117,837	-	-	-
Unassigned ⁽¹⁾ :					
Accrued teachers summer salaries ⁽²⁾	(1,386,345)	(1,468,144)	-	-	-
Other unassigned	2,577,161	2,937,662	-	-	-
TOTAL FUND BALANCES	4,674,748	4,724,818	5,016,297	4,840,842	4,535,608
TOTAL LIABILITIES/FUND BALANCES	\$7,250,206	\$7,512,926	\$7,812,880	\$7,201,682	\$6,391,290

Prepared from Audited Financial Statements

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

⁽²⁾ Summer teacher pay accruals are outstanding obligations of the Town at June 30 to cover teacher contract payments that expire August 31. However, the Town annually covers a full contract obligation in each annual budgetary cycle.

Town of Yarmouth
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
General Fund
(For the Years Ended June 30,

	2012	2011	2010	2009	2008
REVENUES					
Property taxes	\$26,862,375	\$26,421,325	\$26,501,029	\$26,197,488	\$25,521,688
Licenses and permits	102,206	128,401	89,019	86,440	131,216
Intergovernmental	4,505,909	4,060,657	4,565,910	5,333,275	5,231,847
Interest income	2,131	7,231	9,063	42,857	109,330
Other	828,448	696,664	594,885	741,412	1,414,339
Revenues from reserved	487,840	381,067	789,737	654,656	0
TOTAL REVENUES	32,788,909	31,695,345	32,549,643	33,056,128	32,408,420
EXPENDITURES					
Current:					
General government	2,105,619	1,950,080	1,960,999	1,915,031	1,902,949
Public works	2,639,174	2,668,344	2,837,227	2,496,790	2,439,534
Public safety	2,201,198	2,115,751	2,187,250	2,115,618	2,109,120
Health and welfare	30,543	27,969	28,276	29,687	38,739
Public services	1,037,444	1,006,377	999,198	971,997	909,700
Education	18,539,829	18,013,534	17,645,303	18,987,693	17,913,807
Unclassified	967,758	964,336	986,578	950,989	908,350
Capital outlay	270,340	0	70,089	0	355,998
Expenditures from reserved	1,813,604	1,952,611	2,264,537	2,280,622	2,545,337
Debt service	2,888,530	3,020,882	3,195,772	3,252,468	3,194,148
TOTAL EXPENDITURES	32,494,039	31,719,884	32,175,229	33,000,895	32,317,682
EXCESS OF REVENUES OVER EXPENDITURES	294,870	(24,539)	374,414	55,233	90,738
OTHER FINANCING SOURCES:					
Capital leases	0	0	70,089	571,136	139,196
From fund balance	0	0	0	(14,000)	0
Transfers from/(to) other	(344,940)	(266,940)	(269,048)	(307,760)	(199,955)
TOTAL OTHER	(344,940)	(266,940)	(198,959)	249,376	(60,759)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(50,070)	(291,479)	175,455	304,609	29,979
FUND BALANCE, JULY 1	\$4,724,818	\$5,016,297	\$4,840,842	\$4,536,233	\$4,505,629
FUND BALANCE, JUNE 30	\$4,674,748	\$4,724,818	\$5,016,297	\$4,840,842	\$4,535,608

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal year 2013/2014 the tax due dates are November 13, 2013 and May 7, 2014. All taxes paid after the due date will be subject to interest, at the rate of 7.0% per annum.

Real Estate Taxes

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, for the collection of delinquent real estate taxes. Real estate tax liens are recorded against the individual property in the Cumberland County Registry of Deeds. These liens have priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town.

Business Personal Property Taxes

In 2006 the Maine Legislature enacted LD 2056, codified as Title36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, most types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: office furniture; lamps and lighting fixtures used to provide general purpose office or worker lighting; property owned or used by public utilities and persons providing certain television/telecommunications services; telecommunications personal property subject to the tax imposed by Section 457 of Title 36; gambling machines or devices and associated equipment; property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

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

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement was 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

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

The value of all property made exempt by this law in the Town will also be considered part of that municipality's equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district effective prior to April 1, 2008. The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

Tax Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 9/01/13
2013	\$1,426,850	\$1,246,854	\$21.20	\$26,496	\$26,000	98.13%	98.93%
2012	1,484,100	1,250,593	20.28	25,400	24,965	98.29	99.60
2011	1,567,950	1,262,376	19.80	24,995	24,548	98.21	99.88
2010	1,634,600	1,284,535	19.54	25,099	24,739	98.57	99.91
2009	1,670,600	1,290,811	19.17	24,745	24,362	98.45	99.98
2008	1,623,400	1,293,350	18.56	24,005	23,602	98.32	99.99
2007	1,495,650	1,288,329	18.12	23,345	22,925	98.20	100.00
2006	1,379,950	1,288,321	17.60	22,675	22,370	98.66	100.00
2005	1,258,500	1,308,908	17.44	22,828	22,585	98.94	100.00
2004	1,141,000	1,316,791	17.20	22,667	22,412	98.78	100.00
2003	1,043,100	923,526	23.70	21,908	21,754	99.15	100.00

LARGEST TAXPAYERS

Taxpayer	As of April 1, 2012				
	Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
FPL Energy LLC	\$109,659,800	\$14,922,200	\$124,582,000	\$2,641,138	8.79%
Central Maine Power Company	19,243,600	54,100	19,297,700	409,111	1.54
Tyler Technologies Inc	13,254,800	1,058,700	14,313,500	303,446	1.15
Taymil Junipers LLC	12,185,400	74,100	12,259,500	259,901	0.98
Wallace W Gardner et al Trustees	10,022,200	0	10,022,200	212,471	0.80
Delorme Village LLC	8,153,500	1,675,300	9,828,800	208,371	0.79
Taymil Yarmouth Woods LLC	8,181,900	99,800	8,281,700	175,572	0.66
Hannaford Bros Co	4,842,600	1,329,700	6,172,300	130,853	0.49
127 Forest Falls Dr Yarmouth LLC	5,274,300	507,500	5,781,800	122,574	0.46
Nest-Eggs LLC	4,995,800	1,200	4,997,000	<u>105,936</u>	0.40
Total Top Ten Taxpayers			\$4,569,373	16.07%	

NextEra

The William F. Wyman Station (“Wyman Station”) is an oil-fired steam electric facility located on Cousins Island in Yarmouth⁽¹⁾ built by and formerly maintained and operated by the Central Maine Power Company (“CMP”). Wyman Station is comprised of four generating units totaling 840 megawatts of capacity. Units 1 and 2 are the oldest and smallest, Unit 4 is the largest (at approximately 600 megawatts) and newest. NextEra is the principal owner of Unit 4, owning approximately 85% of the Unit with various other utilities owning smaller shares; and owns Units 1, 2 and 3 as a separate investment. On September 1, 1998, CMP Group, Inc. (“CTP”) [NYSE – CTP] formed as a Maine holding company, with its principal holding being CMP, a 99-year old electric utility that provided both generation and distribution of electricity in response to Maine’s March 1, 2000 transition to retail electric-supply competition. As part of the transition, CTP divested itself of generation-related properties, with its remaining business consisting of operating and maintaining an energy transmission-and-distribution system. On April 7, 1999 CTP closed its sale of 35 electric power generation plants that comprised approximately 1,185 megawatts of its non-nuclear generating capacity (i.e., hydro, fossil and biomass plants) to FPL Energy, including the Wyman Station⁽²⁾.

NextEra Energy Resources (renamed from FPL Energy in January 2009), a wholesale power producer, is a subsidiary of NextEra Energy, Inc. [NYSE – NEE] (renamed from FPL Group [NYSE – FPL] on May 21, 2010), a holding company whose principal subsidiary is Florida Power & Light Company. NextEra Energy Resources owns electric generating plants in 25 of the United States and two plants in Canada. The majority of FPL Energy’s 17,771 (as of March 1, 2013) megawatt generating capacity is from clean and renewable fuels. Its fuel mix in 2012 was: 73% natural gas; 15% nuclear; 7% purchased power; 4% coal ; 1% oil and < 1% solar/other.

NextEra is currently the Town’s largest taxpayer. Through a series of multi-year agreements from 2000 through 2012, the Town and the plant owners established agreements on the assessed (taxable) valuation of property, gradually lowering the tax assessment and managing the Town’s reduced reliance on the power plant as a significant percentage of the entire tax base. As of August 29, 2013, a one year agreement is in place for the 2013/14 tax year which will set the net taxable value of the real estate at \$51,000,000 plus an additional \$17,997,406 in taxable personal property (primarily fuel inventories). With an expected tax rate of \$22.00/\$1,000, the combined tax bill for NextEra (Real and Personal taxes) will be \$1,639,603, or 6.1% of the town’s property tax levy, for the 2013/14 tax year. NextEra is currently seeking buyers for Wyman Station; the Town will monitor closely any proposed transactions both to anticipate changes in the assessed valuation for future years, and to plan appropriately for community impacts of changes in operations or decommissioning of the facility. For additional information regarding property taxation of the power plant, see “SIGNIFICANT TAXPAYER” in “Notes to Basic Financial Statements” set forth on page 42 of APPENDIX A hereto.

NOTE: ⁽¹⁾ See southwestern corner, “Land Use Zone – Industrial” on the Zoning Map previously provided herein.

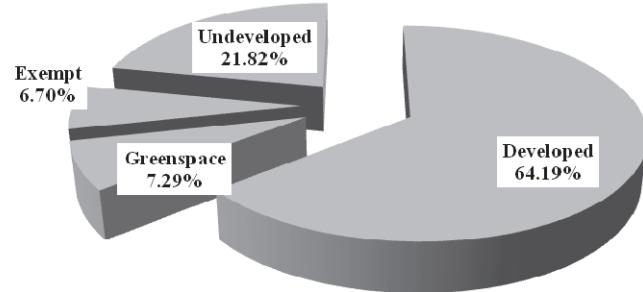
⁽²⁾ CTP was subsequently acquired by Energy East Corp (NYSE – EAS) on September 5, 2000, which itself was acquired on September 17, 2008 by Iberdrola, SA as a member of its affiliate Iberdrola USA.

SOURCE: http://www.nexteraenergyresources.com/pdf/one_page_factsheet.pdf; Standard & Poor’s Stock Report, FPL Group Inc., May 8, 2010; Standard & Poor’s Stock Report, NextEra Energy, Inc., August 17, 2013.

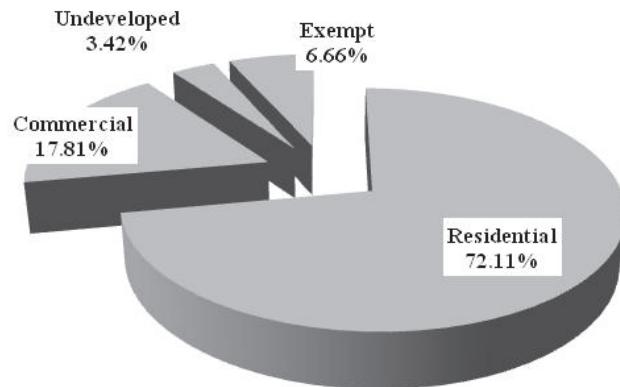
CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 20,436.85 acres. The below table and chart displays the composition of land area available for tax base, and the potential for future tax base by the conversion of land from undeveloped to developed.

By Land Area (acres)	Acres	% Total
Developed	4,934	64.19%
Greenspace ⁽¹⁾	560	7.29%
Exempt	515	6.70%
Undeveloped ⁽²⁾	1,677	21.82%
Total	7,686	100.00%



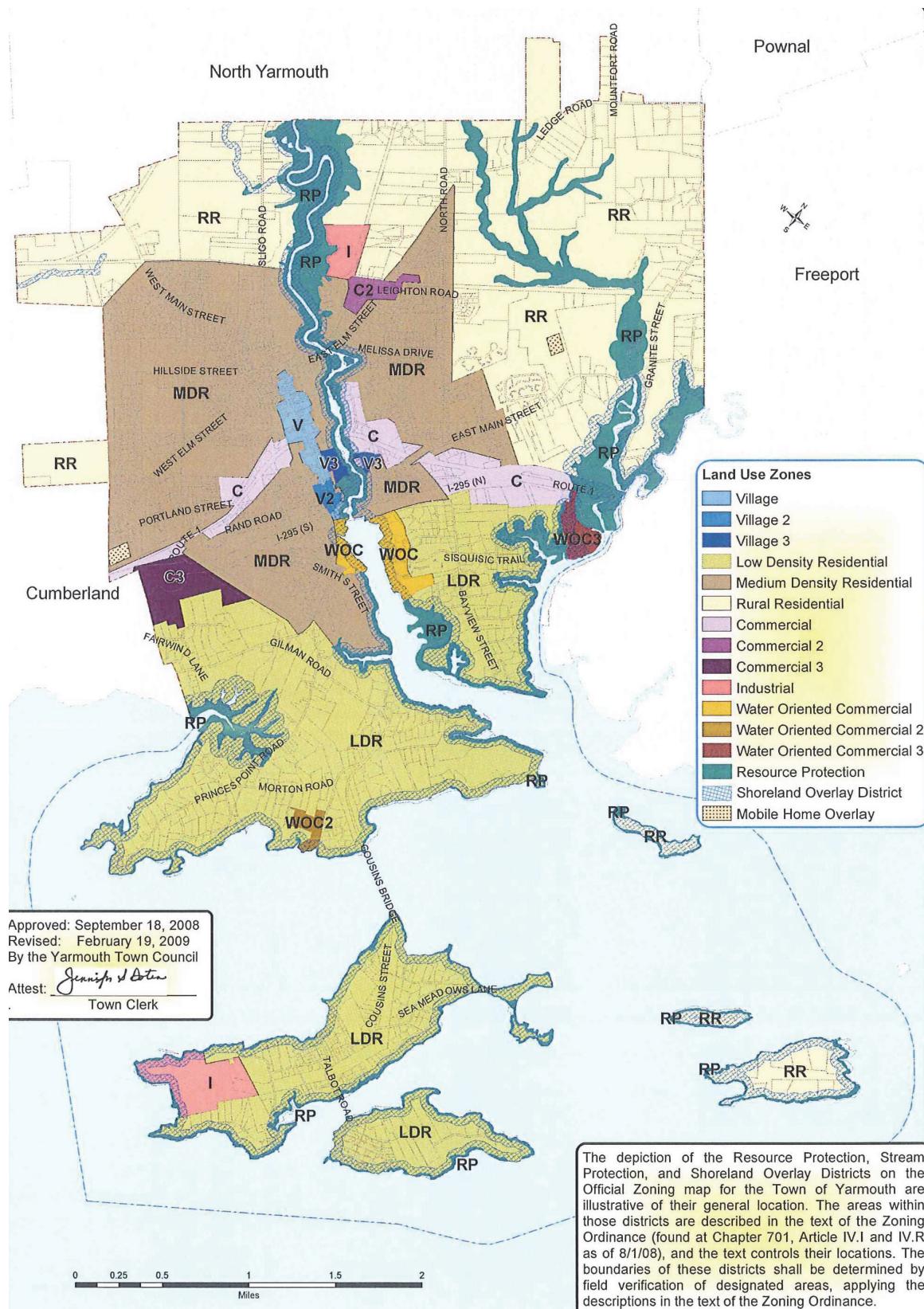
By Value (\$)	Value	% Total
Residential	\$963,344,600	72.43%
Commercial	237,918,300	17.89%
Undeveloped ⁽²⁾	45,694,000	3.44%
Exempt	88,911,800	6.68%
Total	\$1,335,868,700	100.43%



NOTE: ⁽¹⁾ Includes Resource Protection; Parks & Open Space; and Stream Protection, which land is not currently viewed as developable by the Town.

⁽²⁾ Includes buildable vacant lots.

ZONING MAP



TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enable a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of property of all TIF districts and the aggregate original assessed value of property of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot each exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3 of the Maine Revised Statutes, as amended.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended.

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

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

REVENUES FROM THE STATE

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

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table (see “TOWN FINANCES – REVENUES FROM THE STATE - The 2014/2015 Biennium State Budget” herein). The following table displays State revenues received by the Town for the last five audited fiscal periods.

Fiscal Yr. End June 30,	State Revenue Sharing	School Aid	Homestead Exemption	General Assistance	BETE	Other State Aid	Total From State
2012	\$863,017	\$1,476,289	\$158,158	\$7,229	\$159,345	\$142,997	\$2,807,035
2011	713,552	1,132,641	142,729	5,060	146,985	150,646	2,291,613
2010	727,433	1,733,189	180,810	5,297	70,875	96,506	2,814,110
2009	895,518	2,409,141	174,800	7,897	34,699	20,647	3,542,702
2008	1,009,432	2,227,600	187,596	12,982	-	28,844	3,466,454

The 2014/2015 Biennium State Budget

On June 26, 2013, the State Legislature voted over a 2/3 majority to override the Governor’s veto of the biennial state budget, LD 1509. As amended by Committee and passed to be enacted, the bill is the budget designed to fund State government over the FY 2014/2015 biennium (the “State Budget”). The following programs are affected, accordingly:

The State Budget reduces municipal **Revenue Sharing** over the biennium by one-third relative to the distributions over recent years, and cuts the program by over 55% relative to the distributions that are supposed be provided as a matter of law. Specifically, \$65 million in Revenue Sharing will be distributed in FY 2014 and \$60 million in FY 2015. This compares to approximately \$95 million that was distributed each year of the present biennium, which was itself a 33% reduction of the \$135 - \$145 million that is supposed to be distributed as a matter of long-established law. This part of the State Budget also amends the law governing the calculation of a municipality’s “property tax levy limit” to allow for an upward adjustment to the tax levy limit to reflect the Revenue Sharing reduction at the same time that the reduction is occurring rather than one or two years after the fact.

The State Budget appropriates \$942 million for **General Purpose Aid to Local Schools** for FY 2014. This appropriation represents 46.3% of the total cost of K-12 education as measured by the EPS school funding model, which will now include the total “normal cost” of the teachers’ retirement premium. The appropriation represents approximately \$29 million over the distribution of school subsidy for the current fiscal year before that was reduced by \$12.6 million through a curtailment order issued by the Governor in December 2012 as an emergency procedure to keep the State Budget in balance. The \$29 million increase, however, is not new money to the school systems because the budget also places the financial

obligation on the schools, rather than the State, to pay for the “normal costs” of teachers’ retirement under MainePERS (as defined herein). The Statewide new cost to school systems is \$29 million a year.

Changes to the **General Assistance** program in this State Budget include: (i) adjusting the “overall maximum level of assistance”, which for 20 years has been calculated at 110% of the HUD “fair market rental” values, to be 90% of that calculation; (ii) creating an express General Assistance ineligibility for fugitives from justice and applicants who have committed unemployment fraud; (iii) amending the system for calculating a pro-rated benefit when a member of the household has been disqualified; (iv) amending the calculation of the duration of ineligibility related to the receipt of lump sum income to base it entirely on actual basic needs; and (v) counting Circuitbreaker benefits as income.

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality may incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.”

On January 1, 2013 the Town’s equalized state valuation (“equalized State Valuation”) was reported as \$1,426,850,000. The 15% debt limit is \$214,027,500. As of June 30, 2012 the Town’s long-term debt was \$16,194,075 or 1.13% of the equalized State Valuation.

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

DEBT SUMMARY

Issue Date	Series	Amount Issued	Final Maturity	Balance on 06/30/12 (Audited)	Balance on 06/30/13 (Projected)	Balance on 06/30/14 (Projected)
06/04/04	SRRF ⁽¹⁾	\$763,058	06/30/13	\$35,531	\$0	\$0
05/15/08	Roads	2,400,000	11/01/19	2,050,000	1,850,000	1,575,000
01/04/09	CWSRF ⁽²⁾	1,532,282	10/01/23	1,345,826	1,233,674	1,121,522
10/29/09	CIP	817,718	11/01/19	742,718	630,000	510,000
06/01/11	Ref'd'g	13,155,000	11/15/21	12,020,000	10,880,000	9,695,000
Sub-totals				\$16,194,075	\$14,593,674	\$12,901,522
10/01/13	Sr A	5,493,000	11/15/33	0	0	5,493,000
10/01/13	Sr B	387,000	11/15/18	0	0	387,000
Totals				\$16,194,075	\$14,593,674	\$18,781,522

NOTE: ⁽¹⁾ The 2004 Bonds, in the amount of \$763,058, were issued to provide funds for a School Project that was eligible to be financed through the School Revolving Renovation Fund (the “SRRF”) administered through the Maine Municipal Bond Bank. The SRRF’s loan is without interest, with a 30% portion of the principal balance being forgiven; and the balance of \$534,917 to be repaid in ten annual installments.

⁽²⁾ The 2009 CWSRF (“Clean Water State Revolving Fund”) Bonds were issued to provide funds for a project that was eligible to be financed through State Revolving Loan Fund Program (the “SRF”) administered jointly by the Maine Municipal Bond Bank (the “MMBB”) and the State of Maine, acting by and through its Department of Environmental Protection (the “DEP”) at a subsidized rate of 1.415%.

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE (\$/000)

Y/E June 30,	2004 SRRF	2008 Roads	2009 CWSRF	2009 CIP	2011 Ref'd'g	2013 Sr A	2013 Sr B	Total Debt
2013	35,532	200,000	112,152	112,718	1,140,000	0		1,600,402
2014		275,000	112,152	120,000	1,185,000	0		1,692,152
2015		275,000	112,152	70,000	1,230,000	0		1,687,152
2016		275,000	112,152	95,000	1,295,000	0		1,777,152
2017		275,000	112,152	120,000	1,220,000	150,000		1,877,152
2018		275,000	112,152	75,000	1,240,000	155,000		1,857,152
2019		275,000	112,152	75,000	1,230,000	263,000	387,000	2,342,152
2020		200,000	112,152	75,000	1,220,000	275,000		1,882,152
2021			112,152		1,170,000	305,000		1,587,152
2022			112,152		1,090,000	310,000		1,512,152
2023			112,152			380,000		492,152
2024			112,154			400,000		512,154
2025						410,000		410,000
2026						230,000		230,000
2027						275,000		275,000
2028						300,000		300,000
2029						315,000		315,000
2030						340,000		340,000
2031						340,000		340,000
2032						340,000		340,000
2033						350,000		350,000
2034						355,000		355,000
6/30/2012	35,532	2,050,000	1,345,826	742,718	12,020,000	5,493,000	387,000	22,074,076
pd 2013	(35,532)	(200,000)	(112,152)	(112,718)	(1,140,000)	0	0	(1,600,402)
10/1/2013	0	1,850,000	1,233,674	630,000	10,880,000	5,493,000	387,000	20,473,674

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt				Projected Debt (Pro Forma)			Projected Total Debt
	Principal	Interest	MMBB & DEP Fees	Total Debt	Sr A Bonds	Sr B Bonds	2013 Bonds	
2013	\$1,600,401	\$614,854	\$6,520	\$2,221,775	\$0	\$0	\$0	\$2,221,775
2014	1,692,152	560,511	6,441	2,259,104	105,092	7,224	112,316	2,371,420
2015	1,687,152	495,622	6,361	2,189,135	168,898	11,610	180,508	2,369,643
2016	1,777,152	421,302	6,282	2,204,736	168,898	11,610	180,508	2,385,243
2017	1,727,152	348,727	6,203	2,082,082	317,398	11,610	329,008	2,411,089
2018	1,702,152	281,590	6,123	1,989,866	319,348	11,610	330,958	2,320,823
2019	1,692,152	218,791	6,044	1,916,987	423,168	392,805	815,973	2,732,959
2020	1,607,152	153,591	5,965	1,766,708	429,788		429,788	2,196,496
2021	1,282,152	89,304	5,885	1,377,342	453,988		453,988	1,831,329
2022	1,202,152	31,217	5,806	1,239,175	452,838		452,838	1,692,013
2023	112,152	2,380	5,727	120,259	514,988		514,988	635,247
2024	112,154	793	5,647	118,595	525,238		525,238	643,832
2025					524,088		524,088	524,088
2026					334,488		334,488	334,488
2027					371,569		371,569	371,569
2028					386,850		386,850	386,850
2029					390,300		390,300	390,300
2030					402,200		402,200	402,200
2031					388,600		388,600	388,600
2032					375,000		375,000	375,000
2033					371,200		371,200	371,200
2034					362,100		362,100	362,100
TOTAL	\$16,194,075	\$3,218,684	\$73,004	\$19,485,764	\$7,786,031	\$446,469	\$8,232,500	\$27,718,263

DEBT RATIOS

The following table sets forth the ratio of bonded debt to equalized State Valuation and per capita debt ratios for the end of the nine most recent fiscal years and projected for the current fiscal year:

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2013	8,349	\$1,426,850	\$1,246,854	\$14,593,674	1.02%	\$1,747.95
2012	8,349	1,484,100	1,250,593	16,194,075	1.09	1,939.64
2011	8,349	1,567,950	1,262,376	18,466,759	1.18	2,211.85
2010	8,349	1,634,600	1,284,535	21,329,443	1.30	2,554.73
2009	8,360	1,670,600	1,290,811	22,834,409	1.37	2,731.39
2008	8,360	1,623,400	1,293,350	25,054,941	1.54	2,997.00
2007	8,360	1,495,650	1,288,329	24,855,473	1.66	2,973.14
2006	8,360	1,379,950	1,288,321	25,673,725	1.86	3,071.02
2005	8,360	1,258,500	1,308,908	28,089,256	2.23	3,359.96
2004	8,360	1,141,000	1,316,791	30,474,786	2.67	3,645.31

DEBT SERVICE COMPONENT OF OPERATING EXPENDITURES

	Audited			Unaudited	Budgeted
	2010	2011	2012	2013	2014
Total Current Year Debt Service:	\$3,253,917	\$3,050,479	\$2,934,308	\$2,216,255	\$2,255,204
Budgeted Operating Expense:	\$29,537,093	\$28,596,121	\$29,232,052	\$30,449,322	\$31,641,334
Debt Service as % Oper. Expense:	11.02%	10.67%	10.04%	7.01%	7.13%

OVERLAPPING DEBT

County of Cumberland

The Town is subject to an annual assessment of its proportional share of the County of Cumberland's expenses, including debt repayment, as determined by the percentage of the Town's equalized State Valuation to the County's equalized State Valuation. As of January 1, 2013 the Town's equalized State Valuation was 3.69% of the County's equalized State Valuation of \$38,690,850,000. The Town's share is 3.69%, or \$1,373,418, of the County's \$37,220,000 debt obligations outstanding as of December 31, 2012.

CONTINGENT DEBT

ecomaine

ecomaine has issued debt to fund a RRS (the "RRS Debt"). The RRS Debt is a special revenue obligation of ecomaine, payable from and secured by a pledge of ecomaine revenues. The debt does not constitute a debt or liability within the meaning of any constitutional or statutory provision, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to certain waste handling agreements between ecomaine and certain participating municipalities, including the Town, such municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will be at least equal required debt service on the RRS Debt. The obligations of the Member Municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. All outstanding RRS Debt of ecomaine was retired by June 30, 2013.

The Town has also entered into an agreement with ecomaine, as one of 20 RWS original Member Municipalities along with an additional seven Participating Municipalities, to establish a MRF at ecomaine's demolition debris and recycling facility. All outstanding MRF Debt of ecomaine was retired by June 30, 2013.

ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and post-closure care costs approximate \$15,951,872 at June 30, 2013, the most current information available. The Town's proportionate share of these estimated landfill closure and post-closure care costs is 4.34%, or \$691,904.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Yarmouth	\$14,593,674			\$14,593,674
County of Cumberland ⁽¹⁾		\$1,373,418		1,373,418
ecomaine (RRS)			\$0	0
ecomaine (MRF)			0	0
ecomaine (Landfill)			691,904	691,904
Total A/O June 30, 2013	\$14,593,674	\$1,373,418	\$691,904	\$16,658,996

NOTE: ⁽¹⁾ As of December 31, 2012.

FUTURE FINANCING

The Town Manager develops a formal Capital Improvement Program that is submitted to the Town Council (see “TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM” herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is an indication of future projects that may be financed through the issuance of debt. The Town’s voters must approve any order which authorizes issuing debt for capital acquisitions of \$100,000 or more.

Other than the 2013 Bonds there is no authorization for debt that the Town expects to finance through bond issues prior to July 1, 2014.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

1. Description of the Plan

The Town is a “participating local district” and contributes pursuant to Regular Plan AC and Special Plan 1C of the Consolidated Plan for Participating Local Districts (the “CPPLD”) administered by the Maine Public Employees Retirement System (“MainePERS”) successor to the Maine State Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS. MainePERS is established and administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The CPPLD provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local districts, including the Town. The authority to establish and amend benefit provisions rests with the State Legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800. Such report is also available at <http://www.msrs.org/Publications/Publications.htm#Annual Reports>.

2. Funding Policy

Plan members (Town employees other than those served by the Teachers Retirement Plan, described in B, below) are required to contribute 6.5% of their annual covered salary pursuant to the Consolidated Plan. The Town is currently required to contribute at actuarially determined rates of annual covered payroll of

4.4% for Plan AC and 10.2% for Special Plan 1C. The contribution rate is determined using an entry age actuarial funding method for retirement benefits and a term cost method for ancillary benefits. The contribution requirements of the plan members and the Town are established by and may be amended by the State legislature. The Town's actuarially determined contributions to the Consolidated Plan for the fiscal years ending June 30, 2012, 2010 and 2010 were \$68,531, 38,393 and \$20,297, respectively. The gross contributions for the Town employees for the fiscal year ending June 30, 2012 was \$90,275, less "initial unpooled unfunded actuarial liability" ("IUUAL") credit of \$21,744.

3. Employer Contribution Rates

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

<u>Plan</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Regular AC	5.3%	6.5%	7.8%
Special 1C	12.2%	12.89%	13.4%

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

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

1. Plan Description

All school teachers, plus other qualified educators, participate in the MainePERS through the Teachers Retirement Plan (the "Teachers Group") an "Agent, Multiple-Employer, Defined Benefit Pension Plan". School employees participating in the Teachers Retirement Plan are eligible for normal retirement upon attaining age 60, or over 62 for employees with less than seven years of service in 1991. Employees are penalized from approximately 2.5% to up to 6.0% (for post-1984 new hires) for each year of early retirement. The authority to establish and amend benefit provisions rests with the State Legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers Retirement Plan. That report may be obtained by writing the Maine State Retirement System, 46 State House Station, Augusta, ME 04333-0046.

2. Funding Policy

Plan members are required to contribute 7.65% of their compensation to the MainePERS. The Town is not required to make contributions to the Teachers Group. As required by State statute, contributions are made on behalf of the Town for the teachers by a biannual State appropriation.

C. DEFINED CONTRIBUTION PLAN

The Town offers its regular employees a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate and are vested from the date of employment. The Town matches employees' contribution to the plan up to 5% of compensation for the plan year for School employees and 7% of compensation for the plan year for Town employees. The Town has made all contributions required of it to date for such plan and the Town has no unfunded liability with respect to such plan.

D. DEFERRED COMPENSATION PLAN

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

E. OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust (the “Health Trust”). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town’s OPEB liability under GASB 45. An OPEB liability actuarial valuation was completed by such consultant in June 2009. GASB 45 rules allow employers with less than 200 employees to use the same actuarial study for three years. The most recent valuation report was completed in October 2011 for the fiscal year ending June 30, 2012.

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

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

The following table represents the OPEB costs for the year ended June 30, 2012 and the annual required contribution:

Normal cost:	\$33,467
Amortization of unfunded cost:	49,925
Adjustment to ARC:	(12,211)
Interest:	<u>10,097</u>
Annual required contribution:	\$81,278

Net OPEB Obligation – The Town’s net OPEB obligation was calculated as follows:

OPEB liability, July 1, 2010:	\$128,401
ARC (2011):	82,754
ARC (2012):	81,278
Less: actual contributions:	<u>0</u>
OPEB liability, June 30, 2012:	\$292,433

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

	2010	2011	2012
Annual required contribution:	\$64,778	\$82,754	\$81,278
Actual contributions:	0	0	0
% contributed:	0.00%	0.00%	0.00%
Actuarial accrued liability:	635,337	897,833	897,833
Plan assets:	0	0	0
Unfunded actuarial accrued liability:	\$635,337	\$897,833	\$897,833
Covered payroll:	3,140,000	3,140,000	3,140,000
Unfunded actuarial accrued liability as % of covered payroll:	20%	29%	28%
Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability</u>	Covered <u>Payroll</u>
06/30/2009	\$0	\$635,337	\$3,179,000
06/30/2010	0	635,337	3,140,000
06/30/2011	0	897,833	3,140,000
06/30/2012	0	897,833	3,210,500
			UFAL as % Covered Payroll

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

ENVIRONMENTAL MATTERS

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

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

LITIGATION

In the opinion of Town officials there is no litigation pending against the Town which, either individually or in the aggregate, would result in judgments that would have a material adverse effect on the Town's financial position or its ability to meet its debt service obligations. In addition, there is no controversy or litigation of any nature now pending, or to the knowledge of the Town, threatened, restraining or enjoining or challenging the issuance, sale, execution or delivery of the Bonds or the power to assess, levy or collect any tax or other charge to pay the interest on or principal or redemption price of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Town taken with respect to the issuance or sale thereof, or in any way contesting the existence or powers of the Town.

APPENDIX A

**TOWN OF YARMOUTH, MAINE
ANNUAL FINANCIAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2012**

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TOWN OF YARMOUTH, MAINE

Annual Financial Report

For the year ended June 30, 2012

TOWN OF YARMOUTH, MAINE
Annual Financial Report
Year ended June 30, 2012

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Runyon Kersteen Ouellette

Certified Public Accountants and Business Consultants

Independent Auditor's Report

Town Council
Town of Yarmouth, Maine:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Yarmouth, Maine, as of and for the year ended June 30, 2012, 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'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, each major fund and the aggregate remaining fund information of the Town of Yarmouth, Maine as of June 30, 2012, and the respective changes in financial position and 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 our report dated December 13, 2012 on our consideration of the Town of Yarmouth's internal control over financial reporting and 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress - Retiree Healthcare Plan as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Yarmouth, Maine's financial statements as a whole. The combining and individual fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ryan Kuster Duebelle".

December 13, 2012
South Portland, Maine

TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

As management of the Town of Yarmouth, we offer readers of the Town of Yarmouth's financial statements this narrative overview and analysis of the financial activities of the Town of Yarmouth for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets of the Town of Yarmouth exceeded its liabilities at the close of the most recent fiscal year by \$42.7 million (net assets). Of this amount, \$3.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The ending fund balance for the governmental funds was \$7.3 million - a 2% decrease over last year.
- As of June 30, 2012, the General fund held \$4.7 million in fund balances - \$1.2 million of which is available to the Town as unassigned fund balance. This is approximately 4.3% of total expenditures.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Yarmouth, Maine (Town) using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Town's financial statements are comprised of a series of statements. The government-wide financial statements (statement of net assets and the statement of activities (pages 15 and 16) present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting.

The fund financial statements (beginning on page 17) provide a more detailed look at the governmental funds and the fiduciary funds. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The fiduciary activities are agency funds and are used to account for resources held for the benefit of others and are not available to support the Town's own programs. Agency funds only report a balance sheet and do not have a measurement focus. Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Government-wide Financial Statements

The government-wide financial statements are designed to give the reader a broad overview of the Town of Yarmouth's finances, similar to a private-sector business.

The statement of net assets presents information on all of the Town'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 Yarmouth is improving or deteriorating.

The statement of activities presents information showing how the Town'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 vacation leave).

The Town of Yarmouth's statement of net assets and its statement of activities report governmental activities only. These are the Town's basic services including: general government, public safety, public works, health and welfare, public services, education, unclassified and interest on debt and capital maintenance expenses. Property taxes, intergovernmental revenue (primarily revenues from the State of Maine), user fees, license and permit fees and state and local grants finance these activities. The government-wide statements can be found on pages 15 and 16 of this report.

TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Yarmouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and fiduciary.

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 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 statements, 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Yarmouth maintains nine 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, York Trust Fund and the Roads Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Yarmouth adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 and 18 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. 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 Yarmouth's own programs.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Other Information – The combining statements referred to earlier in connection with nonmajor governmental funds are presented beginning on page 55 of this report.

TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Yarmouth, assets exceeded liabilities by \$42.7 million at the close of the most recent fiscal year.

Statement of Net Assets

	2012	2011	Increase (Decrease)
Current & Other Assets	\$ 9,589,434	\$ 10,079,374	(489,940)
Capital Assets	53,185,072	53,726,188	(541,116)
Total Assets	62,774,506	63,805,562	(1,031,056)
Long-term Debt Outstanding	17,738,658	20,130,279	(2,391,621)
Other Liabilities	2,286,210	2,600,340	(314,130)
Total Liabilities	20,024,868	22,730,619	(2,705,751)
 Net Assets:			
Invested in			
Capital Assets, net of related debt	36,803,605	34,976,706	1,826,899
Restricted	2,320,294	2,491,725	(171,431)
Unrestricted	3,625,739	3,606,512	19,227
 Total Net Assets	<u>\$ 42,749,638</u>	<u>\$ 41,074,943</u>	<u>1,674,695</u>

The largest portion of the Town of Yarmouth's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town of Yarmouth uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net assets (\$3.6 million) may be used to meet the government's ongoing obligations to citizens and creditors.

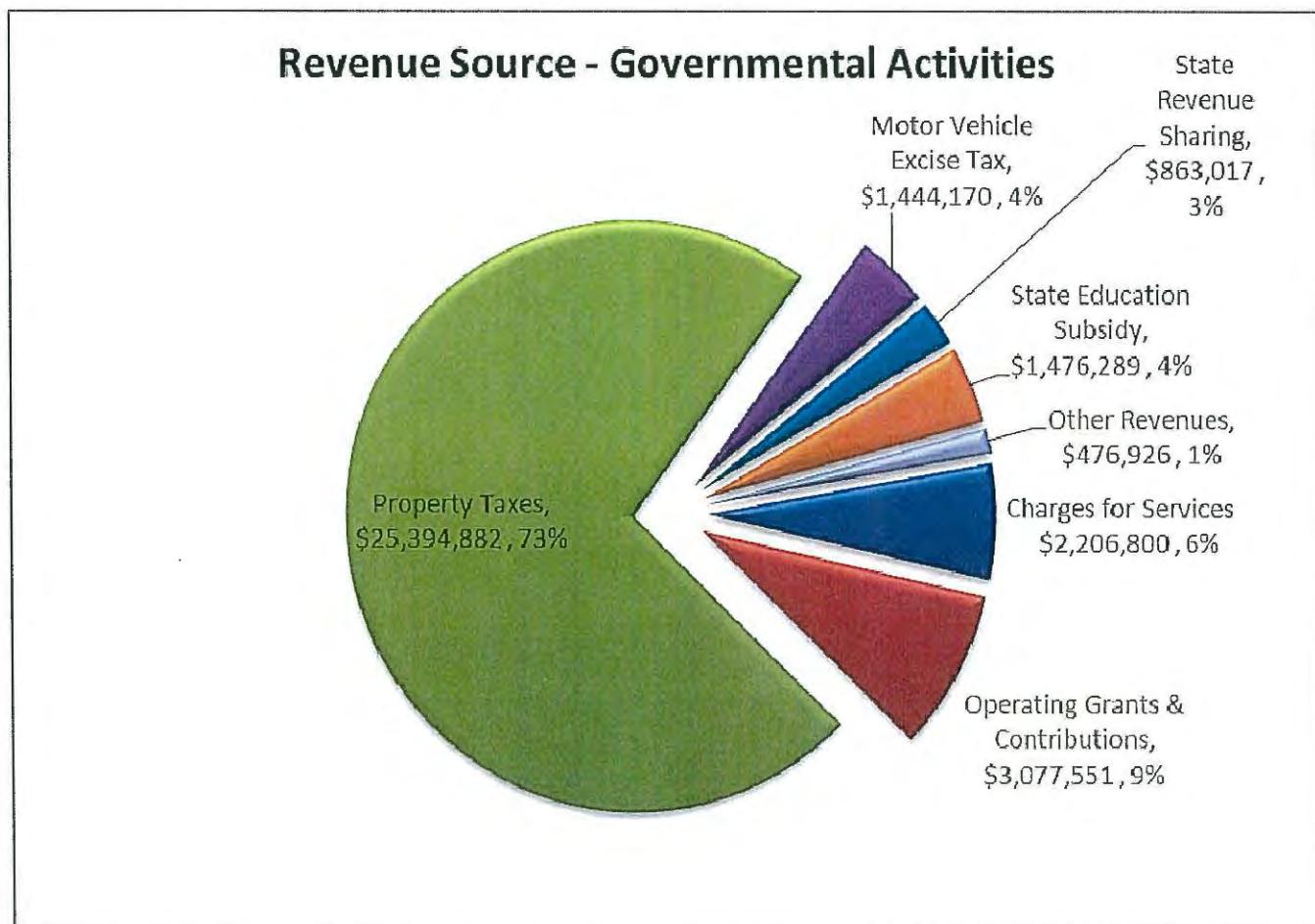
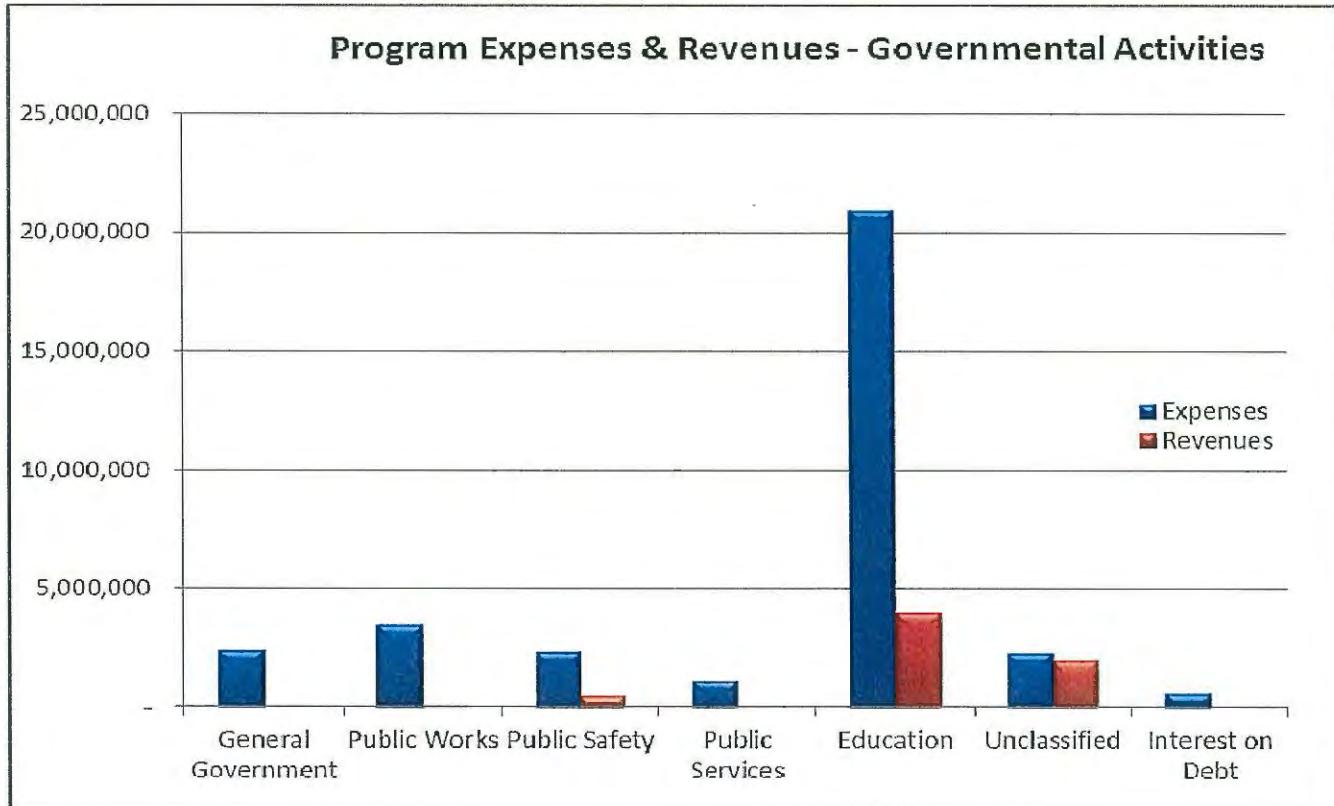
TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

Town of Yarmouth's Changes in Net Assets

	2012	2011	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,206,800	\$ 2,526,047	(319,247)
Operating Grants & Contributions	4,553,840	5,025,575	(471,735)
Capital Grants & Contributions			
General Revenues			
Property Taxes	25,394,882	24,987,586	407,296
Motor Vehicle Excise Tax	1,444,170	1,432,761	11,409
Interest and Costs on Taxes	38,850	36,763	2,087
State Revenue Sharing	863,017	713,552	149,465
Homestead Exemption	158,158	142,729	15,429
Other State Aid	169,277	156,594	12,683
Investment Earnings	2,131	7,231	(5,100)
Miscellaneous Revenues	108,510	49,031	59,479
TOTAL REVENUES	34,939,635	35,077,869	(138,234)
Program Expenses:			
General Government	2,386,024	2,165,335	220,689
Public Works	3,484,659	3,469,690	14,969
Public Safety	2,365,162	2,277,805	87,357
Health & Welfare	30,543	27,969	2,574
Public Services	1,105,529	1,075,684	29,845
Education (excluding debt service)	20,986,700	20,734,696	252,004
Unclassified	2,300,024	2,279,960	20,064
Interest on Debt	606,299	93,215	513,084
TOTAL EXPENSES	33,264,940	32,124,354	1,140,586
Increase in net assets	1,674,695	2,953,515	(1,278,820)
Net assets – beginning of year	41,074,943	38,121,428	2,953,515
Net assets – end of year	\$ 42,749,638	\$ 41,074,943	1,674,695

Governmental activities resulted in an increase in the Town of Yarmouth's net assets of \$1.67 million with the majority of revenues (73%) coming from property taxes. Principal payments on bonds and lease payments totaled approximately \$2.9 million. These amounts are not considered expenditures for purposes of full accrual financial statements. Governmental activities also included approximately \$1.95 million in depreciation expense. Interest on debt variance is the result of bond refunding and an economic gain on defeasance of debt in 2011.

TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued



TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

Financial Analysis of the Government's Funds

The Town of Yarmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town of Yarmouth'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's financing requirements. In particular, unreserved, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Yarmouth's governmental funds reported combined ending fund balances of \$7.35 million. Approximately 17% of this total amount constitutes unreserved, unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been assigned and/or committed 1) to liquidate contracts and purchase orders of the prior period, 2) to fund future capital purchases, 3) to generate income for various charitable purposes and 4) for a variety of other unrestricted purposes.

The General fund is the chief operating fund of the Town of Yarmouth. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1.2 million, while total fund balance reached \$4.7 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 3.7% of total general fund expenditures, while total fund balance represents approximately 14.4% of that same amount.

The Town has two other major funds - the York Trust Fund and the Road Bond Capital Project Fund. The York Trust Fund has a fund balance of \$1.6 million and accounts for funds left to the Town of Yarmouth for various charitable purposes. The Road Bond Capital Project Fund has a fund balance of \$0.00 and accounts for resources utilized for road improvement projects.

General Fund Budgetary Highlights

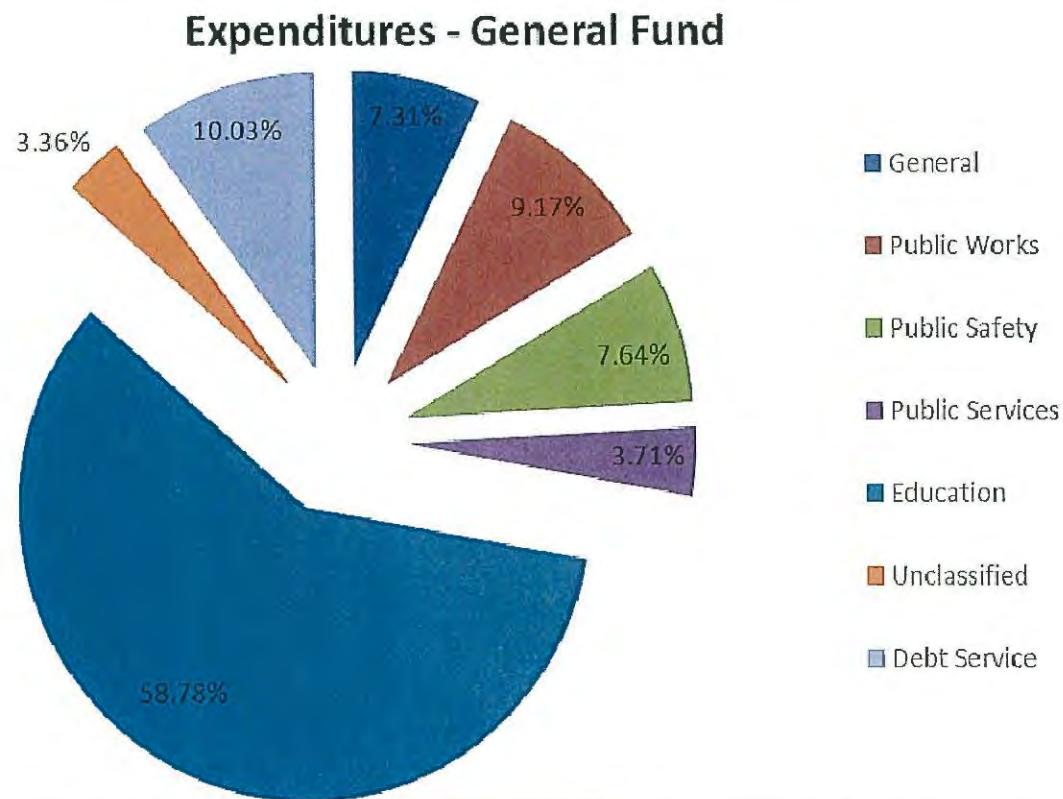
During the current fiscal year, revenues for the Town of Yarmouth exceeded expenditures by \$1.8 million. This was \$0.85 million more than budgeted. Actual revenues to budget had a surplus of \$417,472 mostly due to an increase in Rescue revenues, State Revenue Sharing allocation greater than projected and a transfer of funds from the school for departmental consolidations which had offsetting expenditures.

Variances on the expenditure side totaled \$0.4 million under budget. School expenditures were \$202,707 less than budgeted along with a net savings in most Town Departments.

TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

General Fund Budget and Actual

	Final Budget	Actual	Variance
Revenues:			
Taxes	\$26,756,888	\$26,862,375	105,487
Intergovernmental	2,776,336	2,909,242	132,906
Other	651,500	830,579	179,079
Total revenues	\$30,184,724	30,602,196	417,472
Expenditures:			
General	2,135,014	2,105,619	29,395
Public Works	2,724,799	2,639,174	85,625
Public Safety	2,181,084	2,201,198	(20,114)
Health and Welfare	34,150	30,543	3,607
Public Services	1,054,391	1,037,444	16,947
Education	17,127,234	16,924,527	202,707
Unclassified	967,758	967,758	-
Debt Service	3,007,622	2,888,530	119,092
Total expenditures	29,232,052	28,794,793	437,259
Excess Revenues	\$ 952,672	1,807,403	854,731



TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

Capital Assets and Debt Administration

Capital Assets

The Town of Yarmouth's investment in capital assets (net of accumulated depreciation) as of June 30, 2012, was \$53 million. This investment in capital assets includes land, buildings and building improvements, furniture and equipment, vehicles, library collections and infrastructure assets such as roads, sidewalks, storm drains, traffic signals, sewer lines and bridges.

During fiscal year 2012, the Town spent more than \$1.4 million on various capital assets - \$1 million of which was spent on infrastructure (road improvements and wastewater improvements) and more than \$0.4 was spent to purchase equipment and vehicles for the Town's public works, police and school departments.

Town of Yarmouth's Capital Assets (Net of Depreciation)

	2012	2011
Books and collections	\$ 870,302	\$ 870,302
Land	8,814,090	8,814,090
Construction in progress	-	-
Land Improvements	1,178,557	1,278,976
Buildings and building improvements	26,383,562	27,196,611
Furniture and equipment	794,743	784,711
Vehicles	1,415,804	1,507,754
Infrastructure	13,728,014	13,273,744
	\$ 53,185,072	\$ 53,726,188

Long-term Debt

The Town of Yarmouth's bond ratings is Aa2 from Moody's Investor Service and AA from Standard and Poor.

State statutes limit the amount of general obligation debt a municipality may issue to 15.0% of its total state assessed valuation. The current debt limitation for the Town of Yarmouth is in excess of \$200 million, considerably more than the Town's outstanding general obligation debt. Additional information on the Town of Yarmouth's long-term debt may be found in the Notes to the Financial Statements.

Town of Yarmouth's Outstanding Debt

	2012	2011
General obligation bonds	\$ 16,194,075	\$ 18,466,759
Accrued Compensated Balances	\$ 807,191	\$ 852,664
Capital leases	187,392	310,856
Landfill post-closure costs	550,000	500,000
	\$ 17,738,658	\$ 20,130,279

TOWN OF YARMOUTH, MAINE
Management's Discussion and Analysis, Continued

Economic Factors and Next Year's Budget and Rates

Yarmouth's economy continues to be strong with an unemployment rate below both the State of Maine and the national average. Estimated household income was \$73,234 (2010) with a population of 8,349 in 3,819 housing units. Yarmouth's residential/commercial tax base was fairly consistent with the prior year with the exception of Florida Power & Light's Wyman Station. Per agreement, the value of this energy plant decreased by \$12 million dollars or 11.2%.

The 2013-2014 budget increases expenditures by 2% with a projected decrease in revenues of approximately 6.3%. The tax rate for 2012-2013 is \$21.20 per thousand - a 4.52% increase or \$0.92 cents per thousand.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors, creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the *Finance Director, 200 Main Street, Yarmouth, ME 04096, phone 207-846-9036 or e-mail at dmadden@yarmouth.me.us.*

BASIC FINANCIAL STATEMENTS

Statement 1

TOWN OF YARMOUTH, MAINE
Statement of Net Assets
June 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,432,426
Investments	2,064,196
Receivables:	
Accounts, net of allowance of \$27,499	469,053
Taxes receivable - current year	435,384
Taxes receivable - prior years	31,726
Tax liens	86,712
Prepaid expenses	35,971
Inventories	33,966
Capital assets not being depreciated	9,684,392
Capital assets, net of accumulated depreciation	43,500,680
Total assets	<u>62,774,506</u>
LIABILITIES	
Accounts payable and other current liabilities	438,950
Accrued payroll	1,502,884
Accrued interest	51,943
Other postemployment benefits liability	292,433
Noncurrent liabilities:	
Due within one year	1,708,070
Due in more than one year	16,030,588
Total liabilities	<u>20,024,868</u>
NET ASSETS	
Invested in capital assets, net of related debt	36,803,605
Restricted for:	
Principal	2,242,580
Grants	77,714
Unrestricted	3,625,739
Total net assets	<u>\$ 42,749,638</u>

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, MAINE
Statement of Activities
For the year ended June 30, 2012

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	Governmental activities				
Primary government:								
Governmental activities:								
General government	\$ 2,386,024	104,834	-	-	(2,281,190)			
Public works	3,484,659	39,578	83,736	-	(3,361,345)			
Public safety	2,365,162	517,197	-	-	(1,847,965)			
Health and welfare	30,543	-	7,229	-	(23,314)			
Public services	1,105,529	7,000	29,878	-	(1,068,651)			
Education	20,986,700	630,748	3,345,802	-	(17,010,150)			
Unclassified	2,300,024	907,443	1,087,195	-	(305,386)			
Interest on debt	606,299	-	-	-	(606,299)			
Total governmental activities	33,264,940	2,206,800	4,553,840	-	(26,504,300)			
Total primary government	\$ 33,264,940	2,206,800	4,553,840	-	(26,504,300)			
General revenues:								
Property taxes, levied for general purposes					25,394,882			
Motor vehicle excise taxes					1,444,170			
Interest and costs on taxes					38,850			
Grants and contributions not restricted to specific programs:								
State Revenue Sharing					863,017			
Homestead exemption					158,158			
Other State aid					169,277			
Unrestricted investment earnings					2,131			
Miscellaneous revenues					108,510			
Total general revenues					28,178,995			
Change in net assets								
Net assets - beginning					1,674,695			
Net assets - ending					\$ 41,074,943			
					42,749,638			

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, MAINE

Balance Sheet

Governmental Funds

June 30, 2012

	General	York Trust Fund	Roads Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,307,653	-	-	124,773	6,432,426
Investments	-	1,636,854	-	427,342	2,064,196
Receivables:					
Taxes - current year	435,384	-	-	-	435,384
Taxes - prior years	31,726	-	-	-	31,726
Tax liens	86,712	-	-	-	86,712
Accounts receivable - Town, net of allowance of \$27,499	308,806	-	-	14,400	323,206
Accounts receivable - School	25,719	-	-	120,128	145,847
Prepaid expenditures	35,971	-	-	-	35,971
Inventory	18,235	-	-	15,731	33,966
Interfund loans receivable	-	-	-	352,968	352,968
Total assets	\$ 7,250,206	1,636,854	-	1,055,342	9,942,402
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and payroll withholding	403,966	-	-	19,308	423,274
Accrued wages - Town	66,424	-	-	-	66,424
Accrued wages - School	1,436,460	-	-	-	1,436,460
Deferred tax revenue	300,527	-	-	-	300,527
Taxes paid in advance	15,676	-	-	-	15,676
Interfund loans payable	352,405	-	-	563	352,968
Total liabilities	2,575,458	-	-	19,871	2,595,329
Fund balances:					
Nonspendable for inventory	18,235	-	-	15,731	33,966
Nonspendable for principal	-	1,636,854	-	605,726	2,242,580
Restricted:					
Grants	-	-	-	77,714	77,714
Education	(1,773)	-	-	-	(1,773)
Committed:					
Reserves - Town	2,376,275	-	-	-	2,376,275
Reserves - School	954,639	-	-	-	954,639
Assigned:					
Encumbrances - School	1,773	-	-	-	1,773
Town	134,783	-	-	-	134,783
Special revenue funds	-	-	-	298,847	298,847
Unassigned:					
Special revenue funds	-	-	-	37,453	37,453
Education (teacher summer salaries and benefits)	(1,386,345)	-	-	-	(1,386,345)
Education - tax stability reserve	126,884	-	-	-	126,884
Town	2,450,277	-	-	-	2,450,277
Total fund balances	4,674,748	1,636,854	-	1,035,471	7,347,073
Total liabilities and fund balances	\$ 7,250,206	1,636,854	-	1,055,342	
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.					53,185,072
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					300,527
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					(16,194,075)
Capital leases					(187,392)
Accrued interest					(51,943)
Landfill liability					(550,000)
Compensated absences					(807,191)
Other post employment benefits liability					(292,433)
Net assets of governmental activities					\$ 42,749,638

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

		York Trust General	Roads Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 26,862,375	-	-	-	26,862,375
Licenses and permits	102,206	-	-	-	102,206
Intergovernmental	4,505,909	-	-	1,047,937	5,553,846
Investment earnings	2,131	(53,260)	-	(3,771)	(54,900)
Charges for services	828,448	-	-	953,847	1,782,295
Other	-	-	-	190,446	190,446
Revenues from designated/reserved fund balances	487,840	-	-	-	487,840
Total revenues	32,788,909	(53,260)	-	2,188,459	34,924,108
Expenditures:					
Current:					
General government	2,105,619	-	-	-	2,105,619
Public works	2,639,174	-	-	-	2,639,174
Public safety	2,201,198	-	-	-	2,201,198
Health and welfare	30,543	-	-	-	30,543
Public services	1,037,444	-	-	-	1,037,444
Education (excluding debt service)	18,539,829	-	-	1,888,741	20,428,570
Unclassified	967,758	74,150	-	558,651	1,600,559
Capital outlay	270,340	-	28,133	-	298,473
Expenditures from assigned/committed fund balance	1,813,604	-	-	-	1,813,604
Debt service	2,888,530	-	-	-	2,888,530
Total expenditures	32,494,039	74,150	28,133	2,447,392	35,043,714
Excess (deficiency) of revenues over (under) expenditures	294,870	(127,410)	(28,133)	(258,933)	(119,606)
Other financing sources (uses):					
Transfers from other funds	-	-	-	344,940	344,940
Transfers to other funds	(344,940)	-	-	-	(344,940)
Total other financing sources (uses)	(344,940)	-	-	344,940	-
Net change in fund balances	(50,070)	(127,410)	(28,133)	86,007	(119,606)
Fund balances, beginning of year	4,724,818	1,764,264	28,133	949,464	7,466,679
Fund balances, end of year	\$ 4,674,748	1,636,854	-	1,035,471	7,347,073

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, 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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$ (119,606)
 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. This is the amount by which depreciation expense (\$1,953,728) and loss on disposal (\$8,994) exceeded capital outlay (\$1,421,606) in the current period.	(541,116)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue.	15,527
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. This is the change in accrued compensated absences (\$45,473), other post employment benefits (\$81,278), landfill liability (\$50,000) and the change in accrued interest (\$9,547).	(76,258)
Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease 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 of repayments.	123,464
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 represents repayments (\$2,272,684).	2,272,684
Change in net assets of governmental activities (see Statement 2)	\$ 1,674,695

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2012

	Budgeted amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 26,756,888	26,756,888	26,862,375	105,487
Licenses and permits	113,200	113,200	102,206	(10,994)
Intergovernmental	2,663,136	2,663,136	2,807,036	143,900
Investment earnings	20,000	20,000	2,131	(17,869)
Other	631,500	631,500	828,448	196,948
Total revenues	30,184,724	30,184,724	30,602,196	417,472
Expenditures:				
Current:				
General government	2,135,014	2,135,014	2,105,619	29,395
Public works	2,724,799	2,724,799	2,639,174	85,625
Public safety	2,181,084	2,181,084	2,201,198	(20,114)
Health and welfare	34,150	34,150	30,543	3,607
Public services	1,054,391	1,054,391	1,037,444	16,947
Education	17,127,234	17,127,234	16,924,527	202,707
Unclassified	967,758	967,758	967,758	-
Debt service	3,007,622	3,007,622	2,888,530	119,092
Total expenditures	29,232,052	29,232,052	28,794,793	437,259
Excess of revenues over expenditures	952,672	952,672	1,807,403	854,731
Other financing sources (uses):				
Use of unassigned fund balance	600,000	600,000	600,000	-
Use of stabilization reserve - school	108,500	108,500	108,500	-
Transfer from other funds	-	-	-	-
Transfers to (from) general fund reserves	(1,466,232)	(1,466,232)	(1,466,232)	-
Transfers to other funds	(194,940)	(194,940)	(244,940)	(50,000)
Total other financing sources (uses)	(952,672)	(952,672)	(1,002,672)	(50,000)
Net change in fund balance - budgetary basis	-	-	804,731	804,731
Reconciliation to GAAP:				
Add back transfers to reserves recorded within General Fund			1,466,232	
Use of unassigned fund balance			(978,840)	
Revenues in reserves/assigned fund balance			487,840	
Expenditures from reserves/assigned fund balance			(1,913,604)	
Change in teacher summer salaries			81,798	
Add back encumbrances			1,773	
Fund balance, beginning of year			4,724,818	
Fund balance, end of year	\$		4,674,748	

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds
ASSETS	
Cash	\$ 165,353
Total assets	165,353
LIABILITIES	
Funds held on behalf of student groups	165,353
Total liabilities	165,353
NET ASSETS	
Held in trust	\$ -

See accompanying notes to basic financial statements.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Yarmouth, Maine 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.

Reporting Entity

The Town of Yarmouth, Maine was incorporated in 1849 under the laws of the State of Maine. The Town operates under a Council-Manager form of government.

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 upon the application of these criteria, there are no potential component units that should be included as part of this reporting entity.

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.

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements. The Town does not currently report any enterprise funds.

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.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 Roads Capital Project Fund (a Capital Project Fund) accounts for resources utilized for road improvement projects.

The York Trust Fund (a Permanent Fund) accounts for resources left to the Town for various charitable purposes.

Additionally, the Town reports the following fund type:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments - Investments are stated at fair value.

Inventory - Inventory consists of food, supplies and fuel and is valued at the lower of cost (first-in, first-out basis) or market. Inventories of the School Lunch Program include the value of the USDA commodities donated to the Program.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances do not constitute expenditures or liabilities. At year-end, encumbrances are recorded as assigned fund balance.

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 columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. 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 is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years.

Vacation and Sick Leave - Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. Accumulated vacation and sick time has been recorded as a liability in the government-wide financial statements. Sick time is not paid unless an employee is ill, or retires in good standing. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

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. Bond premiums and discounts, as well as issuance costs if material to basic financial statements are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charged and amortized over the term of the related debt.

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 transfers.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Fund balance - Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year except some on-going projects which may be designated for subsequent year expenditure and capital reserve accounts which are carried forward to the next fiscal year. The Town's fund balance policy establishes a fund balance target for unassigned fund balance of 8.3% of the annual budget, including schools, contributions to capital reserves and debt service.

The voters at the Town Meeting have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. The Town has established certain designated accounts which get carried forward each year and have been classified as assigned fund balance. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is used during the year by the School Department. All encumbrances lapse at year end except those authorized to be carried forward. These amounts are reported as assigned fund balance.

Although there is no formal policy, when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the government's practice to use committed or assigned resources first, and then unassigned resources as they are needed.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town utilizes a formal budgetary accounting system to control revenues and expenditures. These budgets are established by vote of the Town's citizens, after considering the manager's and council's recommendations. The Town council may appropriate a supplemental amount up to \$100,000. The citizens of the Town must approve supplemental appropriations in excess of \$100,000. The Town Council exercises its legal level of control at the department level. Appropriations lapse at year end unless they are specifically reserved.

Budgets are adopted for the General Fund only and are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for Maine Public Employees Retirement on-behalf payments, encumbrances and teacher summer salaries. Maine Public Employees Retirement contributions are made by the State of Maine on behalf of the Yarmouth 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 of \$1,698,873. These amounts have been included as intergovernmental revenue and education expenditure in the general fund on Statement 4 (GAAP basis) and in the entity-wide Statement of Activities (Statement 2). There is no effect on fund balance at the end of the year.

B. Revised Budget

The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments. The revised budget presented for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Statement 6) includes various adjustments as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>
2011-2012 budget as originally adopted	\$ 30,893,224	(30,893,224)	-
Transfers to reserve funds – Town	-	1,281,232	(1,281,232)
Transfers to reserve funds – School	-	185,000	(185,000)
Transfers to special revenue funds – Town	-	80,940	(80,940)
Transfers to special revenue funds – School	-	114,000	(114,000)
Utilization of prior year balances:			
School – Stabilization Reserve	(108,500)	-	108,500
Town	(600,000)	-	600,000
Total adjusted budget	\$ 30,184,724	(29,232,052)	(952,672)

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the following categories:

Employee benefits	\$ 42,158
Public Works – Maintenance	57,350
Police Department	21,266
Fire/Rescue Department	8,107
Hydrant rental	3,376
Cemeteries	622
Community development	484

These over-expenditures lapsed to fund balance at year end.

D. Deficit Fund Balances

At June 30, 2012, there were no deficit fund balances.

CASH 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's policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance. Funds will not be deposited or invested in institutions wherein the Town's deposits or investments will exceed 10% of the total reserve fund or capital of such institution. As of June 30, 2012, the Town reported deposits of \$6,597,779 with a bank balance of \$6,913,208. All of the Town's bank balances were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions. The Town's deposits have been reported as follows:

Reported in governmental funds	\$ 6,432,426
Reported in fiduciary funds	165,353
Total deposits	\$ 6,597,779

B. Investments

At June 30, 2012, the Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Equities/stock	\$ 1,224,389	N/A	N/A	N/A
Money funds/sweep options	58,897	N/A	N/A	N/A
Mutual funds	780,810	N/A	N/A	N/A
Total investments				\$ 2,064,196

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

CASH AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

Reported in governmental funds	\$ 2,064,196
Reported in fiduciary funds	-
Total investments	\$ 2,064,196

Interest Rate Risk: It is the Town's policy that unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than one year from the date of purchase.

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. As of June 30, 2012, the Town's investments in Citigroup Inc. were rated A by Standard & Poor's. In accordance with its investment policy, the Town minimizes credit risk by limiting the types of investments to be purchased and diversifying the investment portfolio so that the impact of potential losses will be minimized.

Concentration of Credit Risk: It is the Town's policy that with the exception of U.S. Treasury and agency securities, no more than 60% of the Town's total investment portfolio will be invested in a single security type.

Custodial Credit Risk - Town's investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Town's investments were subject to custodial credit risk.

PROPERTY TAX

Property taxes for the current year were committed on August 30, 2011 on the assessed value listed as of the prior April 1 for all real and personal property located in the Town. Interest was charged at 7.0% on all taxes unpaid as of November 16, 2011 and May 2, 2012. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value.

The Town is permitted by the laws of the State of Maine to levy taxes 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 \$247,188 for the year ended June 30, 2012.

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 tax liens and associated costs remain unpaid.

Property taxes levied during the year ended were recorded as receivables at the time the levy was made. The receivables collected during the year ended 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.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

PROPERTY TAX, CONTINUED

The following summarizes the periods ended June 30, 2012 and 2011 levies:

	<u>2012</u>	<u>2011</u>
Assessed valuation:		
Land and buildings	\$ 1,212,631,900	1,219,908,000
Personal property	37,960,800	42,468,300
Total assessed valuation	1,250,592,700	1,262,376,300
 Assessed valuation	 1,250,592,700	 1,262,376,300
Tax rate (per \$1,000)	20.28	19.80
Commitment	25,362,020	24,995,051
Supplemental taxes assessed	38,122	713
Total tax levy	25,400,142	24,995,764
Less:		
Collections, abatements and other adjustments	(24,964,758)	(24,547,855)
Current year receivables at June 30,		
2012 and 2011	\$ 435,384	447,909
 Collection rate	 98.29%	 98.21%

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

CAPITAL ASSETS

In accordance with generally accepted accounting principles, the Town has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	Increases	Decreases	Balance June 30, <u>2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Books and collections	\$ 870,302	-	-	870,302
<u>Land</u>	8,814,090	-	-	8,814,090
Total capital assets, not being depreciated	9,684,392	-	-	9,684,392
Capital assets, being depreciated:				
Land improvements	3,167,874	18,160	-	3,186,034
Buildings and building improvements	39,867,207	57,732	(74,201)	39,850,738
Furniture and equipment	2,251,209	181,332	(63,000)	2,369,541
Vehicles	4,901,002	171,855	(122,032)	4,950,825
<u>Infrastructure</u>	21,247,482	992,527	-	22,240,009
Total capital assets being depreciated	71,434,774	1,421,606	(259,233)	72,597,147
Less accumulated depreciation for:				
Land improvements	\$1,888,898	118,579	-	2,007,477
Buildings and building improvements	12,670,596	824,950	(28,370)	13,467,176
Furniture and equipment	1,466,498	171,300	(63,000)	1,574,798
Vehicles	3,393,248	300,642	(158,869)	3,535,021
<u>Infrastructure</u>	7,973,738	538,257	-	8,511,995
Total accumulated depreciation	27,392,978	1,953,728	(250,239)	29,096,467
Total capital assets being depreciated, net	44,041,796	(532,122)	(8,994)	43,500,680
Governmental activities capital assets, net	\$ 53,726,188	(532,122)	(8,994)	53,185,072

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

Governmental activities:

General government	\$ 184,579
Public safety	163,964
Public works, including depreciation of general infrastructure assets	795,485
Public services	68,085
<u>Education</u>	<u>741,616</u>
Total depreciation expense – governmental activities	\$ 1,953,729

Historical costs have been estimated when actual costs were not available.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

INTERFUND BALANCES/TRANSFERS

Individual interfund receivables and payables and transfers at June 30, 2012, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Interfund transfers</u>
<u>General Fund</u>	\$ -	352,405	(344,940)
Special Revenue Funds:			
School Nutrition Program	216	-	130,940
Trust Funds	74,662	563	-
Other Federal, State and Local Grants	161,107	-	100,000
Recreation Programs	62,559	-	52,000
Community Garden	17,114	-	-
Adult Education Programs	37,310	-	62,000
<u>Total Special Revenue Funds</u>	<u>352,968</u>	<u>563</u>	<u>344,940</u>
Totals	\$ 352,968	352,968	-

These transfers were budgeted transfers to fund certain activities. The transfer to the School Nutrition Program includes a budgeted transfer of \$80,940 and an additional transfer of \$50,000 to fund the deficit.

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. At June 30, 2012, the Town was in compliance with these limitations.

SHORT-TERM DEBT

Tax Anticipation Note - Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Town Council at the July 11, 2011 meeting to authorize the Treasurer to borrow up to \$2,990,000 on an "as needed basis" to be due on or before June 30, 2012. A total of \$2,000,000 was drawn and the outstanding principal and interest was paid in May 2012. The total interest paid on this note was \$2,822. Since there is no beginning or ending balance at June 30, 2011 and 2012, respectively, it has not been included on the debt note below.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, 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	\$18,466,759	-	2,272,684	16,194,075	1,600,401
Accrued compensated absences	852,664	-	45,473	807,191	-
Capital leases	310,856	-	123,464	187,392	107,669
Landfill post closure care costs	500,000	50,000	-	550,000	-
Governmental activity					
long-term liabilities	\$ 20,130,279	50,000	169,621	17,738,658	1,708,070

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2012 is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2012
General obligation bonds:					
2004 School revolving fund	6/04/04	\$ 763,058	6/30/2013	0.0%	35,531
2008 Road bonds	5/15/08	2,400,000	11/01/2019	2.3-5.5%	2,050,000
2009 CWSRLF	1/04/09	1,532,282	4/1/2023	3.0%	1,345,826
2009 General obligation	11/01/09	817,718	11/1/2019	2.0-5.5%	742,718
2011 Refunding bonds	6/1/11	13,155,000	11/15/2021	3.0-5.0%	12,020,000
Total					\$ 16,194,075

The annual requirements to amortize all outstanding bonds at June 30, 2012 are as follows. Such amounts exclude overlapping debt requirements, but include school debt requirements to be reimbursed by the State of Maine.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,600,401	614,854	2,215,255
2014	1,692,152	560,511	2,252,663
2015	1,687,152	495,622	2,182,774
2016	1,777,152	421,302	2,198,454
2017	1,727,152	348,727	2,075,879
2018 – 2022	7,485,760	774,493	8,260,253
Thereafter	224,306	3,174	227,480
Totals		\$ 16,194,075	3,218,683
			19,412,758

The State of Maine currently reimburses the Town for a portion of financing costs of school building and bus purchases. Continuation of such reimbursements is dependent upon continued appropriations by the state legislature.

On June 1, 2011, the Town issued \$13,155,000 in General Obligation Refunding Bonds (2011 Bonds) paying interest at rates from 3.0% to 5.0% and maturing from 2011 through 2021. The 2011 Bonds were issued to provide funds to finance the advance refunding the remaining portion of the Town's 2001 and 2002 bond issues. As part of the advance refunding, the Town placed \$13,155,000 into a refunding escrow which is sufficient to fund principal and interest requirements on the refunded bonds. The advance refunded bonds and the related funds held in the refunding escrow are not reflected on the Town's combined balance sheet. The advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$849,830 and resulted in an economic gain of \$625,000.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

CAPITAL LEASES

The Town and School Department have entered into various lease agreements as lessee for financing of vehicles, computers, HVAC, and equipment. The lease agreements contain fiscal funding clauses that permit the School Department to terminate the agreements on an annual basis if funds are not appropriated. However, these lease agreements qualify as capital leases, and therefore, have been recorded in the Town's government-wide financial statements at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2012:

Fiscal year ending

June 30,

2013	\$ 115,323
2014	82,992
Total minimum lease payments	198,315
Less amounts representing interest	(10,923)
Present value of future minimum lease payments	\$ 187,392

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, 2012, the Town's share is \$1,398,542 (3.76%) of Cumberland County's outstanding debt of \$37,220,000.

LANDFILL LIABILITY

The \$550,000 reported as landfill closure and post closure care liability at June 30, 2012 represents the estimated cost of closing the Town's landfill, and the monitoring tests at the site for thirty years after closure. The actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town estimates that 92% of the capacity of the landfill has been used to date and that the remaining life of the landfill is six to seven years. The liability for closure and postclosure care costs is based on landfill capacity used to date.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

JOINTLY GOVERNED ORGANIZATION

The Town of Yarmouth participates in a jointly governed organization, which is not part of the Town's reporting entity.

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2012 includes total assets of \$60,491,701, total liabilities of \$22,953,734 and unrestricted net assets of \$9,881,421. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,694,020. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

INDUSTRIAL EDUCATION REVENUE BONDS

In 1996, the Town issued \$750,000 in revenue bonds. The principal and interest are payable in monthly installments over 20 years. The bonds were issued to finance capital improvements and debt restructure at the North Yarmouth Academy. The bonds do not constitute a debt or liability of the Town or a pledge of the faith and credit of the Town.

In 2002, the Town issued \$2,000,000 in education reserve bonds. The principal and interest are payable in monthly installments over 25 years. The bonds were issued to finance capital improvements for a wireless laptop program. The bonds do not constitute a debt or liability of the Town or a pledge of the faith and credit of the Town.

In 2007, the Town issued \$2,055,332 in education revenue refunding bonds. The principal and interest are payable in monthly installments over 20 years. The bonds were issued to finance capital improvements and debt restructure at the North Yarmouth Academy. The bonds do not constitute a debt or liability of the Town or a pledge of the faith and credit of the Town.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

BUDGETARY VS GAAP BASIS OF ACCOUNTING

The Town currently budgets for all summer salaries on the cash basis. Since teachers and certain other positions have provided all of the required services under their contracts at June 30, 2012, accounting principles generally accepted in the United States of America require that the cost associated with those services be recorded during that period. In order to be in conformance with generally accepted accounting principles (GAAP), the accompanying statements have been adjusted to reflect these liabilities. If these liabilities had not been recorded, unassigned fund balance would be as follows:

School Department unassigned fund balance per Schedule 1 (GAAP basis)	\$ (1,386,345)
Items not included on a budgetary basis:	
Accrued wages and benefits	1,386,345
Unassigned fund balance at June 30, 2012, budgetary accounting basis	

As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the School District. 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 generally accepted accounting principles of \$1,698,873. These amounts have been included as an intergovernmental revenue and an education expenditure in the General Fund on Statement 4 (GAAP basis) and on the Statement of Activities. There is no effect on the fund balance at the end of the year.

FUND BALANCE

The General Fund unassigned fund balance total of \$1,190,816 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Of the General Fund unassigned fund balance total of \$1,190,816, the amounts available for future use by the Town and K-12 education, respectively, are: \$2,450,277 and (\$1,259,461).

As of June 30, 2012, other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Education	\$ -	(1,773)	-	-
Encumbrances	-	-	-	1,773
Nonspendable for inventory	18,235	-	-	-
Reserves	-	-	3,330,914	-
Carryforward accounts	-	-	-	134,783
Special Revenue Funds	15,731	77,714	-	298,847
Permanent Funds:				
Principal	2,242,580	-	-	-
Totals	\$ 2,276,546	75,941	3,330,914	435,403

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

FUND BALANCE, CONTINUED

At June 30, 2012 and 2011, portions of the General Fund fund balance were assigned to future periods as follows:

	<u>2012</u>	<u>2011</u>
AED donations	\$ 1,091	1,091
Beth Condon Memorial Garden	637	637
Bike and Pedestrian	2,000	-
Energy Savers Committee	15,718	18,242
Dog control	4,137	2,110
Fire training facility	(46)	(409)
Friends of Pratt's Brook	625	625
Herbie Tree Memorial	6,366	45,066
Memorial bandstand	981	981
Recycling Committee	69	(40)
Regionalism	2,500	2,500
Sam Lacroix Scholarship	937	1,525
Sanders-Winslow Field	4,747	4,747
Shellfish conservation	34,679	30,302
Subdivision inspections	26,637	18,552
Tenney-Hillside trail construction	1,000	-
Town Garage Study	4,386	(1,197)
Woodchips	(17,396)	(16,635)
Yarmouth Gateway	2,059	2,059
Yarmouth PD Dog Fund	-	3,979
Westside Trail	575	1,000
Yarmouth tree program	43,081	2,331
 Total assigned General Fund fund balance	\$ 134,783	117,466

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

FUND BALANCE, CONTINUED

Capital Reserves Fund Balances (Committed)

Additionally, at June 30, 2012 and 2011, portions of the General Fund fund balances have been reserved (committed) as follows:

	<u>2012</u>	<u>2011</u>
Town:		
Cousins Island dock maintenance	\$ 169,589	150,554
Dam maintenance	737	1,389
Debt service reserve	1,006	4,191
Dewan lease reserve	45,851	65,826
Dredging	108,813	97,236
Economic development	48,534	51,745
Fire equipment	357,204	294,752
Harbor and waterfront	19,348	(693)
Historic building preservation	9,403	35,442
Housing support	32,399	23,425
Library maintenance	46,249	34,144
Park development	61,269	66,606
Police equipment	44,860	67,928
Property acquisition	8,386	8,366
Property maintenance	145,875	147,748
Public works equipment	530,531	489,991
Public works future projects	35,546	137,538
Road improvement	38,099	(30,871)
Sewers	285,503	201,278
Solid waste	139,604	137,751
Tax revaluation	92,385	87,169
Technology reserve	162,370	243,711
<u>Unemployment compensation</u>	<u>(7,286)</u>	<u>(4,927)</u>
<u>Total Town</u>	<u>2,376,275</u>	<u>2,310,299</u>
 School:		
School equipment	\$ 3,703	3,694
School maintenance	558,815	315,653
School retirement	172,854	172,448
Special education reserve	212,640	212,139
<u>Text book reserve</u>	<u>6,627</u>	<u>29,967</u>
<u>Total School</u>	<u>954,639</u>	<u>733,901</u>
 <u>Total Town and School capital reserves</u>	<u>\$ 3,330,914</u>	<u>3,044,200</u>

Additionally, the School Department has a tax stability reserve that is classified as unassigned. The amount at June 30, 2012 and 2011 was \$126,884 and \$235,020, respectively.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

NET ASSETS

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2012:

Capital assets	\$ 82,281,539
Accumulated depreciation	(29,096,467)
Bonds payable	(16,194,075)
Capital leases	(187,392)
 Total invested in capital assets net of related debt	 \$ 36,803,605

EMPLOYEE'S RETIREMENT SYSTEM

Maine Public Employees Retirement System (Maine PERS) - District Group

Description of the Plan - The Town contributes to Regular Plan A and Special Plan 2 of the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees 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 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 4.4% and 10.2% of annual covered payroll for Regular Plan and Special Plan 2, respectively. The contribution rates of plan members and the Town of Yarmouth are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended June 30, 2012, 2011 and 2010 were \$68,531, \$38,393, and \$20,297, respectively, equal to the required contributions for each year. The gross contributions for district employees for the fiscal year ended June 30, 2012 was \$90,275, less IUUAL credit of \$21,744.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

EMPLOYEE'S RETIREMENT SYSTEM, CONTINUED

Maine Public Employees Retirement System (Maine PERS) - Teachers Group

Description of the Plan - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees 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 \$1,698,873 (16.36%) for the fiscal year 2012. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements (Statement 4 and Statement 2). There is no contribution required by the School except for federally funded teachers, for which the School contributed 16.36% of their compensation. This cost is charged to the applicable grant.

Defined Contribution Plan

The Town offers its regular employees and certain school employees not participating in the Maine Public Employees Retirement system a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate and are vested from the date of employment. The Town matches the employees' contribution to the plan up to 5% of compensation for the plan year for School employees and 7% of compensation for the plan year for Town employees.

Deferred Compensation Plan

The Town of Yarmouth offers all its employees not participating in Maine Public Employees Retirement a deferred compensation plan created in accordance with Internal Revenue Code (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 are not included in the Town's financial statements.

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS

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

The Town is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in June 2009. The most recent valuation report was completed in October 2011 for the year ended June 30, 2012.

Plan Descriptions –The Town provides retirees with the ability to remain with the Town's group health insurance plan at the retiring employee's own expense.

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

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

Normal cost	\$ 33,467
Amortization of unfunded	49,925
Adjustment to ARC	(12,211)
Interest	10,097
<hr/> Annual required contribution	\$ 81,278

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Net OPEB Obligation – The Town's net OPEB obligation was calculated as follows:

OPEB liability, July 1, 2010	\$ 128,401
Annual required contribution - 2011	82,754
Annual required contributions – 2012	81,278
<u>Less: actual contributions</u>	<u>-</u>
OPEB liability, June 30, 2012	\$ 292,433

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual required contribution	\$ 64,778	82,754	81,278
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	635,337	897,833	897,833
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	635,337	897,833	897,833
Covered payroll	3,140,000	3,140,000	3,210,500
Unfunded actuarial accrued liability as a percentage of covered payroll	20%	29%	28%

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

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

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years - open

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

TOWN OF YARMOUTH, MAINE
Notes to Basic Financial Statements

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 risk pool, or is effectively self-insured. The Town participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association for workers' compensation coverage. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2012.

TAX INCREMENT FINANCING DISTRICT

The Town has established a tax increment financing district (TIF) for Delorme Publishing Company, Inc. The District retains the tax increment on 75% on the captured assessed value of the real estate and 50% of the personal property in this TIF District to finance certain eligible projects. The Town accounts for the activity of the TIF in the general fund. The Town recognized \$98,653 in TIF expenditures for the fiscal year ended June 30, 2012.

SIGNIFICANT TAXPAYER

Central Maine Power Company (CMP) has historically paid approximately 40% of the Town's property taxes. In 1999, several parcels of land owned by CMP on Cousins Island in proximity to CMP's W.F. Wyman power plant, and representing substantially all of CMP's taxable properties were sold to FPL Energy, Inc. (FPLE). Concurrent with this transaction, the Town entered into an agreement with CMP and FPLE whereby the total taxable assessed valuation for properties owned by CMP and FPLE was established at \$360,404,400 or 37% of the total valuation for the Town for the property tax year commencing April 1, 1999.

In August 2000, the Town entered into an agreement with FPLE which established the total assessed valuations for properties owned by FPLE for the property tax year commencing April 1, 2000, 2001 and 2003 at \$315,840,000, \$284,256,000 and \$260,094,000, respectively.

Subsequent to this three year term (beginning fiscal year 2003), the Town has entered into an agreement with FPLE that sets the assessed valuation at the amounts below.

<u>Property tax years commencing April 1:</u>	<u>Assessed valuation</u>
2003	\$ 236,046,200
2004	214,802,000
2005	194,395,800
2006	181,300,000
2007	169,000,000
2008	156,500,000
2009	144,000,000
2010	123,500,000
2011	107,000,000
2012	95,000,000

TOWN OF YARMOUTH, MAINE
Required Supplementary Information

Retiree Healthcare Plan

Fiscal Year <u>Ended</u>	Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) – Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b-a)/c]</u>
2009	12/31/08	\$ -	635,337	635,337	-	3,179,000	20%
2010	12/31/08	-	635,337	635,337	-	3,140,000	20%
2011	12/31/10	-	897,833	897,833	-	3,140,000	29%
2012	12/31/10	-	897,833	897,833	-	3,210,500	28%

COMBINING AND INDIVIDUAL FUND STATEMENTS

These statements provide a more detailed view of the "basic financial statements" presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type. Several individual fund statements are presented to provide additional detail and to present budgetary comparison.

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 works, public safety, education, recreation, health and welfare, and assessments from other governmental agencies.

TOWN OF YARMOUTH, MAINE
General Fund
Comparative Balance Sheets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 6,307,653	6,811,285
Investments	-	-
Receivables:		
Taxes - current year	435,384	447,909
Taxes - prior years	31,726	18,353
Tax liens	86,712	68,984
Accounts receivable - Town	308,806	130,960
Accounts receivable - School	25,719	21,899
Prepaid assets	35,971	-
Inventory	18,235	13,536
Total assets	\$ 7,250,206	7,512,926
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholding	403,966	327,400
Accrued wages- Town	66,424	50,801
Accrued wages - School	1,436,460	1,633,692
Deferred tax revenue	300,527	285,000
Taxes paid in advance	15,676	7,134
Interfund loans payable	352,405	484,081
Total liabilities	2,575,458	2,788,108
Fund balance:		
Restricted for Education	(1,773)	79,727
Nonspendable for inventory	18,235	13,536
Committed:		
Reserves - Town	2,376,275	2,310,299
Reserves - School	954,639	733,901
Assigned:		
Encumbrances - School	1,773	371
Town	134,783	117,466
Unassigned:		
Education (teacher summer salaries and benefits)	(1,386,345)	(1,468,144)
Education - tax stability reserve	126,884	235,020
Town	2,450,277	2,702,642
Total fund balance	4,674,748	4,724,818
Total liabilities and fund balance	\$ 7,250,206	7,512,926

TOWN OF YARMOUTH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the year ended June 30, 2012

	Revised budget	Actual	Variance positive (negative)
Revenues:			
Taxes:			
Property taxes - Town	\$ 7,743,526	7,932,993	189,467
Property taxes - School	17,446,362	17,446,362	-
Excise taxes	1,535,000	1,444,170	(90,830)
Interest and costs on taxes	32,000	38,850	6,850
Total taxes	26,756,888	26,862,375	105,487
Licenses and permits:			
Public safety permits and fees	21,200	22,819	1,619
Code enforcement fees	89,000	76,582	(12,318)
Business licenses	3,000	2,705	(295)
Total licenses and permits	113,200	102,206	(10,994)
Intergovernmental revenues:			
State Revenue Sharing	725,000	863,017	138,017
Homestead reimbursement	143,000	158,158	15,158
General Assistance - State reimbursement	6,000	7,229	1,229
Snowmobile refund	950	1,013	63
Veterans reimbursement	6,500	8,919	2,419
BETE reimbursement	115,000	159,345	44,345
MDOT Grant	75,000	83,736	8,736
Education - State subsidies	1,555,686	1,476,289	(79,397)
State Agency subsidy	24,000	49,330	25,330
MaineCare	12,000	-	(12,000)
Total intergovernmental revenues	2,663,136	2,807,036	143,900
Investment income:			
Investment earnings	20,000	2,131	(17,869)
Total investment income	20,000	2,131	(17,869)
Other revenues:			
Agent fees	26,000	25,447	(553)
Harbor and waterfront fees	39,000	54,101	15,101
Rescue billings	275,000	355,277	80,277
Cable TV franchise fees	85,000	85,000	-
Recycling fees	30,000	39,578	9,578
Cemeteries	1,000	1,000	-
Library fines and fees	6,000	6,000	-
Miscellaneous - Town	44,700	108,510	63,810
School Department rental income	800	2,397	1,597
School Department refunds	15,000	3,643	(11,357)
School Department tuition and fees	108,000	120,300	12,300
Miscellaneous - School	1,000	27,195	26,195
Total other revenues	631,500	828,448	196,948
Total revenues	30,184,724	30,602,196	417,472

TOWN OF YARMOUTH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	Revised budget	Actual	Variance positive (negative)
Expenditures:			
Current:			
General government:			
Administration	\$ 620,803	571,304	49,499
Insurance	203,430	202,806	624
Employee benefits	1,142,273	1,184,431	(42,158)
Town buildings	168,508	147,078	21,430
Total general government	2,135,014	2,105,619	29,395
Public works:			
Highways	709,629	610,288	99,341
Maintenance	345,035	402,385	(57,350)
Solid waste	800,197	778,289	21,908
Tree care	12,000	12,000	-
Wastewater	857,938	836,212	21,726
Total public works	2,724,799	2,639,174	85,625
Public safety:			
Police Department	957,637	978,903	(21,266)
Fire/Rescue Department	538,041	546,148	(8,107)
Communications division	166,811	162,864	3,947
Harbor and waterfront	48,490	47,722	768
Hydrant rental	341,200	344,576	(3,376)
Street lights	99,000	98,001	999
Miscellaneous	29,905	22,984	6,921
Total public safety	2,181,084	2,201,198	(20,114)
Health and welfare:			
General assistance	28,300	24,693	3,607
Human services agencies	5,850	5,850	-
Total health and welfare	34,150	30,543	3,607
Public services:			
Library	386,425	378,758	7,667
Parks	346,680	344,687	1,993
Cemeteries	19,900	20,522	(622)
Community development	42,477	42,961	(484)
Planning	258,909	250,516	8,393
Total public services	1,054,391	1,037,444	16,947

TOWN OF YARMOUTH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	Revised budget	Actual	Variance positive (negative)
Expenditures, continued			
Current, continued:			
Education (excluding debt service):			
Regular program	\$ 7,771,616	7,717,376	54,240
Special education	2,325,809	2,446,181	(120,372)
Guidance	473,014	483,354	(10,340)
Student health	157,818	169,770	(11,952)
Student support	15,920	17,426	(1,506)
Improvement of instruction	134,563	79,882	54,681
Library	359,797	355,015	4,782
Technology - instruction	519,524	493,991	25,533
Assessment	73,286	73,748	(462)
Superintendent/School Committee	348,417	336,034	12,383
Office of the principal	1,008,509	962,772	45,737
Office of finance and operations	372,029	302,280	69,749
Operations and maintenance	1,755,599	1,668,526	87,073
Student transportation	753,015	854,430	(101,415)
Extra and co-curricular activities	155,369	123,021	32,348
Extra-curricular athletics	716,092	722,420	(6,328)
Career and technical education	53,599	53,599	-
English language learners	36,393	51,704	(15,311)
Summer and after school programs	11,865	12,998	(1,133)
Contingency fund	85,000	-	85,000
Total education	17,127,234	16,924,527	202,707
Unclassified:			
County tax	869,105	869,105	-
Delorme TIF	98,653	98,653	-
Total unclassified	967,758	967,758	-
Debt service:			
Principal - Town	934,775	928,775	6,000
Principal - School	1,357,909	1,343,909	14,000
Interest and fees - Town	179,673	143,460	36,213
Interest - School	520,265	467,213	53,052
Interest T.A.N.	15,000	5,173	9,827
Total debt service	3,007,622	2,888,530	119,092
Total expenditures	29,232,052	28,794,793	437,259
Excess of revenues over expenditures	952,672	1,807,403	854,731

TOWN OF YARMOUTH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis, Continued

	Revised budget	Actual	Variance positive (negative)
Other financing sources (uses):			
Transfer to reserves - Town	\$ (1,281,232)	(1,281,232)	-
Transfer to reserves - School	(185,000)	(185,000)	-
Transfer to School Nutrition	-	(50,000)	(50,000)
Transfer to School Nutrition	(80,940)	(80,940)	-
Transfer to Special Revenue Funds	(114,000)	(114,000)	-
Utilization of stabilization reserve - School	108,500	108,500	-
Utilization of prior year surplus - Town	600,000	600,000	-
Total other financing uses	(952,672)	(1,002,672)	(50,000)
Net change in fund balance - budgetary basis	-	804,731	804,731
Reconciliation to GAAP:			
Add back transfers to (from) reserves recorded within General Fund	1,466,232		
Use of unassigned fund balance	(708,500)		
Expenditures from unassigned fund balance	(272,000)		
Change in inventory/other	1,660		
Revenues in reserves/assigned fund balance	487,840		
Expenditures from reserves/assigned fund balance	(1,913,604)		
Change in teacher summer salaries	81,798		
Add back encumbrances	1,773		
Fund balance, beginning		4,724,818	
Fund balance, ending	\$	4,674,748	

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are established to account for resources obtained and expended for specific purposes that are restricted by law or administrative actions.

Special revenue funds are established for the following purposes:

School Nutrition Program

This fund accounts for revenues and expenditures for school lunch purposes.

Trust Funds

This fund accounts for monies entrusted to the Town for various purposes including scholarships, cemetery maintenance, housing and medical assistance, programs for youth, library programs, etc.

Other Federal, State and Local Grants

This fund accounts for various federal, state and local programs administered by the school department and the Town.

Recreation Programs

This fund accounts for revenues and expenditures related to various recreation programs.

Community Garden

This fund accounts for funds raised and spent by a citizen's group organized to operate a community garden on Town-owned property.

Adult Education Program

This fund accounts for revenues and expenditures related to Adult Education.

TOWN OF YARMOUTH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2012
(with comparative totals for June 30, 2011)

	School Nutrition Program	Other Federal, State and Local Grants	Recreation Programs	Community Garden	Adult Education Programs	Totals	2012	2011
ASSETS								
Cash	\$ 20,113	104,635	-	25	-	-	124,773	175,333
Investments	-	427,342	-	-	-	-	427,342	420,029
Accounts receivable	15,453	-	104,675	13,893	124	383	134,528	184,317
Inventory	15,731	-	-	-	-	-	15,731	22,505
Interfund loans receivable	216	74,662	161,107	62,559	17,114	37,310	352,968	259,264
Total assets	\$ 51,513	606,639	265,782	76,477	17,238	37,693	1,055,342	1,061,448
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	279	350	11,869	6,345	225	240	19,308	44,003
Interfund loans payable	-	563	-	-	-	-	563	67,981
Total liabilities	279	913	11,869	6,345	225	240	19,871	111,984
Fund balances:								
Nonspendable:								
Inventory	15,731	-	-	-	-	-	15,731	22,505
Principal	-	605,726	-	-	-	-	605,726	605,933
Restricted for grants	-	-	77,714	-	-	-	77,714	121,528
Unrestricted:								
Assigned	35,503	-	176,199	70,132	17,013	-	298,847	201,240
Unassigned	-	-	-	-	-	37,453	37,453	(1,742)
Total fund balances	51,234	605,726	253,913	70,132	17,013	37,453	1,035,471	949,464
Total liabilities and fund balances	\$ 51,513	606,639	265,782	76,477	17,238	37,693	1,055,342	1,061,448

TOWN OF YARMOUTH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	School Nutrition Program	Other Federal, State and Local Trust Funds	Recreation Programs	Community Garden	Adult Education Programs	2012	Totals	2011
Revenues:								
Intergovernmental:								
Federal and state subsidies	\$ 91,708	-	896,749	-	-	29,878	1,018,335	1,729,418
Federal commodities	29,602	-	-	-	-	-	29,602	27,697
Interest earned	-	9,896	-	-	-	-	9,896	8,334
Gain (loss) on investments	-	(13,667)	-	-	-	-	(13,667)	66,459
Other revenue:								
Contributions	-	40,725	-	-	1,874	-	42,599	72,772
Local grants	-	-	147,847	-	-	-	147,847	147,906
School lunch sales	477,213	-	-	-	-	-	477,213	461,678
Charges for services	-	-	-	427,014	16,524	33,096	476,634	438,911
Total revenues	598,523	36,954	1,044,596	427,014	18,398	62,974	2,188,459	2,953,175
Expenditures:								
Education	-	-	1,093,196	-	-	85,779	1,178,975	1,426,925
School nutrition expenditures	709,766	-	-	-	-	-	709,766	702,922
Unclassified	-	37,161	34,220	472,453	14,817	-	558,651	787,280
Total expenditures	709,766	37,161	1,127,416	472,453	14,817	85,779	2,447,392	2,917,127
Other financing sources:								
Transfer from other funds	130,940	-	100,000	52,000	-	62,000	344,940	266,940
Total other financing sources	130,940	-	100,000	52,000	-	62,000	344,940	266,940
Net change in fund balances	19,697	(207)	17,180	6,561	3,581	39,195	86,007	302,988
Fund balances (deficit), beginning of year	31,537	605,933	236,733	63,571	13,432	(1,742)	949,464	646,476
Fund balances, end of year	\$ 51,234	605,726	253,913	70,132	17,013	37,453	1,035,471	949,464

TOWN OF YARMOUTH, MAINE
Trust Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	Fund balances					
	beginning of year	Investment Income	Contributions	Gain (loss) on Investments	Expenditures	Fund balances end of year
Ayer	\$ 52,083	1,053	-	(1,255)	-	51,881
Baptist Fund	36,964	747	10,200	(890)	1,000	46,021
Coombs Fund	29,332	-	21,290	-	17,809	32,813
Doughty Fund	185,344	3,745	1,000	(4,466)	4,801	180,822
Farwell Fund	80,450	1,825	-	(4,247)	2,900	75,128
Fitts Fund	3,925	79	-	(95)	350	3,559
Grange Trust	1,621	33	-	(39)	120	1,495
Hector Hebert Fund	7,119	144	1,685	(172)	41	8,735
Humphrey Fund	357	7	-	(8)	-	356
Johnson Fund	39,593	800	-	(954)	1,500	37,939
Ledge Fund	2,350	47	-	(56)	-	2,341
Mann Fund	7,136	144	-	(172)	-	7,108
Mayall Fund	6,916	140	-	(167)	-	6,889
O'Brien Fund	10,684	216	-	(257)	400	10,243
Plummer Fund	12,935	261	-	(311)	400	12,485
Sherburne Fund	14,168	286	-	(342)	500	13,612
Swegustagoe Fund	7,540	152	-	(182)	-	7,510
Wilder Fund	2,253	45	-	(54)	90	2,154
Yarmouth High School Scholarships	105,163	172	6,550	-	7,250	104,635
Total	\$ 605,933	9,896	40,725	(13,667)	37,161	605,726

TOWN OF YARMOUTH, MAINE
Other Federal, State and Local Grants
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

		Fund						Fund balances end of year		
		Program Revenues			Program expenditures					
		beginning of year	Federal	State	Local	Transfers				
Town Programs:										
State and local:										
2309	Underage Drinking	\$ 867	-	1,500	-	-	848	1,519		
2310	Wellness Grant	(359)	-	1,286	-	-	927	-		
2312	MMA Safety Grant	-	-	-	1,315	-	1,315	-		
2313	Healthy Maine Partnerships	1,660	-	-	-	-	1,660	-		
2315	New England Grassroots	2,000	-	-	-	-	2,000	-		
2316	Composting Facility Improvement	-	-	-	1,681	-	1,681	-		
Federal:										
2601	Firefighter Assistant Grant	-	800	-	-	-	800	-		
2614	Bureau of Highway Safety	(127)	-	-	-	-	1,201	(1,328)		
2616	Bullet Proof Vest	-	810	-	-	-	810	-		
2617	Election Assistance for Individuals	3,500	-	-	-	-	2,704	796		
2618	CDBG - Yarmouth Senior Housing	-	14,258	-	-	-	14,258	-		
2619	Royal River Dam Removal Study	27	-	-	-	-	-	27		
2620	Justice Assistance Grant (JAG)	-	1,291	-	-	-	1,303	(12)		
2623	COPS Grant	-	4,463	-	-	-	4,463	-		
2624	US1 Pathway	-	-	-	-	100,000	-	100,000		
2626	Project Canopy Grant	-	-	-	-	-	250	(250)		
Total Town Programs		7,568	21,622	2,786	2,996	100,000	34,220	100,752		
School Programs:										
0020	ARRA - Stabilization	103,334	-	-	-	-	103,334	-		
0205	Yarmouth Education Foundation	-	-	-	9,328	-	14,888	(5,560)		
0225	School Health Grant	390	-	-	-	-	-	390		
0230	Title 1	-	36,062	-	-	-	36,062	-		
0245	Certification Grant	3,479	-	-	-	-	-	3,479		
0247	Local Entitlement	(1,239)	328,146	-	-	-	328,146	(1,239)		
0250	PPPD	-	12,000	-	-	-	12,000	-		
0251	Local Entitlement - Preschool	40	6,777	-	-	-	6,777	40		
0260	Title IV A Drug Free	-	-	-	-	-	214	(214)		
0270	Title IIA Teacher Quality	(388)	29,290	-	-	-	32,806	(3,904)		
0274	National Semiconductor HS Photo	17	-	-	-	-	-	17		
0275	National Semiconductor Roots	216	-	-	-	-	-	216		
0276	Noyce Foundation	2,677	-	-	-	-	-	2,677		
0280	High School Teacher	5,434	-	-	-	-	-	5,434		
0281	High School Teacher	-	-	-	5,000	-	-	5,000		
0650	Daycare Rowe School	115,205	-	-	130,523	-	69,529	176,199		
0996	Jobs Fund	-	460,066	-	-	-	489,440	(29,374)		
Total School Programs		229,165	872,341	-	144,851	-	1,093,196	153,161		
Total		\$ 236,733	893,963	2,786	147,847	100,000	1,127,416	253,913		

AGENCY FUNDS

Yarmouth High School Activity Fund

Harrison Middle School Activity Fund

Yarmouth Elementary School Activity Fund

Rowe School Activity Fund



TOWN OF YARMOUTH, MAINE
Agency Fund - Yarmouth High School Activity Fund
Statement of Cash Receipts, Disbursements and Changes in Balances
For the year ended June 30, 2012

Account name	Beginning balance	Receipts	Disbursements	Ending balance
Ambassadors Club	\$ -	250	-	250
Are: clay	82	550	632	-
Art: photo	326	795	922	199
Athletic Trainer	6,122	-	-	6,122
Athletics	25,770	30,124	29,739	26,155
Band	2,317	800	463	2,654
Cheer	29	-	-	29
Chewonki	248	-	248	-
Class (Grads Unused)	2,779	852	-	3,631
Class 07	271	-	271	-
Class 08	581	-	581	-
Class 10	2,175	744	2,500	419
Class 11	2,096	9,528	10,736	888
Class 12	4,281	10,477	9,949	4,809
Class 13	3,935	8,811	5,439	7,307
Class 14	582	9,193	2,399	7,376
Class 15	-	910	415	495
Curriculum Enrichment	1,611	-	200	1,411
Debate	383	42	-	425
Destination imagination	-	2,260	2,260	-
Drama	10,298	25,900	21,321	14,877
English	454	116	570	-
Environmental Club	878	-	-	878
Field Trips Account	-	607	-	607
Folgers Shakespeare Workshop	2,400	1,270	3,670	-
Foreign Language	596	631	1,227	-
French Club	-	953	352	601
Freshman Team	196	871	982	85
General (Non - Reimb)	1,243	496	344	1,395
General (Reimb)	(79)	22,255	22,516	(340)
Global Action Club	1,157	1,219	693	1,683
GSA	597	116	648	65
Guidance	16	4,700	3,187	1,529
Industrial Arts	1,094	-	512	582
Interact	430	-	-	430
Laptop Repair Fund	15,982	15,478	12,564	18,896
Library	1,369	188	343	1,214
Math Text Recovery	245	120	365	-
Opening balance equity	260	2,020	2,280	-
Outing Club	519	325	844	-
Principal's Acct	4,490	3,474	4,653	3,311
Robotics Club	898	8,245	8,883	260
Science Text Recovery	450	108	558	-
Soc. Studies Text Recovery	96	40	136	-
Special Olympics	-	184	184	-
Student Assistance Fund	192	25	66	151
Student Senate	18	260	53	225
Student Senate Performances	10	-	10	-
Student Support	2,500	-	433	2,067
Temp Fundraisers	636	9,104	8,947	793
Temporary Textbooks Account	-	1,092	-	1,092
Western Maine Conference	2,247	4,687	2,200	4,734
Yearbook	10,066	20,755	19,999	10,822
YPAC piano fund	3,518	-	580	2,938
YPAC Sign	3,050	-	-	3,050
Totals	\$ 119,414	200,575	185,874	134,115

TOWN OF YARMOUTH, MAINE
Agency Fund - Harrison Middle School Activity Fund
Statement of Cash Receipts, Disbursements and Changes in Balances
For the year ended June 30, 2012

Account name	Beginning balance	Additions	Reductions	Ending balance
D! Team 2 Pair A Dice	\$ 731	-	-	731
Drama	3,245	2,051	1,305	3,991
Frank Clark Scholarship	785	-	400	385
Grade 5	253	530	683	100
General	361	-	-	361
Guidance	238	380	314	304
Hugs Committee	35	-	-	35
Interest and Fees	(51)	51	-	-
Interest income	-	20	78	(59)
Laptop Insurance	2,793	6,901	19,026	4,760
Lets Go	545	-	280	265
Library	421	4,835	4,518	738
Music	173	716	636	253
Opening balance equity	2,736	-	2,736	-
Principal	2,190	3,730	5,315	605
Principal	-	237	44	193
PTSA	55	-	-	55
QSP	2,997	19,823	22,276	544
Retained earnings	(272)	-	-	(272)
Special Olympics	610	-	-	610
Student Council	3,850	3,976	3,742	4,084
Technology	500	-	-	500
Textbooks	208	10	-	218
Yearbook	(1,932)	8,900	5,378	1,590
Totals	\$ 20,471	52,160	66,731	19,991

TOWN OF YARMOUTH, MAINE
Agency Fund - Yarmouth Elementary School Activity Fund
Statement of Cash Receipts, Disbursements and Changes in Balances
For the year ended June 30, 2012

Account name	Beginning balance	Additions	Reductions	Ending balance
YES Activities	\$ 4,009	5,834	7,310	2,533
Totals	\$ 4,009	5,834	7,310	2,533

TOWN OF YARMOUTH, MAINE
Agency Fund - Rowe School Activity Fund
Statement of Cash Receipts, Disbursements and Changes in Balances
For the year ended June 30, 2012

Account name	Beginning balance	Additions	Deductions	Ending balance
Book Fair	\$ 2,091	1,699	265	3,525
Principals Account	1	300	142	159
PTO Art Funds	1,088	215	92	1,211
General	-	2,432	-	2,432
Sunshine Fund	872	1,449	934	1,387
Totals	\$ 4,052	6,095	1,433	8,714

SCHEDULE

TOWN OF YARMOUTH, MAINE
School Department - General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the year ended June 30, 2012

	Budget	Actual	Variance positive (negative)
Revenues:			
Property taxes	\$ 17,446,362	17,446,362	-
State education subsidy--school	1,555,686	1,476,289	(79,397)
State Agency subsidy	24,000	49,330	25,330
MaineCare	12,000	-	(12,000)
Refunds	15,000	3,643	(11,357)
Tuition and fees	108,000	120,300	12,300
Rental income	800	2,397	1,597
Miscellaneous	1,000	27,195	26,195
Other financing sources:			
Use of prior year fund balance	108,500	108,500	-
Total revenues and other financing sources	19,271,348	19,234,016	(37,332)
Expenditures:			
Regular programs	7,771,616	7,717,376	54,240
Special education	2,325,809	2,446,181	(120,372)
Guidance	473,014	483,354	(10,340)
Student health	157,818	169,770	(11,952)
Student support	15,920	17,426	(1,506)
Improvement of instruction	134,563	79,882	54,681
Library	359,797	355,015	4,782
Technology - instruction	519,524	493,991	25,533
Assessment	73,286	73,748	(462)
Superintendent/School Committee	348,417	336,034	12,383
Office of the principal	1,008,509	962,772	45,737
Office of finance and operations	372,029	302,280	69,749
Operations and maintenance	1,755,599	1,668,526	87,073
Student transportation	753,015	854,430	(101,415)
Extra and co-curricular activities	155,369	123,021	32,348
Extra-curricular athletics	716,092	722,420	(6,328)
Career and technical education	53,599	53,599	-
English language learners	36,393	51,704	(15,311)
Summer and after school programs	11,865	12,998	(1,133)
Contingency fund	85,000	-	85,000
Debt service	1,878,174	1,811,122	67,052
Capital reserves	185,000	185,000	-
Transfer to School Nutrition program	80,940	80,940	-
Total expenditures	19,271,348	19,001,589	269,759
Net change in fund balances - budgetary basis	-	232,427	232,427
Reconciliation to GAAP:			
Add back encumbrances	1,773		
Less prior year encumbrances	(371)		
Transfer to cover School Nutrition deficit	(50,000)		
Change in teacher summer salaries	81,798		
Capital reserve transfers	185,000		
Revenues/interest in reserve accounts	38,980		
Expenditures from reserve accounts	(375,303)		
Net change in fund balance - GAAP basis	114,304		
Fund balance (deficit), beginning of year	(419,125)		
Fund balance (deficit), end of year	\$ (304,821)		
Consisting of:			
Assigned for encumbrances	1,773		
Reserve accounts	1,081,524		
Restricted	(1,773)		
Unassigned (teacher summer salaries and benefits)	(1,386,345)		
Total	(304,821)		

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

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BERNSTEIN SHUR

COUNSELORS AT LAW

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

[DATE]

[PURCHASER]

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$ _____ aggregate principal amount of 2013 General Obligation Bonds-Series A (the "Bonds") of the Town of Yarmouth, Maine (the "Issuer"), a public municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine and the Charter of the Town of Yarmouth, Maine (the "Charter").

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

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

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

The Bonds are dated October 1, 2013. Principal of the Bonds will be payable on each of the dates on which the Bonds mature and in the principal amounts as set forth below. The Bonds will bear interest from their date, payable semi-annually on May 15, 2014 and then semi-annually on each November 15 and May 15 thereafter until maturity, or redemption prior to maturity, at the respective rates per annum, as follows:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
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The Bonds maturing on and before November 15, 2023 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after November 15, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the Issuer, on and after November 15, 2023, as a whole or in part at any time, in such order of maturity as

the Issuer, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

The Bonds will be issued in fully registered form without coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof and with one denomination of \$3,000 that will mature in 2018. The Bonds are lettered R and shall be numbered from one (1) upwards.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code.

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

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

1. The Issuer has been duly created and validly exists as a public municipal corporation under and pursuant to the laws of the State of Maine.
2. The Issuer is duly authorized to issue the Bonds which have been duly and validly authorized and issued in accordance with law and constitute valid general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied, subject to certain procedural limitations under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it, except to any extent that the Issuer may enter into an agreement under Title 30-A, Chapter 223, Subchapter 5 of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality and except to the extent that the Issuer may establish municipal development districts or affordable housing districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bonds.
3. Under existing statutes and court decisions interest on the Bonds is excluded from gross income for federal income tax purposes, is exempt from taxation within the State of Maine under existing law, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such

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

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

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

Very truly yours,

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BERNSTEIN SHUR

COUNSELORS AT LAW

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berNSTEINshur.com

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

[DATE]

[PURCHASER]

We have examined the law and certified proceedings submitted in connection with the issuance and sale of the \$387,000 aggregate principal amount of 2013 General Obligation Bond-Series B (Federally Taxable) (the "Bond") of the Town of Yarmouth, Maine (the "Issuer"), a public municipal corporation in the State of Maine organized and existing under and pursuant to the laws of the State of Maine and the Charter of the Town of Yarmouth, Maine (the "Charter").

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

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

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

The Bond is dated October 1, 2013. Principal of the Bond will be payable on November 15, 2018 in the amount of \$387,000. The Bond will bear interest from its date, payable semi-annually on May 15, 2014 and then semi-annually on each November 15 and May 15 thereafter until maturity at ____%. The Bond will not be subject to optional redemption prior to its stated date of maturity.

The Bond will be issued in fully registered form without coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bond will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof and one bond in the denomination of \$2,000.

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

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

2. The Issuer is duly authorized to issue the Bond which have been duly and validly authorized and issued in accordance with law and constitute valid general obligations of the Issuer payable as to both principal and interest from ad valorem taxes

which may be levied, subject to certain procedural limitations under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it, except to any extent that the Issuer may enter into an agreement under Title 30-A, Chapter 223, Subchapter 5 of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality and except to the extent that the Issuer may establish municipal development districts or affordable housing districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the tax increment revenues on retained captured assessed values of which may not be available for payment of debt service on the Bond.

3. Under existing statutes and court decisions interest on the Bond is exempt from taxation within the State of Maine under existing law. We express no opinion as to the tax-exempt status of the Bond under federal law. We also express no opinion regarding other federal or state tax consequences arising with respect to the Bond.

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

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

Very truly yours,

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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TOWN OF YARMOUTH, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

In connection with the issuance by the Town of Yarmouth, Maine (the "Issuer") of its \$5,493,000 2013 General Obligation Bonds – Series A, dated as of October 1, 2013 and \$387,000 2013 General Obligation Bonds – Series B (Federally Taxable), dated as of October 1, 2013 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated September __, 2013 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2014, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax and rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

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

2. The Issuer will provide in a timely manner not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - g. Modifications to the rights of securities holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. The release, substitution, or sale of property securing repayment of the Bonds, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the Issuer;
 - m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

3. The Issuer will provide, in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submit>
7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure in connection with the Rule.
8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Nathaniel J. Tupper , Treasurer, Town of Yarmouth, 200 Main Street, Yarmouth, ME 04096-0907; Telephone: (207) 846-9036; Facsimile: (207) 846-2403; e-mail: ntupper@yarmouth.me.us.

Dated: _____, 2013

TOWN OF YARMOUTH, MAINE

By: _____

Its: _____