

TOWN OF ORONO, MAINE

Annual Financial Report

For the year ended June 30, 2017

TOWN OF ORONO, MAINE
Annual Financial Report
For the year ended June 30, 2017

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Independent Auditor's Report

Town Council
Town of Orono, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Orono, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Orono, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017 on our consideration of the Town of Orono, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orono, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 26, 2017
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

As management of the Town of Orono, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Orono, Maine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,958,668 (*net position*, Statement 1). Of this amount, \$6,755,313 was reported as unrestricted net position (Statement 1). Unrestricted net position is the amount available to be used to meet the Town's ongoing obligations to citizens and creditors. The Town of Orono, Maine's total net position decreased by \$630,263 (Statement 2). This represents a decrease of \$423,808 in governmental activities and a decrease of \$206,455 in business-type activities (Sewer).
- As of the close of the current fiscal year, the Town of Orono, Maine's governmental funds reported a combined ending fund balance of \$8,917,204 (Statement 3), which is a decrease of \$555,602 (Statement 4) from the prior fiscal year. Of the total decrease, \$640,617 is shown in the General Fund and this was offset by the \$85,015 increase shown in other governmental funds. The decrease in governmental fund balance is primarily due to the expending previously reserved and restricted funds on capital outlays.
- The Town of Orono, Maine's General Fund reports an unassigned fund balance of \$2,054,845. Total unassigned fund balance (all governmental funds) decreased by \$361,036 from the prior fiscal year.
- Assigned fund balance (Statement 3) has decreased from the previous fiscal year by \$41,721 to \$5,276,530. This decrease in assigned fund balance was driven by the decrease in the Public Works Garage Reserve Account and OEDC (Orono Economic Development Corporation) outstanding principal and interest due to regularly scheduled payments made during the year. The decrease would have been greater; however, increases to general reserves and assignments for FY18 expenditures offset the impact to the total assigned fund balance.
- The Town did not issue any new bonds during FY 2017. As of June 30, 2017, the total outstanding bond principal of the Town, including Sewer fund bonds, was \$20,598,134.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Town's basic financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information (RSI) and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with an overview of the Town of Orono, Maine's finances, in a manner similar to a private-sector business.

The *Statement of Net Position*, Statement 1, presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *Statement of Activities*, Statement 2, presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

Both of the government-wide financial statements distinguish functions of the Town of Orono, Maine that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public services, public safety, public works, and education. The Town has one business-type activity, which is the Sewer Fund.

Financial Analysis of the Town as a Whole - Government-wide Financial Statements

Statement of Net Position

As previously noted, the statement of net position balances all of the Town's assets and deferred outflows of resources, the resources the Town can use to provide services and operate the government, against all of its liabilities and deferred inflows of resources, its obligations to turn over resources to other organizations or individuals, with the difference being reported as net position. Net position is what the Town would have left over after satisfying all of its liabilities.

The following schedule is a summary of net position for the years ended June 30, 2017 and June 30, 2016.

| | Governmental Activities | | | Business-type Activities | | |
|---|-------------------------|-------------------|--------------------|--------------------------|-------------------|------------------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| ASSETS | | | | | | |
| Current and other assets | \$ 10,124,500 | \$ 11,106,006 | (981,506) | 2,410,193 | 2,376,825 | 33,368 |
| Capital assets | 18,089,883 | 18,406,658 | (316,775) | 11,375,440 | 11,720,079 | (344,639) |
| Total assets | 28,214,383 | 29,512,664 | (1,298,281) | 13,785,633 | 14,096,904 | (311,271) |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows of resources - | | | | | | |
| related to pensions | 1,406,900 | 487,998 | 918,902 | - | - | - |
| Total deferred outflows of resources | 1,406,900 | 487,998 | 918,902 | - | - | - |
| LIABILITIES | | | | | | |
| Current liabilities | 834,811 | 1,226,275 | (391,464) | 102,515 | 55,882 | 46,633 |
| Noncurrent liabilities | 17,097,472 | 16,536,644 | 560,828 | 8,152,833 | 8,304,282 | (151,449) |
| Total liabilities | 17,932,283 | 17,762,919 | 169,364 | 8,255,348 | 8,360,164 | (104,816) |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows of resources - | | | | | | |
| related to pensions | 260,617 | 385,552 | (124,935) | - | - | - |
| Total deferred inflows of resources | 260,617 | 385,552 | (124,935) | - | - | - |
| NET POSITION | | | | | | |
| Net investment in capital assets | 5,446,970 | 5,104,940 | 342,030 | 3,245,440 | 3,435,079 | (189,639) |
| Restricted | 1,510,945 | 1,601,368 | (90,423) | - | - | - |
| Unrestricted | 4,470,468 | 5,145,883 | (675,415) | 2,284,845 | 2,301,661 | (16,816) |
| Total net position | \$ 11,428,383 | 11,852,191 | (423,808) | 5,530,285 | 5,736,740 | (206,455) |

The Town of Orono, Maine's governmental activities assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,428,383, and business-type activities assets exceeded its liabilities by \$5,530,285 for a total net position of \$16,958,668 at the close of the most recent fiscal year. The summary above shows a 3.6% decrease in net position for governmental activities and a 3.6% decrease in net position for business-type activities from the prior fiscal year.

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and adding back any unspent bond proceeds. The Town of Orono, Maine uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

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. It should be noted that 39.83% of the Town's net position is available to be used to meet the Town's ongoing obligations to its citizens and creditors.

Statement of Activities

As stated earlier, the statement of activities reports the current year change in net position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Town of Orono, Maine's net position decreased \$630,263 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The Town's governmental activities' net position decreased by \$423,808.
- **Business-type activities:** The Town's single business-type activity, the sewer district, decreased the Town's net position by \$206,455.

The following schedule is a summary of the statement of activities for the years ended June 30, 2017 and June 30, 2016:

| | <u>Governmental Activities</u> | | | <u>Business-type Activities</u> | | |
|------------------------------------|--------------------------------|-------------------|------------------|---------------------------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>2017</u> | <u>2016</u> | <u>Change</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 719,183 | 707,169 | 12,014 | 1,460,020 | 1,557,192 | (97,172) |
| Operating grants and contributions | 428,746 | 124,574 | 304,172 | - | - | - |
| Capital grants | 71,096 | 306,268 | (235,172) | - | - | - |
| General revenues: | | | | | | |
| Taxes | 12,811,730 | 12,050,291 | 761,439 | - | - | - |
| Intergovernmental | 1,848,719 | 1,804,629 | 44,090 | - | - | - |
| Investment earnings | 80,140 | 83,398 | (3,258) | 16,107 | 21,565 | (5,458) |
| Miscellaneous | 33,421 | 24,844 | 8,577 | - | - | - |
| Loss on disposal | - | (108,942) | 108,942 | - | (1,074) | 1,074 |
| Transfers | 134,500 | 136,325 | (1,825) | (134,500) | (136,325) | 1,825 |
| Total revenues | 16,127,535 | 15,128,556 | 998,979 | 1,341,627 | 1,441,358 | (99,731) |
| Expenses: | | | | | | |
| Primary government: | | | | | | |
| General government | 2,020,730 | 2,255,887 | (235,157) | - | - | - |
| Public services | 911,653 | 934,709 | (23,056) | - | - | - |
| Public safety | 3,588,311 | 3,306,699 | 281,612 | - | - | - |
| Public works | 2,127,773 | 1,966,369 | 161,404 | - | - | - |
| Education | 6,285,633 | 5,902,884 | 382,749 | - | - | - |
| County tax | 539,394 | 529,159 | 10,235 | - | - | - |
| Unclassified | 3,681 | 67,587 | (63,906) | - | - | - |
| Interest on debt service | 469,673 | 496,518 | (26,845) | - | - | - |
| Capital maintenance | 604,495 | 556,535 | 47,960 | - | - | - |
| Sewer services | - | - | - | 1,548,082 | 1,601,052 | (52,970) |
| Total expenses | 16,551,343 | 16,016,347 | 534,996 | 1,548,082 | 1,601,052 | (52,970) |
| Change in net position | (423,808) | (887,791) | 463,983 | (206,455) | (159,694) | (46,761) |
| Net position, July 1 | 11,852,191 | 12,739,982 | (887,791) | 5,736,740 | 5,896,434 | (159,694) |
| Net position, June 30 | \$ 11,428,383 | 11,852,191 | (423,808) | 5,530,285 | 5,736,740 | (206,455) |

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

Total governmental activities revenues (\$16,127,535) increased by 6.6% from fiscal year 2016. This was driven primarily by increases in charges for services, property taxes, excise taxes, and operating grants and contributions; however, the increase was tempered by decreases in capital grants.

Total governmental activities expenses (\$16,551,343) increased this year by 3.3% over fiscal year 2016. This increase was driven primarily by increases in costs for public safety, public works, and education. The largest increase was in the RSU #26 Assessment (Education) followed by increases in Public Safety which was largely driven by increased payroll related expenses related to regulatory changes in emergency response requirements.

Total governmental activities' expenses exceeded total revenues by \$423,808 (Statement 2) resulting in a negative change in net position.

Financial Analysis of the Government's Funds

Governmental Funds:

As of the end of the current fiscal year, the Town of Orono, Maine's governmental funds reported combined ending fund balances of \$8,917,204, a decrease of \$555,602 in comparison with the prior year. Approximately 23.04% of this total amount (\$2,054,845) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$6,862,359) is not available for new spending because it has already been set aside in its use for various capital and other governmental purposes (\$1,510,945), assigned to specific uses (\$5,276,530), or is in a nonspendable form (\$74,884). Restricted funds include Tax Increment Financing (TIF) funds (\$1,015,871) and Other Governmental Funds (\$495,074).

As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental funds expenditures. Unassigned fund balance (\$2,054,845) (Statement 3) represents 12.33% of the total governmental funds expenditures (\$16,668,816) (Statement 4); total governmental fund balance (\$8,917,204) (Statement 3) represents 53.4% of total governmental funds expenditures.

Business-type Activities:

The Town operates one business-type activity classified as an enterprise fund. Enterprise funds are self-sustaining funds designed to be mostly funded through user fees and grants. The Town's enterprise fund is more commonly referred to as the Sewer Fund and it holds all of the financial activity related to running and maintaining the water pollution control facility (WPCF).

For a detailed look at both the fiscal year 2017 balance sheet and statement of revenues, expenses, and changes in net position, please see pages 17 and 18 of the audited financial statements.

Net position of the Town's sewer district decreased by \$206,455 to \$5,530,285 (Statement 8). Operating income (operating revenues less operating expenses) was \$174,974 while net non-operating revenues and expenses and transfers out were (\$381,429). Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$3,245,440 and unrestricted net position made up the other \$2,284,845. Unrestricted net position represents 177.8% of current year operating expenses (\$1,285,046) (Statement 8).

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

Fund Financial Statements

For governmental activities, these statements focus on how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Financial Analysis of the Town's Funds - Fund Financial Statements

Our analysis of the Town's major funds begins with the fund financial statements and provides detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by State law. However, many other funds are established to help control and manage money for particular purposes or to show that the Town is meeting legal responsibilities for using certain taxes, grants, and other money. The Town reports governmental funds and a proprietary fund.

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and governmental funds in reconciliation at the bottom of the fund financial statements (Statement 3 and Statement 5).
- Proprietary funds -The Town maintains one type of proprietary fund, an enterprise fund. Enterprise funds, as described above, are required to be used to account for operations for which a fee is charged to external users for goods or services. Enterprise funds are reported using the accrual basis of accounting. The Town's Enterprise fund accounts for sewer operations.

Noteworthy Special Revenue/Trust/Capital Project Funds

A detailed list of reserves can be found under Exhibit A-3 of the audited financial statements. This list includes beginning balances, additions, reductions and ending balances for the reserves as of the end of the fiscal year.

The capital equipment reserve fund is available to absorb the cost of equipment that would otherwise be purchased through the normal operating budget. The utilization of a reserve fund allows the Town to reach into a "savings account" for larger purchases to reduce the year-to-year impact on the taxpayer. It is funded during each fiscal year by an assigned appropriation within the operating budget as well as by transfers from the unassigned fund balance remaining at the end of the previous fiscal year. As of the end of the fiscal year, the capital equipment reserve fund had a balance of \$684,617.

General Fund Budgetary Highlights

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual located on page 16 of the audited financial statements shows, on a budgetary basis, both the approved budget for each revenue and expenditure category as well as the effects on the budgetary fund balance at the end of the year. A more detailed and expanded version of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual can be found in Exhibit A-2 of the audited financial statements. This schedule shows the details within each revenue and expenditure category.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2017 amounts to \$33,017,736, less accumulated depreciation of \$14,927,853, leaving a net book value of \$18,089,883. This is a decrease of \$316,775 from fiscal year 2016. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, as well as infrastructure. Capital asset additions for the year ending June 30, 2017 included, the following: infrastructure improvements related to roadways - Hamlin Street (\$81,189) and Taylor Road (\$18,000); vehicle purchases including one Police cruiser (\$29,206), a Parks and Recreation pick-up truck (\$24,591), and a new ambulance (\$165,202); repairs to the exhaust system in the Fire Department bay (\$21,120); building improvements to the public works building (\$93,275) and additions to construction in progress for various ongoing projects (\$245,105). Total governmental activities capital asset additions for the year ending June 30, 2017 were \$677,688 (including construction in progress).

The Town of Orono's capital assets for its business-type activities as of June 30, 2017 amounts to \$18,433,158, less accumulated depreciation of \$7,057,718, leaving a net book value of \$11,375,440. This is a decrease of \$344,639. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and sewer infrastructure. Capital asset additions for the year ending June 30, 2017 included improvements to Charles Street and the Stillwater Interceptor (\$221,913) and North Main Avenue from Pond Street to Pierce Street (\$31,720). Total business-type activity capital asset additions for the year ending June 30, 2017 totalled \$253,633.

Long-term Debt

At year-end, the Town had \$20,598,134 in outstanding bonds compared to \$21,614,120 in 2016. This is comprised of governmental activities bonds of \$12,468,134 and business-type activities bonds of \$8,130,000.

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation, with a further limit of no more than 7.5% of state assessed valuation in enterprise fund debt. As of June 30, 2017, the Town's state assessed valuation was \$425,000,000. Thus, the current debt limitation for the Town of Orono as a whole is \$63,750,000 (15%) and \$31,875,000 (7.5%) for its Sewer Fund, far exceeding the Town's outstanding general obligation debt.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2017

HISTORICAL ASSESSMENTS AND MIL RATES

| <i>Historical Tax Commitments</i> | | | | | |
|-----------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|-------------------------------------|
| <i>Fiscal Year</i> | <i>Assessed Valuation</i> | <i>Valuation Increase/(Decrease)</i> | <i>Total Commitment</i> | <i>Mil Rate per \$1,000</i> | <i>Mil Rate Increase/(Decrease)</i> |
| 2003 | \$258,835,900 | Base year | \$ 6,151,647 | \$ 24.30 | Base Year |
| 2004 | \$270,982,200 | 4.69% | \$ 6,801,653 | \$ 25.10 | 3.29% |
| 2005 | \$289,534,200 | 6.85% | \$ 7,006,728 | \$ 24.20 | -3.59% |
| 2006 | \$308,880,270 | 6.68% | \$ 7,135,134 | \$ 23.10 | -4.55% |
| 2007 | \$343,897,190 | 11.34% | \$ 7,565,738 | \$ 22.00 | -4.76% |
| 2008 | \$392,874,635 | 14.24% | \$ 7,857,493 | \$ 20.00 | -9.09% |
| 2009 | \$417,499,265 | 6.27% | \$ 8,224,735 | \$ 19.70 | -1.50% |
| 2010 | \$408,312,500 | -2.20% | \$ 8,492,000 | \$ 20.80 | 5.58% |
| 2011 | \$415,448,300 | 1.75% | \$ 8,620,552 | \$ 20.75 | -0.24% |
| 2012 | \$413,922,200 | -0.37% | \$ 8,816,656 | \$ 21.30 | 2.65% |
| 2013 | \$418,583,000 | 1.13% | \$ 9,041,393 | \$ 21.60 | 1.41% |
| 2014 | \$442,456,800 | 5.70% | \$10,264,998 | \$23.20 | 7.41% |
| 2015 | \$456,522,000 | 3.18% | \$10,888,050 | \$23.85 | 2.80% |
| 2016 | \$462,939,500 | 1.41% | \$11,295,724 | \$24.40 | 2.30% |
| 2017 | \$483,528,800 | 4.43% | \$12,015,691 | \$24.85 | 1.84% |

LOOKING AHEAD

In FY 2018, the Town is not anticipating any significant changes to operations, revenue streams, or expenses/expenditures. As the Council works to implement Orono's Comprehensive Plan, there will be particular attention paid to adopting strategies aimed at increasing the Town's taxable valuation. The Town Council will also continue its efforts to find the balance between providing high quality and requested Town services and the increasing tax burden borne by our residents. With the cost of providing municipal services increasing, Council will also continue to examine the service level provided to the community and identify strategies aimed at reducing operational costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact the Town Office at 59 Main Street, Orono, Maine or call 207-866-2556. Citizens are welcome to visit with the appropriate staff on any financial matters.

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

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 8,952,592 | 2,073,865 | 11,026,457 |
| Investments | 333,865 | - | 333,865 |
| Receivables: | | | |
| Accounts receivable | 148,086 | 349,067 | 497,153 |
| Rescue receivable (net of allowance of \$16,718) | 57,640 | - | 57,640 |
| Taxes receivable - current year | 275,505 | - | 275,505 |
| Taxes receivable - prior years | 202,939 | - | 202,939 |
| Receivable - RSU #26 debt service payments | 66,250 | - | 66,250 |
| Prepaid expenses | 63,377 | - | 63,377 |
| Inventory | 11,507 | - | 11,507 |
| Internal balances | 12,739 | (12,739) | - |
| Nondepreciable capital assets | 3,239,371 | 44,573 | 3,283,944 |
| Depreciable capital assets, net | 14,850,512 | 11,330,867 | 26,181,379 |
| Total assets | 28,214,383 | 13,785,633 | 42,000,016 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - related to pensions | 1,406,900 | - | 1,406,900 |
| Total deferred outflows of resources | 1,406,900 | - | 1,406,900 |
| LIABILITIES | | | |
| Accounts payable | 398,272 | 52,436 | 450,708 |
| Accrued payroll and benefits | 104,717 | 7,448 | 112,165 |
| Accrued interest | 110,965 | 42,631 | 153,596 |
| Performance bond liability | 182,870 | - | 182,870 |
| Taxes paid in advance | 37,987 | - | 37,987 |
| Noncurrent liabilities: | | | |
| Due within one year | 988,052 | 165,000 | 1,153,052 |
| Due in more than one year | 16,109,420 | 7,987,833 | 24,097,253 |
| Total liabilities | 17,932,283 | 8,255,348 | 26,187,631 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - related to pensions | 260,617 | - | 260,617 |
| Total deferred inflows of resources | 260,617 | - | 260,617 |
| NET POSITION | | | |
| Net investment in capital assets | 5,446,970 | 3,245,440 | 8,692,410 |
| Restricted | 1,510,945 | - | 1,510,945 |
| Unrestricted | 4,470,468 | 2,284,845 | 6,755,313 |
| Total net position | \$ 11,428,383 | 5,530,285 | 16,958,668 |

See accompanying notes to basic financial statements.

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

| Functions/programs | Expenses | Program revenues | | | Net (expense) revenue and changes in net position | | |
|---|----------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | Primary Government | | Total |
| | | | | | Governmental activities | Business-type activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,020,730 | 192,221 | 6,254 | - | (1,822,255) | - | (1,822,255) |
| Public services | 911,653 | 84,410 | 148,491 | - | (678,752) | - | (678,752) |
| Public safety | 3,588,311 | 427,973 | 225,348 | - | (2,934,990) | - | (2,934,990) |
| Public works | 2,127,773 | 14,579 | 48,653 | 71,096 | (1,993,445) | - | (1,993,445) |
| Education | 6,285,633 | - | - | - | (6,285,633) | - | (6,285,633) |
| County tax | 539,394 | - | - | - | (539,394) | - | (539,394) |
| Unclassified | 3,681 | - | - | - | (3,681) | - | (3,681) |
| Interest on debt service | 469,673 | - | - | - | (469,673) | - | (469,673) |
| Capital maintenance expenses | 604,495 | - | - | - | (604,495) | - | (604,495) |
| Total governmental activities | 16,551,343 | 719,183 | 428,746 | 71,096 | (15,332,318) | - | (15,332,318) |
| Business-type activities: | | | | | | | |
| Sewer services | 1,548,082 | 1,460,020 | - | - | - | (88,062) | (88,062) |
| Total business-type activities | 1,548,082 | 1,460,020 | - | - | - | (88,062) | (88,062) |
| Total primary government | \$ 18,099,425 | 2,179,203 | 428,746 | 71,096 | (15,332,318) | (88,062) | (15,420,380) |
| | | | | | | | |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 12,042,557 | - | 12,042,557 |
| Excise taxes | | | | | 769,173 | - | 769,173 |
| Motor vehicle registration fees | | | | | 14,024 | - | 14,024 |
| UMO reimbursements | | | | | 662,931 | - | 662,931 |
| PILOT payments | | | | | 52,600 | - | 52,600 |
| Franchise fees | | | | | 60,888 | - | 60,888 |
| Grants and contributions not restricted to specific programs: | | | | | | | |
| State Revenue Sharing | | | | | 827,911 | - | 827,911 |
| Homestead exemption | | | | | 192,756 | - | 192,756 |
| Other State aid | | | | | 51,633 | - | 51,633 |
| Unrestricted investment earnings | | | | | 80,140 | 16,107 | 96,247 |
| Miscellaneous | | | | | 19,397 | - | 19,397 |
| Transfers | | | | | 134,500 | (134,500) | - |
| Total general revenues and transfers | | | | | 14,908,510 | (118,393) | 14,790,117 |
| Change in net position | | | | | (423,808) | (206,455) | (630,263) |
| Net position - beginning | | | | | 11,852,191 | 5,736,740 | 17,588,931 |
| Net position - ending | | | | | \$ 11,428,383 | 5,530,285 | 16,958,668 |

See accompanying notes to basic financial statements.

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

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 8,815,892 | 136,700 | 8,952,592 |
| Investments | - | 333,865 | 333,865 |
| Receivables: | | | |
| Accounts receivable | 148,086 | - | 148,086 |
| Rescue receivable, net of allowance (\$16,718) | 57,640 | - | 57,640 |
| Taxes receivable - current year | 275,505 | - | 275,505 |
| Taxes receivable - prior years | 202,939 | - | 202,939 |
| Prepaid expenditures | 63,377 | - | 63,377 |
| Inventory | 11,507 | - | 11,507 |
| Interfund loans receivable | - | 25,232 | 25,232 |
| Receivable - RSU #26 debt service payments | 66,250 | - | 66,250 |
| Total assets | \$ 9,641,196 | 495,797 | 10,136,993 |
| LIABILITIES | | | |
| Accounts payable | 398,113 | 159 | 398,272 |
| Accrued payroll and benefits | 104,717 | - | 104,717 |
| Performance bond liability | 182,870 | - | 182,870 |
| Taxes paid in advance | 37,987 | - | 37,987 |
| Interfund loans payable | 11,929 | 564 | 12,493 |
| Total liabilities | 735,616 | 723 | 736,339 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 417,200 | - | 417,200 |
| Unavailable revenue - RSU #26 debt service payments | 66,250 | - | 66,250 |
| Total deferred inflows of resources | 483,450 | - | 483,450 |
| FUND BALANCES | | | |
| Nonspendable - prepaid expenditures | 63,377 | - | 63,377 |
| Nonspendable - inventory | 11,507 | - | 11,507 |
| Restricted | 1,015,871 | 495,074 | 1,510,945 |
| Assigned | 5,276,530 | - | 5,276,530 |
| Unassigned | 2,054,845 | - | 2,054,845 |
| Total fund balances | 8,422,130 | 495,074 | 8,917,204 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 9,641,196 | 495,797 | |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 18,089,883 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: | |
| Unavailable revenue - property taxes | 417,200 |
| Unavailable revenue - RSU #26 debt service payments | 66,250 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. | |
| Accrued compensated absences | (193,217) |
| Bonds payable | (12,468,134) |
| Capital leases payable | (241,029) |
| Other postemployment benefits | (368,303) |
| Net pension liability with related deferred inflows and outflows of resources | (2,224,506) |
| Accrued interest | (110,965) |
| Landfill closure and postclosure costs | (456,000) |
| Net position of governmental activities | \$ 11,428,383 |

See accompanying notes to basic financial statements.

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

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 12,787,930 | - | 12,787,930 |
| Intergovernmental | 2,036,081 | 58,397 | 2,094,478 |
| Licenses and permits | 161,059 | - | 161,059 |
| Interest income | 76,176 | 3,964 | 80,140 |
| Charges for services | 507,950 | - | 507,950 |
| Other revenues | 236,816 | 100,862 | 337,678 |
| Total revenues | 15,806,012 | 163,223 | 15,969,235 |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,583,056 | - | 1,583,056 |
| Public services | 833,580 | - | 833,580 |
| Public safety | 3,325,663 | - | 3,325,663 |
| Public works | 1,445,159 | - | 1,445,159 |
| Education | 6,285,633 | - | 6,285,633 |
| County tax | 539,394 | - | 539,394 |
| Unclassified | 522 | 3,159 | 3,681 |
| Debt service | 1,272,419 | - | 1,272,419 |
| Capital expenditures | 1,305,182 | 75,049 | 1,380,231 |
| Total expenditures | 16,590,608 | 78,208 | 16,668,816 |
| Excess (deficiency) of revenues over (under) expenditures | (784,596) | 85,015 | (699,581) |
| Other financing sources (uses): | | | |
| Issuance of capital leases | 9,479 | - | 9,479 |
| Transfers-in | 134,500 | - | 134,500 |
| Total other financing sources (uses) | 143,979 | - | 143,979 |
| Net change in fund balances | (640,617) | 85,015 | (555,602) |
| Fund balances, beginning of year | 9,062,747 | 410,059 | 9,472,806 |
| Fund balances, end of year | \$ 8,422,130 | 495,074 | 8,917,204 |

See accompanying notes to basic financial statements.

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

| | | |
|---|-----------|------------------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | (555,602) |
| <p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p> | | |
| <p>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 (\$994,171) and loss on disposal (\$292) exceeded capital outlays (\$677,688).</p> | | |
| | | (316,775) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in unavailable revenue - property taxes.</p> | | |
| | | 23,800 |
| <p>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; alternatively, some expenditures using current financial resources are not expensed in the statement of activities:</p> | | |
| Accrued compensated absences | | 15,039 |
| Other postemployment benefits | | (14,326) |
| Landfill closure and postclosure costs | | (226,000) |
| Accrued interest | | 8,010 |
| Net pension liability with related deferred inflows and outflows of resources | | (241,551) |
| <p>Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt and capital leases increases long-term liabilities in the statement of net position. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of bonds (\$860,986) and capital leases (\$98,340) exceeded capital lease proceeds (\$9,479).</p> | | |
| | | 949,847 |
| <p>The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #26 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$66,250. This is the principal paid off during the year.</p> | | |
| | | (66,250) |
| Change in net position of governmental activities (see Statement 2) | \$ | (423,808) |

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2017

| | Budgeted amounts | | Actual | Variance with final budget positive (negative) |
|---|------------------|-------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 12,732,797 | 12,732,797 | 12,787,930 | 55,133 |
| Intergovernmental | 2,021,879 | 2,021,879 | 2,036,081 | 14,202 |
| Licenses and permits | 153,950 | 153,950 | 161,059 | 7,109 |
| Interest income | 47,000 | 47,000 | 48,994 | 1,994 |
| Charges for services | 544,836 | 544,836 | 507,950 | (36,886) |
| Other revenues | 229,941 | 229,941 | 234,968 | 5,027 |
| Total revenues | 15,730,403 | 15,730,403 | 15,776,982 | 46,579 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,533,675 | 1,550,710 | 1,282,205 | 268,505 |
| Public services | 808,042 | 824,257 | 738,028 | 86,229 |
| Public safety | 3,160,400 | 3,212,210 | 3,325,663 | (113,453) |
| Public works | 1,586,091 | 1,586,091 | 1,445,159 | 140,932 |
| Education | 6,285,633 | 6,285,633 | 6,285,633 | - |
| County tax | 539,394 | 539,394 | 539,394 | - |
| Debt service | 1,141,803 | 1,141,803 | 1,141,451 | 352 |
| Capital expenditures | 1,582,184 | 1,718,642 | 812,444 | 906,198 |
| Total expenditures | 16,637,222 | 16,858,740 | 15,569,977 | 1,288,763 |
| Excess (deficiency) of revenues over (under) expenditures | (906,819) | (1,128,337) | 207,005 | 1,335,342 |
| Other financing sources (uses): | | | | |
| Transfers-in | 136,325 | 136,325 | 134,500 | (1,825) |
| Transfers-out | (995,787) | (995,787) | (878,078) | 117,709 |
| Utilization of assigned balance | 1,306,281 | 1,527,799 | - | (1,527,799) |
| Use of prior year surplus | 460,000 | 460,000 | - | (460,000) |
| Total other financing sources (uses) | 906,819 | 1,128,337 | (743,578) | (1,871,915) |
| Net change in fund balance, budgetary basis | - | - | (536,573) | (536,573) |
| Fund balance, beginning of year-budgetary basis | | | 6,308,876 | |
| Fund balance, end of year-budgetary basis | | | 5,772,303 | |
| Amounts held in reserves | | | 2,649,827 | |
| Fund balance, end of year | | | \$ 8,422,130 | |

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2017

| Business-type Activities - Enterprise Funds | | Sewer Fund |
|--|----|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ | 2,073,865 |
| Accounts receivable | | 349,067 |
| Total current assets | | 2,422,932 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land | | 44,573 |
| Capital assets, being depreciated | | 18,388,585 |
| Accumulated depreciation | | (7,057,718) |
| Total capital assets, net | | 11,375,440 |
| Total assets | | 13,798,372 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | | 52,436 |
| Accrued payroll and benefits | | 7,448 |
| Accrued interest expense | | 42,631 |
| Interfund loans payable | | 12,739 |
| Current portion of bonds payable | | 165,000 |
| Total current liabilities | | 280,254 |
| Noncurrent liabilities: | | |
| Accrued compensated absences | | 22,833 |
| Bonds payable | | 7,965,000 |
| Total noncurrent liabilities | | 7,987,833 |
| Total liabilities | | 8,268,087 |
| NET POSITION | | |
| Net investment in capital assets | | 3,245,440 |
| Unrestricted | | 2,284,845 |
| Total net position | \$ | 5,530,285 |

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2017

| Business-type Activities - Enterprise Funds | |
|---|-----------------------|
| | Sewer Fund |
| Operating revenues: | |
| Charges for services | \$ 1,460,020 |
| Total operating revenues | 1,460,020 |
| Operating expenses: | |
| Personnel services | 386,212 |
| Contractual services | 84,503 |
| Supplies, maintenance and repairs | 74,323 |
| Utilities | 125,293 |
| Other expenses | 16,443 |
| Depreciation | 598,272 |
| Total operating expenses | 1,285,046 |
| Operating income | 174,974 |
| Nonoperating revenue (expense): | |
| Investment income | 16,107 |
| Interest expense | (263,036) |
| Total nonoperating expense | (246,929) |
| Net loss before transfer | (71,955) |
| Transfer out - administrative expense reimbursement | (134,500) |
| Change in net position | (206,455) |
| Net position, beginning of year | 5,736,740 |
| Net position, end of year | \$ 5,530,285 |

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2017

| Business-type Activities - Enterprise Funds | | Sewer Fund |
|---|-----------|-----------------------|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ | 1,436,365 |
| Payments to suppliers | | (253,171) |
| Payments to employees | | (382,661) |
| Net cash provided by operating activities | | 800,533 |
| Cash flows from non-capital and related financing activities: | | |
| Transfers to other funds | | (134,500) |
| Net interfund loans | | (6,856) |
| Net cash used in non-capital and related financing activities | | (141,356) |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | | (253,633) |
| Principal payments on bonds | | (155,000) |
| Interest paid on bonds | | (263,794) |
| Net cash used in capital and related financing activities | | (672,427) |
| Cash flows from investing activities: | | |
| Interest on cash and investments | | 16,107 |
| Net cash provided by investing activities | | 16,107 |
| Increase in cash | | 2,857 |
| Cash and cash equivalents, beginning of year | | 2,071,008 |
| Cash and cash equivalents, end of year | \$ | 2,073,865 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ | 174,974 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | | 598,272 |
| (Increase) decrease in assets: | | |
| Accounts receivable | | (23,655) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | | 47,391 |
| Accrued compensated absences | | 3,551 |
| Net cash provided by operating activities | \$ | 800,533 |

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements
June 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Orono, Maine was incorporated in 1806 and operates under a Council-Manager form of Government, adopted by charter in 1969.

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made based on criterion set forth in GAAP. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of this criterion, there were no potential component units required to be included in this report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

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 government reports the following major enterprise fund:

The *Sewer Fund* is used to account for expenses and revenues generated through wastewater services provided and collections from customers receiving the services, respectively.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's Sewer Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

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

E. Interfund Loans Receivable/Payable

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Unbilled revenues from the Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. This amount is based on billings during the months following the close of the fiscal year.

G. Capital Assets

In the government-wide financial statements and in proprietary funds in the fund financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: land improvements, 15-20 years; buildings and improvements, 20-50 years; infrastructure, 5-60 years; sewer items, 3-60 years; and vehicles and equipment, 3-15 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. Long-term accumulated vacation pay is reported only in the entity-wide statement of net position and in the proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

J. Fund Balance

Governmental 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 have 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.

The Town Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the Town Council, or a body or official delegated by the Town Council may assign unspent budgeted amounts to specific purposes in the General Fund at year end based on Department requests.

K. 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 ORONO, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report deferred inflows of resources for unavailable revenue from property taxes and RSU #26 debt service payments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

M. 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.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are formally adopted for the General Fund and are prepared on a basis consistent with accounting principles generally accepted in the United States of America as noted below. The level of control (level at which expenditures may not exceed budget) is the department.

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations for the following:

| | | | |
|------------------------------|-----------|----------------------|-------|
| Contracted services | \$ 10,199 | Fire protection | 6,810 |
| General gov. - miscellaneous | 3,072 | Street lights | 325 |
| Police department | 6,094 | Cemetery | 5,506 |
| Fire department | 97,943 | Solid waste disposal | 9,549 |
| Haz-mat | 5,183 | | |

DEPOSITS AND INVESTMENTS

A. Deposits

The Town conducts all its banking and investment transactions with depository banks and investment firms.

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 has a deposit policy for custodial credit risk. As of June 30, 2017, the Town reported deposits of \$11,026,457 with a bank balance of \$11,053,823. Of the Town's bank balance of \$11,053,823, none was exposed to custodial credit risk as it was covered by F.D.I.C. or securities pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

| | |
|---|-----------------------------|
| Reported in governmental funds | \$ 8,952,592 |
| <u>Reported in business-type activities</u> | <u>2,073,865</u> |
| <u>Total deposits</u> | <u>\$ 11,026,457</u> |

B. Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks, bonds and mutual funds.

Interest rate risk: In accordance with the Town's investment policy, excluding reserve and trust investments, investment maturities shall be less than one year. At June 30, 2017, the Town had the following investments and maturities:

| <u>Investment Types</u> | <u>Fair Value</u> | <u>Less than 1 year</u> | <u>1-5 years</u> | <u>More than 5 years</u> |
|-------------------------|-------------------|-----------------------------|------------------|------------------------------|
| Money Market | \$ 8,053 | N/A | - | - |
| Mutual Funds | 325,812 | N/A | - | - |
| Totals | \$ 333,865 | - | - | - |

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

DEPOSITS AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

| | |
|--------------------------------|------------|
| Reported in governmental funds | \$ 333,865 |
|--------------------------------|------------|

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the 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. In accordance with the Town's investment policy, the securities are required to be held by a third party custodian. At June 30, 2017, the Town had no investments subject to custodial credit risk.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments at June 30, 2017 are Level 1 inputs.

PROPERTY TAX

Property taxes for the current year were committed on September 9, 2016 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments on October 21, 2016 and February 10, 2017. Interest was charged at 7% on all tax bills unpaid as of October 22, 2016 and February 11, 2017.

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 \$101,926 for the year ended June 30, 2017.

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

The following summarizes the 2017 levy:

| | |
|-----------------------------------|-------------------|
| | <u>2017</u> |
| Assessed value | \$ 483,528,800 |
| Tax rate (per \$1,000) | 24.85 |
| Commitment | 12,015,691 |
| Supplemental taxes assessed | 457 |
| | 12,016,148 |
| Less: | |
| Abatements | 6,571 |
| Collections | 11,734,072 |
| Receivable at June 30 | \$ 275,505 |
| Interest rate on delinquent taxes | 7.00% |
| Collection rate | 97.71% |

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of normal operations, the Town has numerous transactions between funds. Individual interfund receivable and payable balances and interfund transfers at June 30, 2017 arising from these transactions were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Transfers</u> |
|---------------------------------|----------------------------------|-------------------------------|------------------|
| Governmental Activities: | | | |
| Major funds: | | | |
| General Fund | \$ - | 11,929 | 134,500 |
| Other governmental funds: | | | |
| Grant Fund | 22,082 | - | - |
| Cemetery | 3,150 | | |
| Library Construction | - | 564 | - |
| Business-type Activities | | | |
| Sewer Fund | - | 12,739 | (134,500) |
| Totals | \$ 25,232 | 25,232 | - |

JOINT VENTURE

The Town is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe, and environmentally-sound methods of solid waste disposal. The Town's proportionate interest in the net position of the MRC on December 31, 2016, the date of MRC's most recent audited financial statements, was \$775,451 (2.47%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2016, the MRC in turn owned 25.52% of the limited partnership interests in Penobscot Energy Recovery Company (PERC). Allocation of PERC ownership interests among the members of the MRC is based upon their respective shares of cumulative performance credits and other cash flows and reserves. At June 30, 2017, the Town's proportionate interest in PERC was 0.63%.

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

CAPITAL ASSETS

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|----------------------|------------------|---------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,805,552 | - | - | 2,805,552 |
| Construction in progress | 188,714 | 245,105 | - | 433,819 |
| Total capital assets, not being depreciated | 2,994,266 | 245,105 | - | 3,239,371 |
| Capital assets, being depreciated | | | | |
| Buildings | 10,530,061 | 93,275 | - | 10,623,336 |
| Improvements | 435,114 | 21,120 | - | 456,234 |
| Equipment | 1,214,794 | - | - | 1,214,794 |
| Vehicles | 3,043,504 | 218,999 | 46,995 | 3,215,508 |
| Infrastructure | 14,169,304 | 99,189 | - | 14,268,493 |
| Total capital assets, being depreciated | 29,392,777 | 432,583 | 46,995 | 29,778,365 |
| Less accumulated depreciation: | | | | |
| Buildings | 2,432,154 | 253,461 | - | 2,685,615 |
| Improvements | 225,089 | 19,491 | - | 244,580 |
| Equipment | 1,071,680 | 34,059 | - | 1,105,739 |
| Vehicles | 1,936,112 | 314,142 | 46,703 | 2,203,551 |
| Infrastructure | 8,315,350 | 373,018 | - | 8,688,368 |
| Total accumulated depreciation | 13,980,385 | 994,171 | 46,703 | 14,927,853 |
| Total capital assets being depreciated, net | 15,412,392 | (561,588) | 292 | 14,850,512 |
| Governmental activities capital assets, net | \$ 18,406,658 | (316,483) | 292 | 18,089,883 |
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 44,573 | - | - | 44,573 |
| Total capital assets, not being depreciated | 44,573 | - | - | 44,573 |
| Capital assets, being depreciated: | | | | |
| Sewer items | 18,134,952 | 253,633 | - | 18,388,585 |
| Total capital assets, being depreciated | 18,134,952 | 253,633 | - | 18,388,585 |
| Less accumulated depreciation: | | | | |
| Sewer items | 6,459,446 | 598,272 | - | 7,057,718 |
| Total accumulated depreciation | 6,459,446 | 598,272 | - | 7,057,718 |
| Total capital assets being depreciated, net | 11,675,506 | (344,639) | - | 11,330,867 |
| Business-type activities capital assets, net | \$ 11,720,079 | (344,639) | - | 11,375,440 |

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

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to the following functions:

Governmental Activities:

| | |
|--------------------|------------|
| General government | \$ 189,378 |
| Public services | 76,580 |
| Public safety | 262,065 |
| Public works | 466,148 |

Total governmental activities depreciation expense \$ 994,171

Business-type Activities:

| | |
|-------|------------|
| Sewer | \$ 598,272 |
|-------|------------|

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017 was as follows:

| | Beginning | | | Ending | Amounts |
|---------------------------------------|----------------------|------------------|-------------------|-------------------|-------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Due Within</u> |
| | | | | | <u>One Year</u> |
| Governmental Activities: | | | | | |
| Bonds payable | \$ 13,329,120 | - | 860,986 | 12,468,134 | 887,384 |
| Capital leases payable | 329,890 | 9,479 | 98,340 | 241,029 | 100,668 |
| Other postemployment benefits | 353,977 | 30,102 | 15,776 | 368,303 | - |
| Landfill closure and postclosure | 230,000 | 226,000 | - | 456,000 | - |
| Net pension liability | 2,085,401 | 1,285,388 | - | 3,370,789 | - |
| Accrued compensated absences | 208,256 | - | 15,039 | 193,217 | - |
| Total governmental activities | \$ 16,536,644 | 1,550,969 | 990,141 | 17,097,472 | 988,052 |
| Business-type Activities: | | | | | |
| Bonds payable | \$ 8,285,000 | - | 155,000 | 8,130,000 | 165,000 |
| Accrued compensated absences | 19,282 | 3,551 | - | 22,833 | - |
| Total business-type activities | \$ 8,304,282 | 3,551 | 155,000 | 8,152,833 | 165,000 |

LONG-TERM DEBT

Long-term debt payable at June 30, 2017 is comprised of the following:

| | Date of | Original | Date of | Interest | Balance |
|--------------------------------------|--------------|---------------|-----------------|-------------|----------------------|
| | <u>issue</u> | <u>amount</u> | <u>maturity</u> | <u>rate</u> | <u>June 30,</u> |
| | | <u>issued</u> | | | <u>2017</u> |
| Governmental activities: | | | | | |
| 1997 General obligation bonds (1) | 11/1/97 | \$ 1,325,000 | 11/1/17 | 5.28-5.78% | 66,250 |
| 2002 General obligation bonds | 8/1/02 | 2,460,000 | 8/1/17 | 3.50-4.88% | 210,000 |
| 2008 General obligation bonds | 10/30/08 | 500,000 | 11/1/28 | 0.08-5.58% | 300,000 |
| 2010 General obligation bonds | 12/1/10 | 4,205,000 | 12/1/20 | 3.00-5.75% | 2,180,000 |
| 2014 General obligation bonds | 7/1/14 | 8,285,000 | 11/1/39 | 3.00-4.00% | 7,800,000 |
| 2014 General obligation bonds | 8/27/14 | 2,000,000 | 8/27/43 | 3.13% | 1,911,884 |
| Total governmental activities | | | | | \$ 12,468,134 |

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

LONG-TERM DEBT, CONTINUED

Business-type activities:

| | | | | | |
|---------------------------------------|-----------------|---------------------|------------------|-------------------|---------------------|
| <u>2014 General obligation bonds</u> | <u>7/1/2014</u> | <u>\$ 8,565,000</u> | <u>11/1/2036</u> | <u>3.00-4.00%</u> | <u>8,130,000</u> |
| <u>Total business-type activities</u> | | | | | <u>\$ 8,130,000</u> |

(1) As of July 1, 2009, the Orono School Department joined Regional School Unit (RSU) #26. In accordance with the consolidation agreement, RSU #26 reimburses the Town when debt service payments related to the former School Department are due. The Town has recorded a receivable for \$66,250, which is the outstanding amount of bonds payable related to the former School Department.

The annual requirements to amortize bonds payable as of June 30, 2017 are as follows:

| Year ending June 30, | <u>Governmental</u> | | <u>Business-type</u> | | <u>Total</u> |
|-------------------------|----------------------|------------------|----------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2018 | \$ 887,384 | 443,047 | 165,000 | 258,994 | 1,754,425 |
| 2019 | 822,575 | 406,192 | 330,000 | 251,569 | 1,810,336 |
| 2020 | 849,062 | 371,113 | 340,000 | 241,519 | 1,801,694 |
| 2021 | 1,415,595 | 317,968 | 350,000 | 231,169 | 2,314,732 |
| 2022 | 437,176 | 275,952 | 365,000 | 220,443 | 1,298,571 |
| 2023-2027 | 2,281,382 | 1,167,036 | 1,995,000 | 928,969 | 6,372,387 |
| 2028-2032 | 2,324,015 | 804,155 | 2,390,000 | 597,572 | 6,115,742 |
| 2033-2037 | 2,254,570 | 415,342 | 2,195,000 | 165,725 | 5,030,637 |
| 2038-2042 | 994,366 | 96,634 | - | - | 1,091,000 |
| 2043-2044 | 202,009 | 9,514 | - | - | 211,523 |
| | <u>\$ 12,468,134</u> | <u>4,306,953</u> | <u>8,130,000</u> | <u>2,895,960</u> | <u>27,801,047</u> |

CAPITAL LEASES

The Town has entered into three lease agreements as lessee for financing the acquisition of vehicles and equipment. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2017:

| | <u>Governmental activities</u> | |
|--------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 100,668 | 6,825 |
| 2019 | 103,466 | 4,027 |
| 2020 | 18,164 | 1,151 |
| 2021 | 18,731 | 585 |
| Total | \$ 241,029 | 12,588 |

The amount capitalized as assets under capital leases totals \$407,000 for governmental activities.

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

OTHER POSTEMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Orono, Maine 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 of Orono, Maine 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.

The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. The consultants completed the latest OPEB liability actuarial valuation in August 2017.

Plan Descriptions - The Town of Orono, Maine contributes to the Maine Municipal Employees Health Trust, an agent multiple-employer defined benefit postretirement healthcare plan. The Town sponsors a post-retirement benefit plan providing health and life insurance to retiring employees. Retirees that are eligible (reach age 55 with 5 years of continuous service) in the plan pay 100% of the coverage premium. Complete plan financial statements may be obtained from the Maine Municipal Employees Health Trust at 60 Community Drive, Augusta, ME 04330.

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of a 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 the 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:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Normal cost | \$ 15,419 | 24,660 | 24,660 |
| Amortization of unfunded | 20,288 | 31,605 | 31,605 |
| Interest | 14,866 | 13,685 | 12,575 |
| Adjustment to ARC | (20,471) | (18,174) | (16,570) |
| Annual required contribution | 30,102 | 51,776 | 52,270 |
| Contributions made | (15,776) | (12,059) | (24,544) |
| Increase in Net OPEB | 14,326 | 39,717 | 27,726 |
| Net OPEB obligation – beginning of year | 353,977 | 314,260 | 286,534 |
| Net OPEB obligation – end of year | \$ 368,303 | 353,977 | 314,260 |

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

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

The following table represents the OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017 and the two preceding years.

| <u>Fiscal Year End</u> | <u>Annual OPEB Costs</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|------------------------------|---|--------------------------------|
| June 30, 2015 | \$ 52,270 | 46.96% | 314,260 |
| June 30, 2016 | 51,776 | 23.29% | 353,977 |
| June 30, 2017 | 30,103 | 52.41% | 368,303 |

Funding Status and Funding Progress - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2017 and two preceding years are as follows:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Actuarial liability | \$ 364,853 | 568,375 | 568,375 |
| Plan assets | - | - | - |
| Unfunded actuarial liability | \$ 364,853 | 568,375 | 568,375 |
| Funded ratio | 0% | 0% | 0% |
| | | | |
| Covered payroll | \$3,978,579 | 3,363,923 | 3,592,872 |
| Unfunded actuarial liability as a percentage of covered payroll | 9.17% | 16.90% | 15.82% |

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

Significant methods and assumptions were as follows:

| | |
|-------------------------------------|-------------------|
| Actuarial valuation date | 1/1/17 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar open |
| Remaining amortization period | 30 years |
| Actuarial assumptions: | |
| Discount rate | 4.0% |
| Rate of salary increases | 2.75% |
| Ultimate rate of health trend costs | 4.00% |

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and Federal laws and regulations require the Town to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the dates that the landfills stop accepting waste, the Town reports a portion of these closure and postclosure costs as a program expense in each year based on landfill capacity used as of each balance sheet date. The Town will recognize the remaining estimated cost of closure and postclosure care for the site as the remaining estimated capacity is filled.

The Town's landfill site is segregated into four cells: one active cell, two cells at maximum capacity that have been closed, and one undeveloped cell.

An engineering estimate was calculated for the closure and postclosure costs of the landfill as of June 30, 2017. The previous estimate was completed in fiscal year 2013. Generally accepted accounting principles require that cost estimates be based on the present value of consultation and construction costs adjusted for an assumed inflation rate, known as current cost. The current cost of closure and postclosure costs projected in the engineering estimate total \$2,911,500. The estimated remaining life of the landfill at June 30, 2017 is 32 years. The new cell has a capacity of 40,000 yards, of which approximately 6,265 yards were used as of June 30, 2017.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town anticipates financing closure costs by funding and using reserves and/or state grants and local assessments at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

| | <u>2016</u> | <u>2017</u> |
|--|---------------------|------------------|
| Total estimated future landfill closure and postclosure care costs | \$ 2,173,050 | 2,911,500 |
| Estimated capacity used | 10.56% | 15.66% |
| Estimated gross landfill closure and postclosure care costs – end of year | 230,000 | 456,000 |
| Amounts actually expended | - | - |
| <u>Estimated liability for landfill closure and postclosure care costs - end of year</u> | <u>230,000</u> | <u>456,000</u> |
| <u>Estimated remaining landfill closure and postclosure care costs to be recognized</u> | <u>\$ 1,943,050</u> | <u>2,455,500</u> |

Federal law requires financial assurance regarding closure and post-closure care. Financial assurance is computed annually through a variety of ratios regarding liquidity, debt, and revenues. The Town has met the financial assurance conditions for 2017.

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. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association (MMA). These pools, and the risks of loss to which the Town is exposed, are as follows:

MMA's workers' compensation fund retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000 per occurrence.

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

RISK MANAGEMENT, CONTINUED

MMA's income protection risk and health insurance risk pools are also self-insured. Each member retains \$135,000 of risk in total for the two plans and the pool purchases excess insurance for claims which exceed \$135,000 cumulative for both lines. The health insurance pool has no maximum coverage limit and the income protection has a limit of \$1,000 a week for a maximum of 52 weeks per occurrence.

MMA's property and casualty risk pool retains \$100,000 of risk and purchases excess insurance for claims which exceed \$100,000 up to a maximum coverage of \$1,000,000 for property and casualty coverage per occurrence, \$200,000,000 cumulative coverage for the entire pool, and \$250,000 for crime per entity per occurrence.

The Town is subject to assessments by the risk pools. 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, 2017.

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International Town Management Association Retirement Corporation (ICMARC).

The plan, available to all full-time and permanent part-time Town employees, permits them 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. Employees are permitted to contribute up to the maximum allowed per Internal Revenue Code limits. Employer contributions are not required, unless specifically agreed upon per individual contract with each employee. For the year ended June 30, 2017, the Town's contribution to the plan was \$20,509.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan. Employees are immediately vested in their own as well as employer contributions and earnings on those contributions. There is, therefore, no forfeiture provision.

TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established six tax increment financing (TIF) districts in order to finance development programs in the Town of Orono. The expenditures for these programs are paid for by tax dollars that have been retained under the tax increment financing program. The Town has entered into several Credit Enhancement Agreements (CEAs) with individual organizations as permitted within its TIF District development programs, established under the State of Maine Title 30-A. The CEA's outline conditions for the reimbursement of a percentage of tax revenues generated through the increased values of certain parcels within the districts. The agreements and payments are intended to promote economic development through real estate development and job creation, as well as infrastructure improvements and business incentives within the Town's TIF districts. For the fiscal year ended June 30, 2017, the Town remitted a total of \$161,217 in credit enhancement payments. All credit enhancement payments made during the year are outlined below.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

Maine Technology Park Omnibus Municipal TIF (Previously Sensor Research and Development TIF) - 100% Economic Development - This TIF was established in the spring of 2000 and had a life of 15 years. The original assessed base value in this district was assessed at zero. Acquisitions and improvements made by the Development Program were to result in an estimated investment of approximately \$4,834,100, creating additional tax base within the Town. The Town made available to Sensor Research and Development all of the retained captured tax increment revenues from the District for a period of ten years. These revenues were used by Sensor Research and Development, either to assist it in paying debt service related to financing the Project or as direct payments toward the cost of the Project. Fiscal year ended June 30, 2010 was the final year tax revenues were retained and made available to Sensor Research and Development.

On October 25, 2013, the TIF district was amended and renamed the Maine Technology Park Omnibus Municipal TIF. The term was extended to 30 years ending February 28, 2030. The original assessed base value in this district was assessed at \$4,762,300 as of April 1, 2012 and spans 34.99 acres. The Town is allowed to enter into credit enhancement agreements up to 100% reimbursement, however, there is currently no CEA's in place for this TIF district. The amount of captured tax increment revenues retained by the Town for its approved development purposes for the year ended June 30, 2017 was \$37,658, representing 100% of the captured tax revenues.

EnvisioNet Municipal Development TIF - This TIF was established on July 13, 2000 and has a life of 20 years. The original assessed base value in this district is zero. EnvisioNet filed for bankruptcy in FY14 and the Town decided to retain the 70% TIF revenues that were to be reimbursed. During 2015, the related property was sold and all current and back taxes were paid to the Town in an amount of \$195,550. The amount of tax increment revenues retained by the Town for the year ended June 30, 2017 was \$95,088, representing 100% of the captured tax revenues.

Dirigo Pines TIF - This TIF was established on February 10, 2003 and has a life of 30 years. The original assessed base value in this district is \$182,500 and the development program excludes the first \$433,500 of the increase in assessed value. The development program calls for 30% of the tax revenues derived from the increase in value in excess of \$616,000 to be returned to the developer in accordance with the terms of the credit enhancement agreement.

Fiscal year ended June 30, 2017 was the twelfth year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2017 was \$110,168, which was returned to the developer.

Downtown and Transit-Oriented Development TIF - 100% Economic Development - This TIF was established on March 17, 2000 and has a life of 30 years. The original assessed base value in this district is \$28,080,265. The Town created the tax increment financing district to fund transportation-related projects for the Town's downtown.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

On May 13, 2013, the TIF district was renamed the Downtown and Transit-Oriented Development TIF whereas the original name was Transit-Oriented TIF. The amendment increased the original acreage to 96.4 acres in order to allow the Town to fund various transit and other economic development costs; provide continuing employment opportunities for the citizens of the Town and surrounding region; improve and broaden the tax base of the Town; improve the general economy of the Town, the surrounding region and the State of Maine; and to encourage the development, expansion and improvement of commercial facilities within the Town. The amount of tax increment revenues made available for the year ended June 30, 2017 was \$652,500, of which \$21,296 was returned due to a credit enhancement agreement.

Webster Point TIF - 100% Economic Development - This TIF was established on February 7, 2011 and is in effect until June 30th, 2027. The original assessed base value in this district is zero. Effective May 14, 2012 the Town agreed to a Credit Enhancement Agreement with Webster Point LLC. In that agreement, the Town agreed to provide the developer 85% of the tax increment revenues. The Town will use the remaining 15% for approved development projects and mitigating impacts within the district. The amount of tax increment revenues made available for the year ended June 30, 2017 was \$44,474.

Penobscot Valley Dermatology Municipal Development TIF - This TIF was established on July 1, 2015 and has a life for 30 years. The Town plans to capture 100% of the increased assessed value of taxable and real and personal property located within the district for thirty years. The original assessed base value in this district is \$200,400. The Town has agreed to a credit enhancement agreement with Cutis Properties, LLC, the corporate entity organized by Penobscot Valley Dermatology to own, redevelop, and manage the property. The CEA calls for a tiered reimbursement of property taxes over the 30 year period as follows: 60% reimbursement for years 1-5; 45% for years 6-15; and 30% for years 16-30. However, these reimbursements are subject to minimum increases in the assessed value of the property. The amount of tax increment revenues made available for the year ended June 30, 2017 was \$44,653, of which \$29,753 was returned to Cutis Properties LLC for the credit enhancement agreement.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Employees are required to contribute 8.0% for the regular plan and special plan of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2017, was 9.5% and 9.1% of annual payroll for the regular plan and the special plan, respectively. These contributions, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$318,336 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$3,370,789 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2016, the Town's proportion was 0.6344%.

For the year ended June 30, 2017, the Town recognized pension expense of \$559,887. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in assumptions | \$ 361,357 | - |
| Differences between expected and actual experience | - | 175,943 |
| Net difference between projected and actual earnings on pension plan investments | 727,207 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | - | 84,674 |
| Town contributions subsequent to the measurement date | 318,336 | - |
| Total | \$ 1,406,900 | \$ 260,617 |

\$318,336 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Year ended June 30:

| | |
|------|------------|
| 2018 | \$ 141,459 |
| 2019 | 93,097 |
| 2020 | 399,117 |
| 2021 | 194,274 |

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

| | |
|----------------------------------|---------------------------------------|
| Inflation | 2.75% |
| Salary Increases | 2.75% to 9.0% per year |
| Investment return | 6.875% per annum, compounded annually |
| Cost of living benefit increases | 2.20% per annum |

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| US equities | 20% | 5.7% |
| Non-US equities | 20% | 5.5% |
| Private equity | 10% | 7.6% |
| Real estate | 10% | 5.2% |
| Infrastructure | 10% | 5.3% |
| Hard assets | 5% | 5.0% |
| Fixed income | 25% | 2.9% |
| Total | 100% | |

Discount Rate - The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1 percentage-point higher (7.875%) than the current rate:

| | 1% Decrease <u>(5.875%)</u> | Current Discount Rate <u>(6.875%)</u> | 1% Increase <u>(7.875%)</u> |
|--|-----------------------------------|---|-----------------------------------|
| Town's proportionate share of the net pension liability | \$ 5,594,902 | \$ 3,370,789 | \$ 1,276,865 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2017.

NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2017:

| | Governmental <u>activities</u> | Business-type <u>activities</u> |
|--|-----------------------------------|------------------------------------|
| Capital assets | \$ 33,017,736 | 18,433,158 |
| Accumulated depreciation | (14,927,853) | (7,057,718) |
| Bonds payable | (12,468,134) | (8,130,000) |
| Capital leases payable | (241,029) | - |
| Add back RSU #26 portion of debt | 66,250 | - |
| <u>Total net investment in capital assets</u> | <u>\$ 5,446,970</u> | <u>3,245,440</u> |

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

FUND BALANCES

As of June 30, 2017, fund balance components consisted of the following:

| | General <u>Fund</u> | Other Governmental <u>Funds</u> |
|----------------------------------|------------------------|---------------------------------------|
| Nonspendable: | | |
| Prepaid expenditures | \$ 63,377 | - |
| Inventory | 11,507 | - |
| <u>Total nonspendable</u> | <u>74,884</u> | <u>-</u> |
| Restricted: | | |
| Downtown TIF | 736,684 | - |
| Maine Technology Park TIF | 71,193 | - |
| Penobscot Valley Dermatology TIF | 34,459 | - |
| Webster Point TIF | 60,643 | - |
| EnvisioNet TIF | 112,892 | - |
| Grant Fund | - | 21,923 |
| MBNA Infrastructure | - | 38,593 |
| Cemetery | - | 340,140 |
| Public Library | - | 63,322 |
| Park Trust – Library Fund | - | 13,904 |
| Library Construction | - | 17,192 |
| <u>Total restricted</u> | <u>1,015,871</u> | <u>495,074</u> |

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

FUND BALANCES, CONTINUED

Assigned:

Reserves:

| | | |
|---------------------------------------|------------|---|
| Assigned for subsequent year's budget | \$ 467,752 | - |
| OEDC debt service | 2,477,841 | - |
| Communications replacement reserve | 1,556 | - |
| Unemployment reserve | 42,379 | - |
| Landfill closure reserve | 10,573 | - |
| HazMat reserve | 134,386 | - |
| Wood chipper reserve | 7,026 | - |
| Capital equipment reserve | 684,617 | - |
| Cable capital support reserve | 5,063 | - |
| Office computer system reserve | 8,264 | - |
| Council projects reserve | 4,551 | - |
| Emergency medical services reserve | 7,525 | - |
| Major maintenance reserve | 18,454 | - |
| Safety equipment reserve | 12,670 | - |
| Public works garage reserve | 264,182 | - |
| Skate park reserve | 17,937 | - |
| Recreation reserve | 2,898 | - |
| Sally Jacobs sculpture reserve | 1,881 | - |
| Police forfeiture funds reserve | 3,133 | - |
| Voting machine reserve | 11,089 | - |
| Employee benefits reserve | 29,146 | - |
| Library maintenance reserve | 30,633 | - |
| Police technology reserve | 31 | - |
| Ambulance reserve | 75,852 | - |
| Fire truck reserve | 110 | - |
| Orono village green reserve | 260,000 | - |

Carryforwards:

| | | |
|---|---------|---|
| Town manager – Intern project / TM wages | 15,000 | - |
| Police – tuition reimbursement | 13,000 | - |
| Library – conferences | 800 | - |
| Parks and recreation – trail maintenance | 1,400 | - |
| Public works – street striping and stenciling | 20,656 | - |
| Facilities – minor equipment | 1,500 | - |
| Capital equipment | 65,605 | - |
| Capital infrastructure | 344,480 | - |
| Miscellaneous – cable consortium assessment | 3,500 | - |
| Assessing project | 113,955 | - |
| FY 2017 capital reserve funding | 117,085 | - |

| | | |
|-----------------------|------------------|----------|
| Total assigned | 5,276,530 | - |
|-----------------------|------------------|----------|

| | | |
|-------------------------|------------------|----------|
| Total unassigned | 2,054,845 | - |
|-------------------------|------------------|----------|

| | | |
|----------------------------|---------------------|----------------|
| Total fund balances | \$ 8,422,130 | 495,074 |
|----------------------------|---------------------|----------------|

TOWN OF ORONO, MAINE
Required Supplementary Information

Retiree Healthcare Plan
Schedule of Funding Progress

| <u>Fiscal Year Ended</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Liability (AL) – Entry Age (b)</u> | <u>Unfunded AL (UAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAL as a Percentage of Covered Payroll [(b-a) /c]</u> |
|--------------------------|---------------------------------|--------------------------------------|---|--------------------------------|---------------------------|----------------------------|--|
| 2011 | 1/1/2011 | \$ - | 687,417 | 687,417 | - | 2,795,000 | 24.59% |
| 2012 | 1/1/2011 | - | 687,417 | 687,417 | - | 2,994,000 | 22.96% |
| 2013 | 1/1/2011 | - | 687,417 | 687,417 | - | 3,434,751 | 20.01% |
| 2014 | 1/1/2014 | - | 568,375 | 568,375 | - | 3,622,238 | 15.69% |
| 2015 | 1/1/2014 | - | 568,375 | 568,375 | - | 3,592,872 | 15.82% |
| 2016 | 1/1/2014 | - | 568,375 | 568,375 | - | 3,363,923 | 16.90% |
| 2017 | 1/1/2017 | - | 364,853 | 364,853 | - | 3,978,579 | 9.17% |

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*
(Only three years of information available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Town's proportion of the net pension liability | 0.6344% | 0.6536% | 0.6802% |
| Town's proportionate share of the net pension liability | \$3,370,789 | 2,085,401 | 1,046,695 |
| Town's covered payroll | 3,411,083 | 3,322,232 | 3,297,330 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 98.82% | 62.77% | 31.74% |
| Plan fiduciary net position as a percentage of of the total pension liability | 81.61% | 88.27% | 94.10% |

* *The amounts presented for each fiscal year were determined as of the prior fiscal year.*

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan
Last 10 Fiscal Years
(Only four years of information available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 318,336 | 303,704 | 267,184 | 234,994 |
| Contributions in relation to the contractually required contribution | (318,336) | (303,704) | (267,184) | (234,994) |
| Contribution deficiency (excess) | - | - | - | - |
| Town's covered payroll | \$ 3,466,077 | 3,411,083 | 3,322,232 | 3,297,330 |
| Contributions as a percentage of covered payroll | 9.18% | 8.90% | 8.04% | 7.13% |

TOWN OF ORONO, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuation:

| | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|
| Discount rate | 6.875% | 7.125% |
| Inflation rate | 2.75% | 3.5% |
| Salary increases | 2.75 to 9.00% | 3.5% to 9.50% |
| Cost of living increase | 2.20% | 2.55% |
| Long –term expected real Rate of return on assets: | | |
| US equities | 5.7% | 5.2% |
| Real estate | 5.2% | 3.7% |
| Infrastructure | 5.3% | 4.0% |
| Hard assets | 5.0% | 4.8% |
| Fixed income | 2.9% | 0.7% |

In addition, mortality rates in the 2015 valuation were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA; which changed to mortality rates were based on the RP2014 Total Data Set Healthy Annuity Mortality Table in the 2016 valuation.

GENERAL FUND

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2017

| | | |
|---|-----------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ | 8,815,892 |
| Receivables: | | |
| Accounts | | 148,086 |
| Rescue, net of allowance (\$16,718) | | 57,640 |
| Taxes - current year | | 275,505 |
| Taxes - prior years | | 202,939 |
| RSU #26 debt service payments | | 66,250 |
| Prepaid expenditures | | 63,377 |
| Inventory | | 11,507 |
| Total assets | \$ | 9,641,196 |
| LIABILITIES | | |
| Accounts payable | | 398,113 |
| Accrued payroll and benefits | | 104,717 |
| Performance bond liability | | 182,870 |
| Taxes paid in advance | | 37,987 |
| Interfund loans payable | | 11,929 |
| Total liabilities | | 735,616 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - property taxes | | 417,200 |
| Unavailable revenue - RSU #26 debt service payments | | 66,250 |
| Total deferred inflows of resources | | 483,450 |
| FUND BALANCE | | |
| Nonspendable - prepaid expenditures | | 63,377 |
| Nonspendable - inventory | | 11,507 |
| Restricted | | 1,015,871 |
| Assigned | | 5,276,530 |
| Unassigned | | 2,054,845 |
| Total fund balance | | 8,422,130 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ | 9,641,196 |

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis
For the year ended June 30, 2017

| | 2017 | | Variance positive (negative) |
|---------------------------------------|---------------|------------|------------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Taxes: | | | |
| Property taxes | \$ 12,015,697 | 11,962,856 | (52,841) |
| Supplemental taxes | - | 457 | 457 |
| Excise taxes | 679,100 | 769,173 | 90,073 |
| Interest and costs on taxes | 38,000 | 55,444 | 17,444 |
| Total taxes | 12,732,797 | 12,787,930 | 55,133 |
| Intergovernmental: | | | |
| State revenue sharing | 818,000 | 827,911 | 9,911 |
| State road subsidy | 71,000 | 71,096 | 96 |
| General assistance reimbursement | 8,550 | 5,754 | (2,796) |
| BETE reimbursement | 30,542 | 30,650 | 108 |
| Homestead tax exemption | 192,756 | 192,756 | - |
| Other State grants and reimbursements | 14,100 | 20,983 | 6,883 |
| UMO reimbursements | 662,931 | 662,931 | - |
| Other grants | 224,000 | 224,000 | - |
| Total intergovernmental | 2,021,879 | 2,036,081 | 14,202 |
| Licenses and permits: | | | |
| Motor vehicle agent fee | 12,000 | 14,024 | 2,024 |
| Town licenses and permits | 6,000 | 6,850 | 850 |
| Building permits | 65,000 | 70,842 | 5,842 |
| Plumbing fees | 2,500 | 3,896 | 1,396 |
| Electrical permits | 7,500 | 8,151 | 651 |
| Land use ordinance fees | 3,000 | 2,690 | (310) |
| Road opening permits | 2,100 | 225 | (1,875) |
| Rental unit registration fee | 43,800 | 42,011 | (1,789) |
| Burning permits | 200 | 146 | (54) |
| Parking permits | 4,500 | 4,390 | (110) |
| Fish and wildlife license fees | 950 | 1,003 | 53 |
| Dog license fees | 400 | 535 | 135 |
| Birth, death and marriage records | 6,000 | 6,296 | 296 |
| Total licenses and permits | 153,950 | 161,059 | 7,109 |
| Interest income | 47,000 | 48,994 | 1,994 |

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

| | 2017 | | Variance positive (negative) |
|-------------------------------------|---------------|------------|------------------------------------|
| | Budget | Actual | |
| Revenues, continued: | | | |
| Charges for services: | | | |
| Fire and ambulance fees | \$ 353,000 | 316,956 | (36,044) |
| Advertising | 6,280 | 9,625 | 3,345 |
| Police fees | 6,500 | 6,774 | 274 |
| Police accident reports | 2,500 | 3,280 | 780 |
| Police special detail | 17,000 | 16,796 | (204) |
| Court fees | 1,500 | 3,002 | 1,502 |
| EMS CPR training | - | 1,059 | 1,059 |
| Air bottle refill | 500 | 308 | (192) |
| School resource officer | 31,556 | 31,556 | - |
| School crossing guard reimbursement | 9,000 | 9,000 | - |
| Recreation | 74,350 | 69,819 | (4,531) |
| Library income and fees | 8,500 | 4,311 | (4,189) |
| OVWD plowing fees | 2,000 | 2,000 | - |
| Disposal site fees | 15,500 | 12,579 | (2,921) |
| PERC administrative fee | 3,750 | 4,987 | 1,237 |
| Cemetery revenue | 3,400 | 3,600 | 200 |
| Rental income | 9,500 | 12,298 | 2,798 |
| Total charges for services | 544,836 | 507,950 | (36,886) |
| Other revenues: | | | |
| Housing Foundation PILOT | 35,000 | 35,000 | - |
| Freeman Forest PILOT | 17,600 | 17,600 | - |
| Parking fines | 45,000 | 36,817 | (8,183) |
| ACO late fees | - | 6,187 | 6,187 |
| Code enforcement penalties and fees | 7,000 | 2,425 | (4,575) |
| Recreation donations | - | 493 | 493 |
| Sale of surplus property | 3,500 | - | (3,500) |
| Cable franchise fees | 55,000 | 60,888 | 5,888 |
| Recycling revenue | 1,500 | 18,276 | 16,776 |
| PERC performance credit | 56,000 | 48,653 | (7,347) |
| Miscellaneous revenue | 9,341 | 8,629 | (712) |
| Total other revenues | 229,941 | 234,968 | 5,027 |
| Total revenues | \$ 15,730,403 | 15,776,982 | 46,579 |

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

| | 2017 | | Variance positive (negative) |
|--|-----------|-----------|------------------------------------|
| | Budget | Actual | |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Town Council | \$ 66,171 | 60,478 | 5,693 |
| Town Manager | 336,369 | 289,212 | 47,157 |
| Finance and administration | 376,457 | 346,329 | 30,128 |
| Assessor | 146,741 | 92,786 | 53,955 |
| Elections and voter registration | 11,489 | 9,301 | 2,188 |
| Insurance | 81,500 | 79,075 | 2,425 |
| General assistance | 17,100 | 2,524 | 14,576 |
| Planning and code enforcement | 217,539 | 193,924 | 23,615 |
| Employee benefits | 5,250 | 5,137 | 113 |
| Contracted services | 67,000 | 77,199 | (10,199) |
| Tax increment financing - Dirigo Pines | 110,168 | 110,168 | - |
| Overlay | 101,926 | - | 101,926 |
| Miscellaneous | 13,000 | 16,072 | (3,072) |
| Total general government | 1,550,710 | 1,282,205 | 268,505 |
| Public services: | | | |
| Library | 295,251 | 286,391 | 8,860 |
| Recreation | 244,061 | 202,674 | 41,387 |
| Facilities | 153,770 | 145,371 | 8,399 |
| Municipal and public safety buildings | 77,700 | 65,953 | 11,747 |
| Library facilities maintenance | 23,830 | 14,684 | 9,146 |
| Senior Citizen Center | 12,960 | 10,346 | 2,614 |
| Anderson Community House | 16,685 | 12,609 | 4,076 |
| Total public services | 824,257 | 738,028 | 86,229 |
| Public safety: | | | |
| Public safety administration | 71,010 | 68,108 | 2,902 |
| Police Department | 1,281,327 | 1,287,421 | (6,094) |
| Fire Department | 1,525,525 | 1,623,468 | (97,943) |
| Haz-Mat | 33,848 | 39,031 | (5,183) |
| Fire protection | 229,000 | 235,810 | (6,810) |
| Street lights | 71,500 | 71,825 | (325) |
| Total public safety | 3,212,210 | 3,325,663 | (113,453) |
| Public works: | | | |
| General maintenance | 423,280 | 359,040 | 64,240 |
| Winter maintenance | 494,639 | 426,851 | 67,788 |
| Cemetery | 79,458 | 84,964 | (5,506) |
| Solid waste disposal | 325,989 | 335,538 | (9,549) |
| Town garage | 262,725 | 238,766 | 23,959 |
| Total public works | 1,586,091 | 1,445,159 | 140,932 |

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

| | 2017 | | Variance positive (negative) |
|---|--------------|---------------------|------------------------------------|
| | Budget | Actual | |
| Expenditures, continued | | | |
| Current, continued: | | | |
| Educational assessment | \$ 6,285,633 | 6,285,633 | - |
| County tax | 539,394 | 539,394 | - |
| Debt service: | | | |
| Principal | 735,000 | 735,000 | - |
| Interest | 406,803 | 406,451 | 352 |
| Total debt service | 1,141,803 | 1,141,451 | 352 |
| Capital expenditures: | | | |
| Capital equipment | 618,754 | 357,087 | 261,667 |
| Capital infrastructure | 753,870 | 332,146 | 421,724 |
| Capital facilities | 346,018 | 123,211 | 222,807 |
| Total capital expenditures | 1,718,642 | 812,444 | 906,198 |
| Total expenditures | 16,858,740 | 15,569,977 | 1,288,763 |
| (Excess) deficiency of revenues over (under) expenditures | (1,128,337) | 207,005 | 1,335,342 |
| Other financing sources (uses): | | | |
| Transfers-in | 136,325 | 134,500 | (1,825) |
| Transfers-out | (995,787) | (878,078) | 117,709 |
| Utilization of assigned balance | 1,527,799 | - | (1,527,799) |
| Use of prior year surplus | 460,000 | - | (460,000) |
| Total other financing sources (uses) | 1,128,337 | (743,578) | (1,871,915) |
| Net change in fund balances, budgetary basis | - | (536,573) | (536,573) |
| Fund balance, beginning of year-budgetary basis | | 6,308,876 | |
| Fund balance, end of year-budgetary basis | | 5,772,303 | |
| Amounts held in reserves | | 2,649,827 | |
| Fund balance, end of year | | \$ 8,422,130 | |

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

| | Fund balances beginning of year | Interest income | Other Revenues | Expenditures | Transfers in | Fund balances/ (deficits) end of year |
|--|--|--------------------|-------------------|------------------|-----------------|--|
| Restricted: | | | | | | |
| Downtown TIF | 850,964 | 7,632 | 500 | 774,912 | 652,500 | 736,684 |
| Maine Technology Park TIF | 33,203 | 332 | - | - | 37,658 | 71,193 |
| Penobscot Valley Dermatology TIF | 19,520 | 39 | - | 29,753 | 44,653 | 34,459 |
| Webster Point TIF | 15,997 | 172 | - | - | 44,474 | 60,643 |
| EnvisioNet TIF | 145,932 | 1,374 | - | 129,502 | 95,088 | 112,892 |
| Assigned: | | | | | | |
| Communications replacement | 1,544 | 12 | - | - | - | 1,556 |
| Unemployment | 42,034 | 345 | - | - | - | 42,379 |
| Landfill closure | 10,487 | 86 | - | - | - | 10,573 |
| HazMat reserve | 133,292 | 1,094 | - | - | - | 134,386 |
| Wood chipper | 6,969 | 57 | - | - | - | 7,026 |
| Capital equipment | 678,144 | 6,473 | - | - | - | 684,617 |
| Cable capital support | 5,022 | 41 | - | - | - | 5,063 |
| Office computer system | 8,197 | 67 | - | - | - | 8,264 |
| Council reserve projects | 4,514 | 37 | - | - | - | 4,551 |
| Emergency medical services | 7,464 | 61 | - | - | - | 7,525 |
| Major maintenance | 18,270 | 184 | - | - | - | 18,454 |
| Safety equipment | 12,567 | 103 | - | - | - | 12,670 |
| Public works garage | 336,905 | 3,740 | - | 76,463 | - | 264,182 |
| Skate park | 17,783 | 154 | - | - | - | 17,937 |
| Bennoch Road reconstruction | 4 | - | - | 4 | - | - |
| Recreation reserve | 2,882 | 16 | - | - | - | 2,898 |
| Sally Jacobs sculpture steward | 1,866 | 15 | - | - | - | 1,881 |
| Police forfeiture funds | 1,770 | 15 | 1,348 | - | - | 3,133 |
| Voting machine | 11,513 | 94 | - | 518 | - | 11,089 |
| Employee benefits | 28,909 | 237 | - | - | - | 29,146 |
| Library maintenance | 30,384 | 249 | - | - | - | 30,633 |
| Police technology reserve | 15 | 16 | - | - | - | 31 |
| Ambulance reserve | 75,112 | 740 | - | - | - | 75,852 |
| Fire truck reserve | 52 | 58 | - | - | - | 110 |
| Orono village green | 260,000 | - | - | - | - | 260,000 |
| unassigned: | | | | | | |
| Orono Economic Development Corporation | \$ (6,443) | 3,739 | - | - | 2,704 | - |
| OTO Fiber | (1,001) | - | - | - | 1,001 | - |
| Total General Fund reserves | \$ 2,753,871 | 27,182 | 1,848 | 1,011,152 | 878,078 | 2,649,827 |

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2017

| | Special Revenue Funds | | | | | Capital Project Fund | | Totals |
|--|-----------------------|------------------------|----------------|-------------------|------------------------------|-------------------------|--------------------------|----------------|
| | Grant Fund | MBNA Infrastructure | Cemetery | Public Library | Park Trust - Library Fund | Library Construction | Public Works Building | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | 38,593 | 64,504 | 1,943 | 13,904 | 17,756 | - | 136,700 |
| Investments | - | - | 272,486 | 61,379 | - | - | - | 333,865 |
| Interfund loans receivable | 22,082 | - | 3,150 | - | - | - | - | 25,232 |
| Total assets | \$ 22,082 | 38,593 | 340,140 | 63,322 | 13,904 | 17,756 | - | 495,797 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | 159 | - | - | - | - | - | - | 159 |
| Interfund loans payable | - | - | - | - | - | 564 | - | 564 |
| Total liabilities | 159 | - | - | - | - | 564 | - | 723 |
| Fund balances: | | | | | | | | |
| Restricted | 21,923 | 38,593 | 340,140 | 63,322 | 13,904 | 17,192 | - | 495,074 |
| Total fund balance | 21,923 | 38,593 | 340,140 | 63,322 | 13,904 | 17,192 | - | 495,074 |
| Total liabilities and fund balances | \$ 22,082 | 38,593 | 340,140 | 63,322 | 13,904 | 17,756 | - | 495,797 |

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

| | Special Revenue Funds | | | | | Capital Project Fund | | Totals |
|--|-----------------------|---------------------|----------------|----------------|---------------------------|----------------------|-----------------------|----------------|
| | Grant Fund | MBNA Infrastructure | Cemetery | Public Library | Park Trust - Library Fund | Library Construction | Public Works Building | |
| Revenues: | | | | | | | | |
| Intergovernmental | \$ 58,397 | - | - | - | - | - | - | 58,397 |
| Interest income | - | 314 | 525 | 2,946 | 38 | 141 | - | 3,964 |
| Other | 90,094 | - | 490 | 650 | 9,228 | 400 | - | 100,862 |
| Total revenues | 148,491 | 314 | 1,015 | 3,596 | 9,266 | 541 | - | 163,223 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Program expenditures | 875 | - | - | 1,720 | - | 564 | - | 3,159 |
| Capital outlay | - | - | - | - | - | - | 75,049 | 75,049 |
| Total expenditures | 875 | - | - | 1,720 | - | 564 | 75,049 | 78,208 |
| Net change in fund balances | 147,616 | 314 | 1,015 | 1,876 | 9,266 | (23) | (75,049) | 85,015 |
| Fund balances (deficit), beginning of year | (125,693) | 38,279 | 339,125 | 61,446 | 4,638 | 17,215 | 75,049 | 410,059 |
| Fund balances, end of year | \$ 21,923 | 38,593 | 340,140 | 63,322 | 13,904 | 17,192 | - | 495,074 |