

TOWN OF ORONO, MAINE
Annual Financial Report
For the year ended June 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2013, 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 and the schedule of funding progress 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 5, 2013 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 Town of Orono, Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Remya Weston Ouellette".

December 5, 2013
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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 of the Town of Orono, Maine exceeded its liabilities at the close of the most recent fiscal year by \$18,376,106 (*net position*) (Statement 1). Of this amount, \$10,302,406 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 \$1,439,526 (Statement 2). This represents a decrease of \$1,199,671 in governmental activities and a decrease of \$239,855 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 \$9,337,978 (Statement 3), which is a decrease of \$1,676,051 (Statement 4) from the prior fiscal year. Of the total decrease, \$949,641 is shown in the general fund; \$705,100 is attributable to the Katahdin Project fund, and the final \$21,310 is shown in other governmental funds.
- The Town of Orono, Maine's general fund reports an unassigned fund balance of \$2,804,938 (Statement 3), however, the Katahdin Project has an unassigned fund balance of \$(705,100) (Statement 3), leaving the Town with a total unassigned fund balance of \$2,099,838 (Statement 3). Total unassigned fund balance decreased by \$1,080,036 from the prior fiscal year.
- The Town has incurred preconstruction costs related to the municipal parking lot and plaza that are being built alongside the new University Credit Union building named the Katahdin Project. This is a bonded project; however, as of the end of the fiscal year the Town of Orono, Maine had not been reimbursed for related expenses and therefore shows a deficit fund balance. Bond payments for this project will eventually be paid for with TIF (tax increment financing) dollars and the effects of this project will not affect general fund balance going forward.

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 financial statements. This report also contains 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 and liabilities, with the difference between the two 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, Continued

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, the resources the Town can use to provide services and operate the government, against all of its liabilities, 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, 2013 and June 30, 2012.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current and other assets	\$ 10,434,433	\$ 11,994,168	\$ (1,559,735)	\$ 2,447,685	\$ 2,400,853	\$ 46,832
Capital assets	<u>10,699,688</u>	<u>11,357,299</u>	<u>(657,611)</u>	<u>12,865,972</u>	<u>13,347,617</u>	<u>(481,645)</u>
Total Assets	21,134,121	23,351,467	(2,217,346)	15,313,657	15,748,470	(434,813)
Long-term liabilities	8,149,934	8,236,383	(86,449)	9,129,482	9,089,029	40,453
Other liabilities	<u>453,827</u>	<u>1,505,919</u>	<u>(1,052,092)</u>	<u>338,429</u>	<u>579,599</u>	<u>(241,170)</u>
Total Liabilities	8,603,761	9,742,302	(1,138,541)	9,467,911	9,668,628	(200,717)
Net investment in capital assets	3,349,937	7,124,064	(3,774,127)	3,750,043	4,029,685	(279,642)
Restricted	973,720	741,518	232,202	-	-	-
Unrestricted	<u>8,206,703</u>	<u>5,864,449</u>	<u>2,342,254</u>	<u>2,095,703</u>	<u>2,055,916</u>	<u>39,787</u>
Total Net Position	<u>\$ 12,530,360</u>	<u>\$ 13,730,031</u>	<u>\$ (1,199,671)</u>	<u>\$ 5,845,746</u>	<u>\$ 6,085,601</u>	<u>\$ (239,855)</u>

The Town of Orono, Maine's governmental assets exceeded its liabilities by \$12,530,360 and business-type assets exceeded its liabilities by \$5,845,746 for total net position of \$18,376,106 at the close of the most recent fiscal year. The summary above shows a decrease in net position of 8.74% for governmental activities and a decrease of 3.94% 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. The Town of Orono, Maine uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

It should be noted that 65.5% of the Town's net position is available to be used to meet the Town's ongoing obligations to its citizens and creditors.

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

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 following schedule is a summary of the statement of activities for the years ended June 30, 2013 and June 30, 2012:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:						
Program revenues:						
Charges for services	\$ 620,421	\$ 633,562	\$ (13,141)	\$ 1,601,151	\$ 1,818,913	\$ (217,762)
Operating grants and contributions	422,799	81,665	341,134	-	-	-
Capital grants	91,464	-	91,464	29,163	-	29,163
General revenues						
Taxes	9,721,233	9,526,203	195,030	-	-	-
Intergovernmental	2,248,256	2,614,477	(366,221)	-	-	-
Investment	11,978	214,664	(202,686)	2,829	7,873	(5,044)
Miscellaneous	1,110,067	619,467	490,600	-	-	-
Transfer	120,000	-	120,000	(120,000)	-	(120,000)
Gain (loss) on disposal	(41,538)	425	(41,963)	(634)	-	(634)
Total Revenues	<u>14,304,680</u>	<u>13,690,463</u>	<u>614,217</u>	<u>1,512,509</u>	<u>1,826,786</u>	<u>(314,277)</u>
Expenses:						
General government	1,969,054	2,038,708	(69,654)	-	-	-
Public services	842,145	830,468	11,677	-	-	-
Public safety	2,847,443	2,782,417	65,026	-	-	-
Public works	1,644,908	1,807,562	(162,654)	-	-	-
Education	5,047,509	5,032,281	15,228	-	-	-
County tax	470,712	466,102	4,610	-	-	-
Unclassified	852,730	248,179	604,551	-	-	-
Interest on long-term debt	349,833	387,197	(37,364)	-	395,081	(395,081)
Capital maintenance	1,480,017	-	1,480,017	-	-	-
Sewer services	-	-	-	1,752,364	1,382,495	369,869
Total Expenses	<u>15,504,351</u>	<u>13,592,914</u>	<u>1,911,437</u>	<u>1,752,364</u>	<u>1,777,576</u>	<u>(25,212)</u>
Change in Net Position	<u>\$ (1,199,671)</u>	<u>\$ 97,549</u>	<u>\$ (1,297,220)</u>	<u>\$ (239,855)</u>	<u>\$ 49,210</u>	<u>\$ (289,065)</u>

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 at June 30, 2013 of \$9,337,978, a decrease of \$1,676,051 in comparison with the prior year. Just over 22.4% of this total amount (\$2,099,838) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$7,238,140) is not available for new spending because it has already been restricted in its use for 1) various capital and other governmental purposes (\$973,720), 2) long-term notes receivable (\$2,997,000), or 3) committed or assigned to specific uses (\$3,267,420).

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

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 (\$2,099,838) (Statement 3) represents 13.2% of the total governmental funds expenditures (\$15,911,269) (Statement 4); total governmental fund balance (\$9,337,978) (Statement 3) represents 58.69% of total governmental funds expenditures.

Total revenues (\$14,115,218) (Statement 4) increased by 2.05% over fiscal year 2012. This was driven by growth in general taxes, charges for services and miscellaneous revenues. Investment revenue continued its pattern of reduction as interest rates continued to drop.

Total expenditures (\$15,911,269) (Statement 4) also increased this year by 13.29% over fiscal year 2012. Capital expenditures drove this increase almost entirely.

Total expenditures exceeded total revenues by \$1,796,051 (Statement 4) resulting in a negative change in fund balance.

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 2013 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 \$239,855 to \$5,845,746. Operating income (operating revenues less operating expenses) was \$270,686 while nonoperating expenses were \$510,541. Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$3,750,043 and unrestricted net position made up the other \$2,095,703. Unrestricted net position represents 157.5% of current year operating expenses.

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 the Town is meeting legal responsibilities for using certain taxes, grants, and other money. The Town reports governmental funds and a proprietary fund.

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

- **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.
- **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 fund had a balance of \$867,147.

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 expense 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 expense category.

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2013 amounts to \$31,239,403, net of accumulated depreciation of \$20,539,715, leaving a net book value of \$10,699,688. This is a decrease of \$657,611 from fiscal year 2012. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, as well as infrastructure.

The Town of Orono's capital assets for its business-type activities as of June 30, 2013 amounts to \$17,703,426, net of accumulated depreciation of \$4,837,454, leaving a net book value of \$12,865,972. This is a decrease of \$481,645. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and sewer infrastructure.

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

Long-term Liabilities

At year-end, the Town had \$16,796,930 in outstanding bonds compared to \$17,696,167 in 2012. This is comprised of general activities bonds of \$7,681,001 and business-type activities bonds of \$9,115,929.

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. The current debt limitation for the Town of Orono as a whole is \$62,787,450 and \$31,393,725 for its sewer fund, far exceeding the Town's outstanding general obligation debt.

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%

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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,983,238	2,154,045	8,137,283
Investments	289,490	-	289,490
Receivables:			
Accounts receivable	245,247	292,504	537,751
Rescue receivable (net of allowance of \$358,252)	135,034	-	135,034
Taxes receivable - current year	349,204	-	349,204
Taxes receivable - prior years	103,064	-	103,064
Notes receivable	2,997,000	-	2,997,000
Tax acquired property	2,042	-	2,042
Internal balances	(1,136)	1,136	-
Receivable - RSU #26 debt service payments	331,250	-	331,250
Nondepreciable capital assets	2,805,552	54,238	2,859,790
Depreciable capital assets, net	7,894,136	12,811,734	20,705,870
Total assets	21,134,121	15,313,657	36,447,778
LIABILITIES			
Accounts payable	142,671	20,122	162,793
Accrued payroll and benefits	96,747	7,448	104,195
Accrued compensated absences	177,628	13,553	191,181
Accrued interest	114,622	310,859	425,481
Performance bond liability	99,787	-	99,787
Noncurrent liabilities:			
Due within one year	720,757	238,811	959,568
Due in more than one year	7,251,549	8,877,118	16,128,667
Total liabilities	8,603,761	9,467,911	18,071,672
NET POSITION			
Net investment in capital assets	3,349,937	3,750,043	7,099,980
Restricted	973,720	-	973,720
Unrestricted	8,206,703	2,095,703	10,302,406
Total net position	\$ 12,530,360	5,845,746	18,376,106

See accompanying notes to basic financial statements.

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

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	\$ 1,969,054	115,458	320,423	-	(1,533,173)	-	(1,533,173)
Public services	842,145	103,802	-	-	(738,343)	-	(738,343)
Public safety	2,847,443	377,821	-	-	(2,469,622)	-	(2,469,622)
Public works	1,644,908	23,340	102,376	91,464	(1,427,728)	-	(1,427,728)
Education	5,047,509	-	-	-	(5,047,509)	-	(5,047,509)
County tax	470,712	-	-	-	(470,712)	-	(470,712)
Unclassified	852,730	-	-	-	(852,730)	-	(852,730)
Interest on debt service	349,833	-	-	-	(349,833)	-	(349,833)
Capital maintenance expenses	1,480,017	-	-	-	(1,480,017)	-	(1,480,017)
Total governmental activities	15,504,351	620,421	422,799	91,464	(14,369,667)	-	(14,369,667)
Business-type activities:							
Sewer services	1,752,364	1,601,151	-	29,163	-	(122,050)	(122,050)
Total business-type activities	1,752,364	1,601,151	-	29,163	-	(122,050)	(122,050)
Total primary government	\$ 17,256,715	2,221,572	422,799	120,627	(14,369,667)	(122,050)	(14,491,717)
General revenues:							
Property taxes					\$ 9,077,770	-	9,077,770
Excise taxes					643,463	-	643,463
Motor vehicle registration fees					13,696	-	13,696
UMO reimbursements					662,931	-	662,931
PILOT payments					52,600	-	52,600
Franchise fees					67,046	-	67,046
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					1,221,972	-	1,221,972
Homestead exemption					112,383	-	112,383
Other State aid					131,324	-	131,324
Unrestricted investment earnings					11,978	2,829	14,807
Miscellaneous					1,096,371	-	1,096,371
Loss on disposal of assets					(41,538)	(634)	(42,172)
Transfers					120,000	(120,000)	-
Total general revenues					13,169,996	(117,805)	13,052,191
Change in net position					(1,199,671)	(239,855)	(1,439,526)
Net position - beginning, as restated					13,730,031	6,085,601	19,815,632
Net position - ending					\$ 12,530,360	5,845,746	18,376,106

See accompanying notes to basic financial statements.

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

	General	Katahdin Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,782,199	-	201,039	5,983,238
Investments	-	-	289,490	289,490
Receivables:				
Accounts receivable	245,247	-	-	245,247
Rescue receivable (net of allowance of \$358,252)	135,034	-	-	135,034
Taxes receivable - current year	349,204	-	-	349,204
Taxes receivable - prior years	103,064	-	-	103,064
Notes receivable	2,997,000	-	-	2,997,000
Tax acquired property	2,042	-	-	2,042
Interfund loans receivable	708,469	-	-	708,469
Receivable - RSU #26 debt service payments	331,250	-	-	331,250
Total assets	\$ 10,653,509	-	490,529	11,144,038
LIABILITIES				
Accounts payable	142,671	-	-	142,671
Accrued payroll and benefits	96,747	-	-	96,747
Performance bond liability	99,787	-	-	99,787
Interfund loans payable	-	705,100	4,505	709,605
Total liabilities	339,205	705,100	4,505	1,048,810
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	426,000	-	-	426,000
Unavailable revenue - RSU #26 debt service payments	331,250	-	-	331,250
Total deferred inflows of resources	757,250	-	-	757,250
FUND BALANCES				
Nonspendable	2,997,000	-	-	2,997,000
Restricted	487,696	-	486,024	973,720
Committed	616,805	-	-	616,805
Assigned	2,650,615	-	-	2,650,615
Unassigned	2,804,938	(705,100)	-	2,099,838
Total fund balances (deficit)	9,557,054	(705,100)	486,024	9,337,978
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,653,509	-	490,529	

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.	10,699,688
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	426,000
Unavailable revenue - RSU #26 debt service payments	331,250
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	(177,628)
Bonds payable	(7,681,001)
Other postemployment benefits obligation	(251,305)
Accrued interest	(114,622)
Landfill closure and post closure costs	(40,000)

Net position of governmental activities	\$ 12,530,360
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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, 2013

	General	Katahdin Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,610,233	-	-	9,610,233
Intergovernmental	2,540,497	-	-	2,540,497
Licenses and permits	112,785	-	-	112,785
Interest income	11,757	-	221	11,978
Charges for services	463,629	-	-	463,629
Other revenues	1,347,562	-	28,534	1,376,096
Total revenues	14,086,463	-	28,755	14,115,218
Expenditures:				
Current:				
General government	1,822,202	-	-	1,822,202
Public services	663,829	-	-	663,829
Public safety	2,821,260	-	-	2,821,260
Public works	1,327,729	-	-	1,327,729
Education	5,047,509	-	-	5,047,509
County tax	470,712	-	-	470,712
Unclassified	807,170	-	45,560	852,730
Debt service	992,412	-	-	992,412
Capital expenditures	1,203,281	705,100	4,505	1,912,886
Total expenditures	15,156,104	705,100	50,065	15,911,269
Deficiency of revenues under expenditures	(1,069,641)	(705,100)	(21,310)	(1,796,051)
Other financing sources:				
Transfers-in	120,000	-	-	120,000
Total other financing sources	120,000	-	-	120,000
Net change in fund balances	(949,641)	(705,100)	(21,310)	(1,676,051)
Fund balances, beginning of year, as restated	10,506,695	-	507,334	11,014,029
Fund balances (deficit), end of year	\$ 9,557,054	(705,100)	486,024	9,337,978

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, 2013

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,676,051)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

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

This is the amount by which depreciation expense (\$701,382) and loss on disposal (\$41,538) exceeded capital outlay (\$85,309) in the current period.

(657,611)

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

111,000

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:

Compensated absences

(11,204)

Other post employment benefits

(41,253)

Landfill closure and post-closure costs

432,869

Accrued interest

11,595

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond 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 of bond repayments.

697,234

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 \$331,250. This is the principal paid off during the year.

(66,250)

Change in net position of governmental activities (see Statement 2)	\$	(1,199,671)
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See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2013

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 9,698,681	9,698,681	9,610,233	(88,448)
Intergovernmental	2,319,274	2,319,274	2,540,497	221,223
Licenses and permits	85,925	85,925	112,785	26,860
Interest income	12,000	12,000	6,549	(5,451)
Charges for services	413,881	413,881	463,629	49,748
Other revenues	814,850	814,850	826,426	11,576
Total revenues	13,344,611	13,344,611	13,560,119	215,508
Expenditures:				
Current:				
General government	1,575,985	1,595,487	1,822,202	(226,715)
Public services	704,704	713,564	663,829	49,735
Public safety	3,088,612	3,080,437	2,821,260	259,177
Public works	1,243,994	1,416,315	1,327,729	88,586
Education	4,908,075	4,908,075	5,047,509	(139,434)
County tax	470,713	470,713	470,712	1
Debt service	919,124	919,124	919,124	-
Capital expenditures	981,960	850,090	835,263	14,827
Total expenditures	13,893,167	13,953,805	13,907,628	46,177
Deficiency of revenues under expenditures	(548,556)	(609,194)	(347,509)	261,685
Other financing sources (uses):				
Transfers-in	532,375	342,000	312,000	(30,000)
Transfers-out	(392,670)	(435,271)	(279,023)	156,248
Utilization of assigned balance	408,851	408,851	-	(408,851)
Utilization of unassigned balance	-	293,614	-	(293,614)
Total other financing sources	548,556	609,194	32,977	(576,217)
Net change in fund balance, budgetary basis	-	-	(314,532)	(314,532)
Fund balance, beginning of year-budgetary basis, as restated			6,828,707	
Fund balance, end of year-budgetary basis			6,514,175	
Amounts held in reserves			3,042,879	
Fund balance, end of year			\$ 9,557,054	

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2013

Business-type Activities - Enterprise Funds		Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	2,154,045
Accounts receivable		292,504
Interfund loans receivable		1,136
Total current assets		2,447,685
Noncurrent assets:		
Capital assets not being depreciated:		
Land		44,573
Construction in process		9,665
Total noncurrent assets		54,238
Capital assets being depreciated:		
Capital assets		17,649,188
Accumulated depreciation		(4,837,454)
Total capital assets being depreciated		12,811,734
Total assets		15,313,657
LIABILITIES		
Current liabilities:		
Accounts payable		20,122
Accrued payroll and benefits		7,448
Accrued compensated absences		13,553
Accrued interest expense		310,859
Current portion of bonds payable		238,811
Total current liabilities		590,793
Long-term liabilities:		
Bonds payable		8,877,118
Total liabilities		9,467,911
NET POSITION		
Net investment in capital assets		3,750,043
Unrestricted		2,095,703
Total net position	\$	5,845,746

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, 2013

Business-type Activities - Enterprise Funds		Sewer Fund
Operating revenues:		
Charges for services	\$	1,601,151
Total operating revenues		1,601,151
Operating expenses:		
Salaries and benefits		376,116
Operations		358,126
Administrative expenses		34,364
Depreciation		561,859
Total operating expenses		1,330,465
Operating income		270,686
Nonoperating revenue (expenses):		
Investment income		2,829
Efficiency Maine grant		29,163
Interest expense		(421,899)
Loss on disposal of assets		(634)
Transfer out - administrative expense reimbursement		(120,000)
Total nonoperating expense		(510,541)
Change in net position		(239,855)
Net position, beginning of year		6,085,601
Net position, end of year		\$ 5,845,746

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2013

Business-type Activities - Enterprise Funds		Sewer Fund
Cash flows from operating activities:		
Receipts from customers and users	\$	1,563,487
Payments to suppliers		(510,982)
Payments to employees		(362,838)
Net cash provided by operating activities		689,667
Cash flows from capital and related financing activities:		
Purchase of capital assets		(80,848)
Capital grants and contributions		29,163
Principal payments on bonds		(202,003)
Interest paid on bonds		(430,776)
Net cash used for capital and related financing activities		(684,464)
Cash flows from investing activities:		
Interest on cash and investments		2,829
Net cash provided by investing activities		2,829
Increase in cash		8,032
Cash and cash equivalents, beginning of year		2,146,013
Cash and cash equivalents, end of year	\$	2,154,045
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	270,686
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation		561,859
Transfer out - administrative expense reimbursement		(120,000)
Increase (decrease) in operating assets and liabilities:		
Accounts receivable		(37,664)
Due from other funds		(1,136)
Accounts payable		2,644
Accrued payroll and benefits		(275)
Accrued compensated absences		13,553
Net cash provided by operating activities		689,667

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements

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 Katahdin Project Fund accounts for bond proceeds and project expenditures related to the construction of a new municipal parking lot and plaza.

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 is 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 fair market 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 and sick pay benefits. Long-term accumulated vacation and sick leave 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. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of these items, which arise under a modified accrual basis of accounting that qualifies for reporting in this category: unavailable revenue from property taxes and unavailable revenue from RSU #26 debt service payments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. 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.

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.

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. Once adopted, the budget can only be amended by the Town Council, and then only to the extent that excess revenues over estimated amounts can be used to increase appropriation accounts.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in the following departments:

General government	\$ 226,715
Education	139,434

C. Deficit Fund Balances

The Katahdin Project Fund had a deficit fund balance of \$705,100 as of June 30, 2013. The deficit will be funded with future loan proceeds.

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, 2013, the Town reported deposits of \$8,137,283 with a bank balance of \$8,342,239. Of the Town's bank balance of \$8,342,239, none was exposed to custodial credit risk. The entire bank balance was covered by the F.D.I.C. or securities pledged on behalf of the Town by the respective banking institutions.

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

DEPOSITS AND INVESTMENTS, CONTINUED

Deposits have been reported as follows:

Reported in governmental funds	\$ 5,983,238
Reported in business-type activities	2,154,045
Total deposits	\$ 8,137,283

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, 2013, 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>
U.S. Government:				
Federal Home Loan Bank	135,810	135,810	-	-
Fannie Mae	50,613	50,613	-	-
Money Market	31,242	N/A	-	-
Common Stock	18,025	N/A	-	-
Mutual Funds	53,800	N/A	-	-
Totals	289,490	186,423	-	-

Investments have been reported as follows:

Reported in governmental funds	\$ 289,490
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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, 2013, the Town had no investments subject to custodial credit risk.

NOTES RECEIVABLE

In 2000, the Town loaned \$5,800,000 to the Orono Economic Development Corporation (OEDC) for the purchase of land and construction of an office building at 3 Godfrey Drive in the Maine Technology Park. Originally, the property was leased by EnvisioNet Computer Services, Inc. and is currently being leased by Nexxlinx.

Also in 2000, \$2,000,000 was loaned by the Town directly to EnvisioNet Computer Services, Inc., and in 2001, the loan was written off following the Company's bankruptcy.

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

NOTES RECEIVABLE, CONTINUED

The balance of the note receivable from OEDC as of June 30, 2013 is \$2,997,000. The note receivable from OEDC was funded through the issuance of a 2000 General Obligation Bond, which was subsequently refinanced with the issuance of a 2010 General Obligation Bond. The 2010 General Obligation Bond, which the Town is responsible for, had an outstanding balance of \$3,560,000 at June 30, 2013.

The Town retained \$563,000 from the \$5,800,000 loan as a debt service reserve to cover one year's debt payments in the event of default. This reserve fund, which is classified as committed fund balance on the Town's financial statements, is earning interest and had a balance of \$616,805 at June 30, 2013. The Town believes the balance from OEDC is fully collectible and that an allowance for doubtful accounts is not necessary at this time.

PROPERTY TAX

Property taxes for the current year were committed on August 1, 2012 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 September 21, 2012 and February 8, 2013. Interest was charged at 7% on all tax bills unpaid as of September 22, 2012 and February 9, 2013.

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 \$85,485 for the year ended June 30, 2013.

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

The following summarizes the 2013 levy:

	<u>2013</u>
Assessed value	\$ 418,583,000
Tax rate (per \$1,000)	21.60
Commitment	9,041,393
Supplemental taxes assessed	592
	<u>9,041,985</u>
Less:	
Abatements	4,942
Collections	<u>8,687,839</u>
Receivable at June 30	\$ 349,204
Interest rate on delinquent taxes	7.00%
Collection rate	96.08%

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

CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,838,776	-	33,224	2,805,552
Total capital assets, not being depreciated	2,838,776	-	33,224	2,805,552
Capital assets, being depreciated				
Buildings	13,299,515	-	-	13,299,515
Improvements	388,128	-	-	388,128
Equipment	1,412,249	14,990	58,203	1,369,036
Vehicles	2,645,701	70,319	-	2,716,020
Infrastructure	10,661,152	-	-	10,661,152
Total capital assets, being depreciated	28,406,745	85,309	58,203	28,433,851
Less accumulated depreciation:				
Buildings	9,993,918	120,303	-	10,114,221
Improvements	187,362	18,530	-	205,892
Equipment	1,013,937	117,239	49,889	1,081,287
Vehicles	1,518,696	237,232	-	1,755,928
Infrastructure	7,174,309	208,078	-	7,382,387
Total accumulated depreciation	19,888,222	701,382	49,889	20,539,715
Total capital assets being depreciated, net	8,518,523	(616,073)	8,314	7,894,136
Governmental activities capital assets, net	\$ 11,357,299	(616,073)	41,538	10,699,688
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,573	-	-	44,573
Construction in progress	9,665	-	-	9,665
Total capital assets, not being depreciated	54,238	-	-	54,238
Capital assets, being depreciated:				
Sewer items	17,585,745	80,848	17,405	17,649,188
Total capital assets, being depreciated	17,585,745	80,848	17,405	17,649,188
Less accumulated depreciation:				
Sewer items	4,292,366	561,859	16,771	4,837,454
Total accumulated depreciation	4,292,366	561,859	16,771	4,837,454
Total capital assets being depreciated, net	13,293,379	(481,011)	634	12,811,734
Business-type activities capital assets, net	\$ 13,347,617	(481,011)	634	12,865,972

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	\$ 109,385
Public safety	78,322
Public services	196,496
Public works	317,179
Total governmental activities depreciation expense	\$ 701,382

Business-type Activities:

Sewer	\$ 561,859
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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, 2013 arising from these transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Transfers</u>
Governmental Activities:			
Major funds:			
General Fund	\$ 708,469	-	120,000
Katahdin Project	-	705,100	-
Other governmental funds:			
Library Construction	-	4,505	-
Business-type Activities			
Sewer Fund	1,136	-	(120,000)
Totals	\$ 709,605	709,605	-

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 8,378,235	-	697,234	7,681,001	720,757
Other post employment benefits	210,052	58,750	17,497	251,305	-
Landfill closure and post-closure costs	472,869	-	432,869	40,000	-
Accrued compensated absences	166,424	11,204	-	177,628	-
Total Governmental	9,227,580	69,954	1,147,600	8,149,934	720,757
Business-type Activities:					
Bonds payable	9,317,932	-	202,003	9,115,929	238,811
Accrued compensated absences	13,482	71	-	13,553	-
Total Business-type	\$ 9,331,414	71	202,003	9,129,482	238,811

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

LONG-TERM DEBT

Long-term debt payable at June 30, 2013 is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2013
Governmental activities:					
1997 General obligation bonds (1)	11/1/97	\$ 1,325,000	11/1/17	5.276-5.776%	331,250
2002 General obligation bonds	8/1/02	2,460,000	8/1/17	3.50-4.875%	955,000
2008 USDA	9/15/08	600,000	9/15/35	4.125%	547,244
2008 USDA	9/15/08	1,310,000	9/15/35	4.25%	1,196,807
2008 USDA	9/15/08	550,000	9/15/35	4.38%	495,700
2008 General obligation bonds	10/30/08	500,000	11/1/28	0.075-5.575%	400,000
2010 General obligation bonds	12/1/10	4,205,000	12/1/20	3.00-5.75%	3,560,000
General obligation bonds	12/1/10	325,000	12/1/15	3.00-4.25%	195,000
Total governmental activities					\$ 7,681,001
Business-type activities:					
2008 USDA	9/15/08	\$ 2,450,000	9/15/35	4.375%	2,249,408
2008 USDA	9/15/08	5,690,000	9/15/35	4.375%	5,206,551
2008 USDA	9/15/08	1,820,000	9/15/35	4.125%	1,659,970
Total Business-type activities					\$ 9,115,929

(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 \$331,250, which is the outstanding amount of bonds payable related to the former School Department.

The annual requirements to amortize bonds payable are as follows:

Year ending June 30,	Governmental		Business-type		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 720,757	349,526	238,811	393,970	1,703,064
2015	738,284	320,313	249,147	383,634	1,691,378
2016	760,919	286,990	259,931	312,850	1,620,690
2017	718,665	252,615	271,182	361,599	1,604,061
2018	746,528	216,856	282,921	349,860	1,596,165
2019-2023	2,328,778	620,495	1,609,260	1,554,645	6,113,178
2024-2028	615,970	307,796	1,989,086	1,174,819	4,087,671
2029-2033	629,486	170,586	2,458,614	705,291	3,963,977
2034-2036	421,614	36,760	1,756,977	152,693	2,368,044
	<u>\$ 7,681,001</u>	<u>2,561,937</u>	<u>9,115,929</u>	<u>5,389,361</u>	<u>24,748,228</u>

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

OTHER POST EMPLOYMENT 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 is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332.

The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. The consultants completed the latest OPEB liability actuarial valuation in October 2011.

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

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

	<u>FY2013</u>	<u>FY2012</u>	<u>FY2011</u>
Normal cost	\$ 23,057	23,057	23,057
Amortization of unfunded	38,224	38,224	38,224
Interest	9,616	7,840	1,214
Adjustment to ARC	(12,147)	(9,579)	-
Annual required contribution	58,750	59,542	62,495
Contributions made	(17,497)	(15,137)	(14,147)
Increase in Net OPEB	41,253	44,405	48,348
Net OPEB obligation – beginning of year	210,052	165,647	117,299
Net OPEB obligation – end of year	\$ 251,305	210,052	165,647

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

OTHER POST EMPLOYMENT 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, 2013 and the two preceding years.

Fiscal Year End	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 62,495	22.64%	\$ 165,647
June 30, 2012	59,542	25.42%	210,052
June 30, 2013	58,750	29.78%	251,305

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, 2013 and two preceding years are as follows:

	<u>FY2013</u>	<u>FY2012</u>	<u>FY2011</u>
Actuarial accrued liability	\$ 687,417	\$ 687,417	\$ 687,417
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 687,417	\$ 687,417	\$ 687,417
Funded ratio	0%	0%	0%
Covered payroll	\$ 3,434,751	\$ 2,994,000	\$ 2,795,000
Unfunded actuarial accrued liability as a percentage of covered payroll	20.01%	22.96%	24.59%

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

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

Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/11
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

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

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, 2012, the date of MRC's most recent audited financial statements, was \$862,047 (2.478%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2012, 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, 2013, the Town's proportionate interest in PERC was 0.63%.

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 post-closure 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 post-closure 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 post-closure care for the site as the remaining estimated capacity is filled.

The Town's landfill site is segregated into four cells: an active cell, two cells at maximum capacity that have been closed, and one undeveloped cell. In fiscal year 2012, the Town reported a landfill closure liability of \$472,869 for a cell that had used 100% of its capacity. In fiscal year 2013, the Town capped that cell and opened a new active cell. Total expenditures for 2013 for the closure of one cell and opening of a new cell were \$368,018.

A new engineering estimate was calculated for the closure and post-closure costs of the landfill during fiscal 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 post-closure costs projected in the engineering estimate total \$2,114,400. The estimated remaining life of the landfill at June 30, 2013 is 30 years. The new cell has a capacity of 40,000 yards, of which approximately 750 yards were used as of June 30, 2013.

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>2013</u>
Total estimated future landfill closure and postclosure care costs	\$ 2,114,400
Estimated capacity used	1.88%
Estimated gross landfill closure and postclosure care costs – end of year	40,000
<u>Amounts actually expended</u>	<u>-</u>
Estimated liability for landfill closure and postclosure care costs - end of year	<u>40,000</u>
Estimated remaining landfill closure and postclosure care costs to be recognized	<u>\$ 2,074,400</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 2013.

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

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 City Management Association Retirement Corporation (ICMARC). The Town's matching contribution to the plan for the year ended June 30, 2013 was \$18,555.

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.

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.

PENSION PLAN

Maine Public Employees Retirement System

Town employees contribute to the Maine Public Employees Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions. Complete plan financial statements may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Town of Orono is a participating district in the System. This allows maintenance, support workers, and custodial support staff to participate voluntarily in the System. Participants are required to contribute 6.5% of their annual gross salary to the plan and the district is required to make a contribution based on an historical assessment of the plan by the System. Vesting of benefits occurs after five years of service. Disability, pre-retirement and death benefits are provided under the Town's plan. A cost of living increase is provided under the Town's plan. Upon retirement at or after age sixty, the participant is entitled to an annual retirement benefit of two-percent of the average of their three highest years earnings multiplied by the number of years of credited service. The Town's contribution as a participating local district for the year ended June 30, 2013 was approximately \$204,000.

Effective July 1, 1995, the Town's Participating Local District (PLD) joined with other PLD's forming a consolidated PLD. All PLD's that enter the Consolidated Plan cease to be individual sponsors of a "Single - Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple - Employer Defined Benefit Pension Plan." As such, the disclosures made by individual PLD's reflect the assets and liabilities under the Consolidated Plan in which the PLD participates and not those of the PLD itself. A complete report is available from the Maine State Retirement System.

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

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.

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, 2013.

TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established five 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.

SRD Municipal Development TIF - 100% Economic Development - This TIF was established in the spring of 2000 and has a life of 15 years. The original assessed base value in this district has been assessed at zero. Acquisitions and improvements made by the Development Program will 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. The amount of captured tax increment revenues retained by the Town for its approved development purposes for the year ended June 30, 2013 was \$47,770, 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. Following the bankruptcy of EnvisioNet, the Town decided to retain the 70% of TIF revenues which would have been returned to EnvisioNet. The property taxes related to the EnvisioNet TIF District were not paid during the fiscal year. This resulted in no captured revenues being retained by the Town for its approved development purposes.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

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, 2013 was the tenth year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2013 was \$95,760, which was returned to the developer.

Transit-Oriented 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. The amount of tax increment revenues retained by the Town for these purposes for the year ended June 30, 2013 was \$166,253.

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. Activity in this TIF is expected to begin in FY 2014.

FUND BALANCE

As of June 30, 2013, fund balance components consisted of the following:

	General <u>Fund</u>	Katahdin <u>Project</u>	Other Governmental <u>Funds</u>
Nonspendable:			
Long-term note receivable	\$ 2,997,000	-	-
Restricted:			
Downtown TIF	313,559	-	-
SRD TIF	55,074	-	-
OEDC debt service	119,063	-	-
MBNA infrastructure	-	-	37,625
Cemetery	-	-	332,111
Public library	-	-	54,144
Park trust library	-	-	2,636
Library construction	-	-	59,508
Total restricted	487,696	-	486,024
Committed:			
Amount held in escrow for OEDC note receivable	616,805	-	-

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

FUND BALANCE, CONTINUED

	General <u>Fund</u>	Katahdin <u>Project</u>	Other Governmental <u>Funds</u>
Assigned:			
Assigned for subsequent year's budget	\$ 300,000	-	-
Planning and code	16,876	-	-
Assessor	4,700	-	-
Public works	305,014	-	-
Police	36,647	-	-
Public safety	1,000	-	-
Fire	40,000	-	-
Facilities	8,000	-	-
Orono Economic Development Corporation	152,579	-	-
Communications replacement	10,007	-	-
Unemployment	36,203	-	-
Landfill closure	6,850	-	-
Hazardous materials	127,614	-	-
Wood chipper	16,101	-	-
Capital equipment	867,147	-	-
Cable capital support	21	-	-
Office computer system	8,055	-	-
Council reserve projects	4,437	-	-
Emergency medical services	7,336	-	-
Major maintenance	17,491	-	-
Safety equipment	14,408	-	-
Public works garage	537,463	-	-
Skate park	10,797	-	-
Bennoch Road reconstruction	4	-	-
Recreation reserve	1,480	-	-
Voting machine	31,680	-	-
Employee benefits	73,690	-	-
Library maintenance	15,015	-	-
Total assigned	2,650,615	-	-
Total unassigned	2,804,938	(705,100)	-
Total fund balance	\$ 9,557,054	(705,100)	486,024

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

PRIOR PERIOD ADJUSTMENTS

During FY 2013, the Town discovered errors previously reported in net position and fund balance. Accrued compensated absences have been removed from the governmental funds. Consistent with accounting principles generally accepted in the United States of America, a liability for accrued compensated absences should only be reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements. Additionally, net position and fund balance has been adjusted for the correction of various misstatements in prior year financial statements.

Governmental Activities Net Position and the General Fund fund balance as of July 1, 2012 have been restated as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>
Net position/fund balance as previously reported	\$ 13,609,165	10,219,405
Accrued compensated absences	-	166,424
Correction of various misstatements in prior year financial statements	120,866	120,866
Net position/fund balance, as restated	\$ 13,730,031	10,506,695

NEW PRONOUNCEMENTS AND ACCOUNTING CHANGES

For the fiscal year ended June 30, 2013, the Town has elected to implement the following Statements of the Governmental Accounting Standards Board:

- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Statement No. 65 – *Items Previously Reported as Assets and Liabilities*

SUBSEQUENT EVENTS

On August 30, 2013, the Town approved a \$2,000,000 community facility loan from the United States Department of Agriculture - Rural Development Service. The loan is for the construction of a new municipal parking lot and plaza, termed the Katahdin Project. The loan will have an interest rate not to exceed 3.125% and a term not to exceed 30 years. The Town is required to obtain interim financing for the construction period and on August 30, 2013, the Town accepted a 2013 Bond Anticipation Note (BAN) from Camden National Bank in the amount of \$1,300,000, with an interest rate of 1%.

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 (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) /c]</u>
2009	1/1/2009	\$ -	788,227	788,227	-	3,425,000	23.01%
2010	1/1/2009	-	788,227	788,227	-	2,899,016	27.19%
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%

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2013

	2013
ASSETS	
Cash and cash equivalents	\$ 5,782,199
Receivables:	
Accounts receivable	245,247
Rescue receivable (net of allowance of \$358,252)	135,034
Taxes receivable - current year	349,204
Taxes receivable - prior years	103,064
Note receivable	2,997,000
Tax acquired property	2,042
Interfund loans receivable	708,469
Receivable - RSU #26 debt service payments	331,250
Total assets	\$ 10,653,509
LIABILITIES	
Accounts payable	142,671
Accrued payroll and benefits	96,747
Performance bond liability	99,787
Total liabilities	339,205
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	426,000
Unavailable revenue - RSU #26 debt service payments	331,250
Total deferred inflows of resources	757,250
FUND BALANCE	
Nonspendable	2,997,000
Restricted	487,696
Committed	616,805
Assigned	2,650,615
Unassigned	2,804,938
Total fund balance	9,557,054
Total liabilities, deferred inflows of resources, and fund balance	\$ 10,653,509

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2013

	Budget	Actual	Variance positive (negative)
Revenues:			
Taxes:			
Property taxes	\$ 9,041,393	9,036,394	(4,999)
Village Center District taxes	8,188	7,488	(700)
Supplemental taxes	-	592	592
Change in deferred property tax revenue	-	(111,000)	(111,000)
Excise taxes	594,100	643,463	49,363
Interest and costs on taxes	55,000	33,296	(21,704)
Total taxes	9,698,681	9,610,233	(88,448)
Intergovernmental:			
State revenue sharing	1,190,000	1,221,972	31,972
URIP	81,660	95,052	13,392
General assistance reimbursement	10,000	9,926	(74)
BETE reimbursement	26,256	26,346	90
Homestead tax exemption	112,383	112,383	-
Other State grants and reimbursements	16,700	294,423	277,723
UMO reimbursements	662,931	662,931	-
SBA grant - Kelly Rd. Business Park	193,344	91,464	(101,880)
Other grants	26,000	26,000	-
Total intergovernmental	2,319,274	2,540,497	221,223
Licenses and permits:			
Motor vehicle agent fee	11,000	13,198	2,198
Recreational vehicle registration fees	450	498	48
Town licenses and permits	6,700	8,696	1,996
Building permits	12,000	18,315	6,315
Plumbing fees	2,500	4,087	1,587
Electrical permits	6,000	7,767	1,767
Land use ordinance fees	2,000	3,795	1,795
Road opening permits	3,000	6,350	3,350
Rental unit registration fee	34,000	37,575	3,575
Burning permits	500	470	(30)
Parking permits	1,500	2,820	1,320
Fish and wildlife license fees	800	596	(204)
Dog license fees	475	487	12
Birth, death and marriage records	5,000	8,131	3,131
Total licenses and permits	85,925	112,785	26,860
Interest income	12,000	6,549	(5,451)

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

	Budget	Actual	Variance positive (negative)
Revenues, continued:			
Charges for services:			
Ambulance fees	277,000	340,723	63,723
Advertising	5,000	4,905	(95)
Police fees	225	438	213
Police accident reports	1,456	2,012	556
Police special detail	1,200	1,230	30
Court fees	3,500	550	(2,950)
UMO fire marshal program	5,000	5,648	648
Fire alarm fees	2,500	2,500	-
Air bottle refill	600	837	237
Recreation fees	14,000	13,948	(52)
Pool receipts	4,500	8,027	3,527
Summer camp	20,000	16,799	(3,201)
After school program	46,000	39,618	(6,382)
Haz mat reimbursement fees	3,000	-	(3,000)
Public works fees	10,000	5,886	(4,114)
Disposal site fees	11,000	9,044	(1,956)
PERC administrative fee	4,800	4,724	(76)
Rental income	4,100	6,740	2,640
Total charges for services	413,881	463,629	49,748
Other revenues:			
Housing Foundation PILOT	35,000	35,000	-
Freeman Forest PILOT	17,600	17,600	-
Cemetery revenue	4,900	14,936	10,036
Parking fines	20,000	23,883	3,883
Library income	3,000	4,264	1,264
Senior citizen center	3,000	6,210	3,210
Sale of surplus property	3,000	4,212	1,212
Cable franchise fees	70,000	67,046	(2,954)
PERC performance credit	100,000	102,376	2,376
Recycling revenue	10,000	8,410	(1,590)
Miscellaneous revenue	548,350	542,489	(5,861)
Total other revenues	814,850	826,426	11,576
Total revenues	13,344,611	13,560,119	215,508

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

	Budget	Actual	Variance positive (negative)
Expenditures:			
Current:			
General government:			
Town Council	\$ 39,701	37,233	2,468
Town Manager	255,683	251,148	4,535
Town Office	486,241	475,458	10,783
Assessor	105,941	103,041	2,900
Elections/voter registration	7,500	6,580	920
Insurance	79,000	59,399	19,601
Municipal and public safety buildings	138,050	149,515	(11,465)
Planning and code enforcement	207,138	184,779	22,359
Employee benefits	11,600	7,322	4,278
Contracted services	64,705	57,466	7,239
Tax increment financing - Dirigo Pines	95,760	95,760	-
Miscellaneous	104,168	394,501	(290,333)
Total general government	1,595,487	1,822,202	(226,715)
Public services:			
General assistance	21,200	21,360	(160)
Public library	274,814	268,103	6,711
Recreation	336,195	309,132	27,063
Treadwell building	12,555	11,661	894
Senior Citizen Center	25,580	23,303	2,277
Anderson Community House	43,220	30,270	12,950
Total public services	713,564	663,829	49,735
Public safety:			
Public safety administration	68,022	63,648	4,374
Police department	1,158,230	1,111,327	46,903
Fire department	1,523,685	1,318,078	205,607
Hydrant rental	228,000	229,588	(1,588)
Street lights	71,000	67,119	3,881
Haz-Mat	31,500	31,500	-
Total public safety	3,080,437	2,821,260	259,177
Public works:			
General maintenance	389,523	365,208	24,315
Winter maintenance	472,217	414,643	57,574
Parks and cemetery	81,808	77,422	4,386
Solid waste disposal	268,837	279,844	(11,007)
Town garage	203,930	190,612	13,318
Total public works	1,416,315	1,327,729	88,586

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

	Budget	Actual	Variance positive (negative)
Expenditures, continued			
Current, continued:			
Educational assessment	4,908,075	5,047,509	(139,434)
County tax	470,713	470,712	1
Debt service:			
Principal	565,984	565,984	-
Interest	353,140	353,140	-
Total debt service	919,124	919,124	-
Capital expenditures:			
Public works	625,321	669,755	(44,434)
Town garage	-	37,114	(37,114)
Library	31,425	22,585	8,840
SBA grant - Kelly Rd. Business Park	193,344	92,272	101,072
CDBG grant	-	13,537	(13,537)
Total capital expenditures	850,090	835,263	14,827
Total expenditures	13,953,805	13,907,628	46,177
Deficiency of revenues under expenditures	(609,194)	(347,509)	261,685
Other financing sources (uses):			
Transfers-in	342,000	312,000	(30,000)
Transfers-out	(435,271)	(279,023)	156,248
Utilization of assigned balance	408,851	-	(408,851)
Utilization of unassigned balance	293,614	-	(293,614)
Total other financing sources	609,194	32,977	(576,217)
Net change in fund balances, budgetary basis	-	(314,532)	(314,532)
Fund balance, beginning of year-budgetary basis, as restated		6,828,707	
Fund balance, end of year-budgetary basis		6,514,175	
Amounts held in reserves		3,042,879	
Fund balance, end of year	\$	9,557,054	

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2013

Fund	Fund balances beginning of year	Interest income	Other Revenues	Expenditures	Transfers in (out)	Fund balances end of year
008 Orono Economic Development Corporation	\$ 754,272	1,362	507,558	493,808	-	769,384
010 Communications replacement	5,000	7	-	-	5,000	10,007
011 Unemployment	38,906	51	-	2,754	-	36,203
012 Landfill closure	374,473	395	-	368,018	-	6,850
013 Hazardous materials	113,895	141	13,578	-	-	127,614
014 Wood chipper	16,069	32	-	-	-	16,101
016 Capital equipment	1,003,245	1,322	-	45,420	(92,000)	867,147
017 Cable capital support	12,704	17	-	12,700	-	21
018 Downtown TIF	224,524	356	-	77,574	166,253	313,559
019 Office computer system	16,792	23	-	8,760	-	8,055
020 Council reserve projects	4,431	6	-	-	-	4,437
021 Emergency medical services	32,952	43	-	25,659	-	7,336
022 Major maintenance	17,468	23	-	-	-	17,491
024 Safety equipment	14,390	18	-	-	-	14,408
025 Public works garage	536,750	713	-	-	-	537,463
026 SRD TIF	65,606	104	-	58,406	47,770	55,074
027 Skate park	10,783	14	-	-	-	10,797
028 Bennoch Road reconstruction	50,960	67	-	51,023	-	4
029 Recreation reserve	1,478	2	-	-	-	1,480
032 Voting machine	31,638	42	-	-	-	31,680
034 Employee benefits	118,534	156	-	-	(45,000)	73,690
036 Library maintenance	10,002	13	-	-	5,000	15,015
060 Orono Economic Development Corporation Debt Service	223,116	301	-	104,354	-	119,063
Total General Fund reserves	\$ 3,677,988	5,208	521,136	1,248,476	87,023	3,042,879

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds				Capital Project Fund	Totals
	MBNA Infrastructure	Cemetery	Public Library	Park Trust Library	Library Construction	
ASSETS						
Cash and cash equivalents	\$ 37,625	60,646	36,119	2,636	64,013	201,039
Investments	-	271,465	18,025	-	-	289,490
Total assets	\$ 37,625	332,111	54,144	2,636	64,013	490,529
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund loans payable	-	-	-	-	4,505	4,505
Total liabilities	-	-	-	-	4,505	4,505
Fund balances:						
Restricted	37,625	332,111	54,144	2,636	59,508	486,024
Total fund balance	37,625	332,111	54,144	2,636	59,508	486,024
Total liabilities and fund balances	\$ 37,625	332,111	54,144	2,636	64,013	490,529

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

	Special Revenue Funds				Capital Project Fund	Totals
	MBNA Infrastructure	Cemetery	Public Library	Park Trust Library	Library Construction	
Revenues:						
Interest income	\$ 50	79	-	8	84	221
Other	-	24,454	4,080	-	-	28,534
Total revenues	50	24,533	4,080	8	84	28,755
Expenditures:						
Current:						
Program expenditures	-	36,760	8,800	-	-	45,560
Capital outlay	-	-	-	-	4,505	4,505
Total expenditures	-	36,760	8,800	-	4,505	50,065
Net change in fund balances	50	(12,227)	(4,720)	8	(4,421)	(21,310)
Fund balances, beginning of year	37,575	344,338	58,864	2,628	63,929	507,334
Fund balances, end of year	\$ 37,625	332,111	54,144	2,636	59,508	486,024