

TOWN OF ORONO, MAINE

Annual Financial Report

For the year ended June 30, 2018

TOWN OF ORONO, MAINE
Annual Financial Report
For the year ended June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Orono, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine as of June 30, 2018, 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.

Change in Accounting Principle

As described in the notes to basic financial statements, in 2018, the Town adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2019 on our consideration of the Town of Orono, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orono, Maine's internal control over financial reporting and compliance.

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

May 7, 2019
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2018

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, 2018. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Orono, Maine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,924,649 (*net position*, Statement 1). Of this amount, \$6,124,906 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 increased by \$95,276 (Statement 2). This represents an increase of \$342,935 in governmental activities and a decrease of \$247,659 in business-type activities (Sewer).
- As of the close of the current fiscal year, the Town of Orono, Maine's governmental funds reported a combined ending fund balance of \$8,254,614 (Statement 3), which is a decrease of \$599,213 (Statement 4) from the prior fiscal year. Of the total decrease, \$578,275 is shown in the General Fund and \$20,938 in other governmental funds. The decrease in governmental fund balance is primarily due to the expending previously reserved and restricted funds on capital outlays and planned debt repayment.
- The Town of Orono, Maine's General Fund reports an unassigned fund balance of \$4,732,172. Total unassigned fund balance (all governmental funds) increased by \$2,677,327 from the prior fiscal year.
- Assigned fund balance (Statement 3) has decreased from the previous fiscal year by \$3,451,370 to \$1,825,160. This decrease in assigned fund balance was driven by the decrease in the Capital Equipment Reserve and OEDC (Orono Economic Development Corporation) outstanding principal and interest due to regularly scheduled payments made during the year. The decrease would have been greater; however, increases to general reserves and assignments for FY18 expenditures offset the impact to the total assigned fund balance. In FY19, the Orono Town Council will consider formally assigning the remaining balance of the debt repayment due for the bonds associated with 3 Godfrey Drive (\$1,991,994).
- The Town did not issue any new bonds during FY 2018, but did issue a note for \$55,718. As of June 30, 2018, the total outstanding bond principal of the Town, including Sewer fund bonds, was \$19,601,468.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

Statement of Net Position

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

The following schedule is a summary of net position for the years ended June 30, 2018 and June 30, 2017.

	Governmental Activities			Business-type Activities		
	<u>2018</u>	<u>2017</u> <u>(restated)</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
ASSETS						
Current and other assets	\$ 9,190,250	\$ 10,061,123	(870,873)	2,485,033	2,410,193	74,840
Capital assets	18,005,493	18,089,883	(84,390)	10,851,306	11,375,440	(524,134)
Total assets	27,195,743	28,151,006	(955,263)	13,336,339	13,785,633	(449,294)
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources - related to pensions and OPEB	631,866	1,406,900	(775,034)	-	-	-
Total deferred outflows of resources	631,866	1,406,900	(775,034)	-	-	-
LIABILITIES						
Current liabilities	683,125	834,811	(151,686)	65,880	102,515	(36,635)
Noncurrent liabilities	15,208,819	17,163,390	(1,954,571)	7,987,833	8,152,833	(165,000)
Total liabilities	15,891,944	17,998,201	(2,106,257)	8,053,713	8,255,348	(201,635)
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - related to pensions and OPEB	293,642	260,617	33,025	-	-	-
Total deferred inflows of resources	293,642	260,617	33,025	-	-	-
NET POSITION						
Net investment in capital assets	6,228,664	5,446,970	781,694	2,886,306	3,245,440	(359,134)
Restricted	1,684,773	1,510,945	173,828	-	-	-
Unrestricted	3,728,586	4,341,173	(612,587)	2,396,320	2,284,845	111,475
Total net position	\$ 11,642,023	11,299,088	342,935	5,282,626	5,530,285	(247,659)

The Town of Orono, Maine's governmental activities assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,642,023, and business-type activities assets exceeded its liabilities by \$5,282,626 for a total net position of \$16,924,649 at the close of the most recent fiscal year. The summary above shows a 3% increase in net position for governmental activities and a 4.8% decrease in net position for business-type activities from the prior fiscal year.

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and adding back any unspent bond proceeds. The Town of Orono, Maine uses these

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2018

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 36.19% of the Town's net position is available to be used to meet the Town's ongoing obligations to its citizens and creditors.

Statement of Activities

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

The Town of Orono, Maine's net position increased \$95,276 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The Town's governmental activities' net position increased by \$342,935.
- **Business-type activities:** The Town's single business-type activity, the sewer district, decreased the Town's net position by \$247,659.

The following schedule is a summary of the statement of activities for the years ended June 30, 2018 and June 30, 2017:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:						
Program revenues:						
Charges for services	\$ 813,941	\$ 719,183	94,758	1,470,960	1,460,020	10,940
Operating grants and contributions	222,205	428,746	(206,541)	-	-	-
Capital grants	76,232	71,096	5,136	-	-	-
General revenues:						
Taxes	13,583,609	12,811,730	771,879	-	-	-
Intergovernmental	1,976,796	1,848,719	128,077	-	-	-
Investment earnings	118,175	80,140	38,035	25,089	16,107	8,982
Miscellaneous	26,746	33,421	(6,675)	-	-	-
Transfers	138,825	134,500	4,325	(138,825)	(134,500)	(4,325)
Total revenues	16,956,529	16,127,535	828,994	1,357,224	1,341,627	15,597
Expenses:						
Primary government:						
General government	2,304,853	2,020,730	284,123	-	-	-
Public services	879,576	911,653	(32,077)	-	-	-
Public safety	3,619,297	3,588,311	30,986	-	-	-
Public works	1,836,337	2,127,773	(291,436)	-	-	-
Education	6,573,920	6,285,633	288,287	-	-	-
County tax	563,322	539,394	23,928	-	-	-
Unclassified	117,237	3,681	113,556	-	-	-
Interest on debt service	420,684	469,673	(48,989)	-	-	-
Capital maintenance	298,368	604,495	(306,127)	-	-	-
Sewer services	-	-	-	1,604,883	1,548,082	56,801
Total expenses	16,613,594	16,551,343	62,251	1,604,883	1,548,082	56,801
Change in net position	342,935	(423,808)	766,743	(247,659)	(206,455)	(41,204)
Net position, July 1, restated	11,299,088	11,852,191	(553,103)	5,530,285	5,736,740	(206,455)
Net position, June 30	\$ 11,642,023	11,428,383	213,640	5,282,626	5,530,285	(247,659)

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Total governmental activities revenues (\$16,956,529) increased by 5.1% from fiscal year 2017. This was driven primarily by increases in charges for services, property taxes, excise taxes and intergovernmental revenues; however, the increase was tempered by decreases in operating grants and contributions.

Total governmental activities expenses (\$16,613,594) increased this year by 0.04% over fiscal year 2017. This increase was driven primarily by increases in costs for general government and education. These increases were tempered by decreases in public works and capital maintenance.

Total governmental activities' expenses exceeded total revenues by \$342,935 (Statement 2) resulting in a positive change in net position.

Financial Analysis of the Government's Funds

Governmental Funds:

As of the end of the current fiscal year, the Town of Orono, Maine's governmental funds reported combined ending fund balances of \$8,254,614, a decrease of \$599,213 in comparison with the prior year. Approximately 57.3% of this total amount (\$4,732,172) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$3,522,442) is not available for new spending because it has already been set aside in its use for various capital and other governmental purposes (\$1,825,160), restricted to specific uses (\$1,684,773), or is in a nonspendable form (\$12,509). Restricted funds include Tax Increment Financing (TIF) funds (\$1,073,118) and Other Governmental Funds (\$611,655).

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 (\$4,732,172) (Statement 3) represents 26.78% of the total governmental funds expenditures (\$17,673,660) (Statement 4); total governmental fund balance (\$8,254,614) (Statement 3) represents 46.71% of total governmental funds expenditures.

Business-type Activities:

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

For a detailed look at both the fiscal year 2018 balance sheet and statement of revenues, expenses, and changes in net position, please see pages 17 and 18 of the audited financial statements.

Net position of the Town's sewer district decreased by \$247,659 to \$5,282,626 (Statement 8). Operating income (operating revenues less operating expenses) was \$124,264 while net non-operating revenues and expenses and transfers out were (\$233,098). Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$2,886,306 and unrestricted net position made up the other \$2,396,320. Unrestricted net position represents 178% of current year operating expenses (\$1,346,696) (Statement 8).

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.

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

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

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

Noteworthy Special Revenue/Trust/Capital Project Funds

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

The capital equipment reserve fund is available to absorb the cost of equipment that would otherwise be purchased through the normal operating budget. The utilization of a reserve fund allows the Town to reach into a "savings account" for larger purchases to reduce the year-to-year impact on the taxpayer. It is funded during each fiscal year by an assigned appropriation within the operating budget as well as by transfers from the unassigned fund balance remaining at the end of the previous fiscal year. As of the end of the fiscal year, the capital equipment reserve fund had a balance of \$206,210.

General Fund Budgetary Highlights

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

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2018 amounts to \$33,777,725, less accumulated depreciation of \$15,772,232, leaving a net book value of \$18,005,493. This is a decrease of \$84,390 from fiscal year 2017. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, as well as infrastructure. Capital asset additions for the year ending June

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30, 2018 included, the following: infrastructure improvements related to roadways – Middle and James Street Retaining Wall and Paving (\$9,488), Washburn Place Paving (\$28,050), and Penobscot Street Paving (\$153,592), Pine Street Lamp Post Replacement (\$153,592); equipment and vehicle purchases – front end loader (\$131,254), zero turn mower (\$9,465), mini-loader (\$71,499), truck body and snowplow (\$10,235), loader plow and coupler mount (\$19,090), and EMS monitor/defibrillator (\$75,195), RAM 3500 (\$27,755), Police SUVs (\$61,536), and sweeper vacuum truck (\$249,950); and facility improvements – ice rink lighting (\$5,306), Municipal Building upgrades to the foundation and pedestrian safety (\$177,355); Fire Station kitchen upgrade (\$15,726), Municipal Building boiler replacement (\$96,733); and Orono Village Green construction (\$268,596). Total governmental activities capital asset additions for the year ending June 30, 2018 were \$987,764 (including construction in progress).

The Town of Orono's capital assets for its business-type activities as of June 30, 2018 amounts to \$18,464,519, less accumulated depreciation of \$7,613,213, leaving a net book value of \$10,851,306. This is a decrease of \$524,134. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and sewer infrastructure. Capital asset additions for the year ending June 30, 2018 included improvements to Mill Street main (\$32,448) and a GMC 3500 truck (\$32,427). Total business-type activity capital asset additions for the year ending June 30, 2018 totaled \$64,875.

Long-term Debt

At year-end, the Town had \$19,601,468 in outstanding bonds compared to \$20,598,134 in 2017. This is comprised of governmental activities bonds of \$11,636,468 and business-type activities bonds of \$7,965,000.

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation, with a further limit of no more than 7.5% of state assessed valuation in enterprise fund debt. As of June 30, 2018, the Town's state assessed valuation was \$501,642,450. Thus, the current debt limitation for the Town of Orono as a whole is \$75,246,368 (15%) and \$37,623,184 (7.5%) 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%
2015	\$456,522,000	3.18%	\$10,888,050	\$23.85	2.80%
2016	\$462,939,500	1.41%	\$11,295,724	\$24.40	2.30%

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<i>2017</i>	<i>\$483,528,800</i>	<i>4.43%</i>	<i>\$12,015,691</i>	<i>\$24.85</i>	<i>1.84%</i>
<i>2018</i>	<i>\$490,339,300</i>	<i>1.41%</i>	<i>\$12,748,828</i>	<i>\$26.00</i>	<i>4.63%</i>

LOOKING AHEAD

In FY 2019, the Town is not anticipating any significant changes to operations, revenue streams, or expenses/expenditures. As the Council continues working to implement Orono's Comprehensive Plan, there will be particular attention paid to adopting strategies aimed at increasing the Town's taxable valuation. The Town Council will also continue its efforts to find the balance between providing high quality and requested Town services and the increasing tax burden borne by our residents. With the cost of providing municipal services increasing, Council will also continue to examine the service level provided to the community and identify strategies aimed at reducing operational costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 59 Main Street, Orono, Maine or call 207-866-2556. Citizens are welcome to visit with the appropriate staff on any financial matters.

TOWN OF ORONO, MAINE
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,245,870	2,087,150	10,333,020
Investments	339,188	-	339,188
Receivables:			
Accounts receivable	224,328	337,165	561,493
Rescue receivable (net of allowance of \$16,718)	37,826	-	37,826
Taxes receivable - current year	255,750	-	255,750
Taxes receivable - prior years	135,497	-	135,497
Inventory	12,509	-	12,509
Internal balances	(60,718)	60,718	-
Nondepreciable capital assets	2,805,552	77,021	2,882,573
Depreciable capital assets, net	15,199,941	10,774,285	25,974,226
Total assets	27,195,743	13,336,339	40,532,082
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	560,632	-	560,632
Deferred outflows of resources related to OPEB	71,234	-	71,234
Total deferred outflows of resources	631,866	-	631,866
LIABILITIES			
Accounts payable	286,626	24,056	310,682
Accrued payroll and benefits	213,893	-	213,893
Accrued interest	102,489	41,824	144,313
Performance bond liability	35,110	-	35,110
Taxes paid in advance	45,007	-	45,007
Noncurrent liabilities:			
Due within one year	944,215	330,000	1,274,215
Due in more than one year	14,264,604	7,657,833	21,922,437
Total liabilities	15,891,944	8,053,713	23,945,657
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	285,750	-	285,750
Deferred inflows of resources related to OPEB	7,892	-	7,892
Total deferred inflows of resources	293,642	-	293,642
NET POSITION			
Net investment in capital assets	6,228,664	2,886,306	9,114,970
Restricted	1,684,773	-	1,684,773
Unrestricted	3,728,586	2,396,320	6,124,906
Total net position	\$ 11,642,023	5,282,626	16,924,649

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Activities
For the Year Ended June 30, 2018

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 2,304,853	123,485	1,913	-	(2,179,455)	-	(2,179,455)
Public services	879,576	61,929	92,660	-	(724,987)	-	(724,987)
Public safety	3,619,297	601,084	-	-	(3,018,213)	-	(3,018,213)
Public works	1,836,337	27,443	127,632	76,232	(1,605,030)	-	(1,605,030)
Education	6,573,920	-	-	-	(6,573,920)	-	(6,573,920)
County tax	563,322	-	-	-	(563,322)	-	(563,322)
Unclassified	117,237	-	-	-	(117,237)	-	(117,237)
Interest on debt service	420,684	-	-	-	(420,684)	-	(420,684)
Capital maintenance expenses	298,368	-	-	-	(298,368)	-	(298,368)
Total governmental activities	16,613,594	813,941	222,205	76,232	(15,501,216)	-	(15,501,216)
Business-type activities:							
Sewer services	1,604,883	1,470,960	-	-	-	(133,923)	(133,923)
Total business-type activities	1,604,883	1,470,960	-	-	-	(133,923)	(133,923)
Total primary government	\$ 18,218,477	2,284,901	222,205	76,232	(15,501,216)	(133,923)	(15,635,139)
General revenues:							
Property taxes					\$ 12,785,178	-	12,785,178
Excise taxes					798,431	-	798,431
Motor vehicle registration fees					15,762	-	15,762
UMO reimbursements					655,431	-	655,431
PILOT payments					52,600	-	52,600
Franchise fees					63,770	-	63,770
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					885,225	-	885,225
Homestead exemption					268,525	-	268,525
Other State aid					51,245	-	51,245
Unrestricted investment earnings					118,175	25,089	143,264
Miscellaneous					10,984	-	10,984
Transfers					138,825	(138,825)	-
Total general revenues and transfers					15,844,151	(113,736)	15,730,415
Change in net position					342,935	(247,659)	95,276
Net position - beginning, restated					11,299,088	5,530,285	16,829,373
Net position - ending					\$ 11,642,023	5,282,626	16,924,649

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Balance Sheet
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,993,734	252,136	8,245,870
Investments	-	339,188	339,188
Receivables:			
Accounts receivable	207,597	16,731	224,328
Rescue receivable, net of allowance (\$16,718)	37,826	-	37,826
Taxes receivable - current year	255,750	-	255,750
Taxes receivable - prior years	135,497	-	135,497
Inventory	12,509	-	12,509
Interfund loans receivable	-	3,600	3,600
Total assets	\$ 8,642,913	611,655	9,254,568
LIABILITIES			
Accounts payable	286,626	-	286,626
Accrued payroll and benefits	213,893	-	213,893
Performance bond liability	35,110	-	35,110
Taxes paid in advance	45,007	-	45,007
Interfund loans payable	64,318	-	64,318
Total liabilities	644,954	-	644,954
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	355,000	-	355,000
Total deferred inflows of resources	355,000	-	355,000
FUND BALANCES			
Nonspendable - inventory	12,509	-	12,509
Restricted	1,073,118	611,655	1,684,773
Assigned	1,825,160	-	1,825,160
Unassigned	4,732,172	-	4,732,172
Total fund balances	7,642,959	611,655	8,254,614
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,642,913	611,655	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,005,493
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	355,000
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	(195,063)
Bonds payable	(11,636,468)
Capital leases payable	(140,361)
Other postemployment benefits with related deferred inflows and outflows of resources	(465,539)
Net pension liability with related deferred inflows and outflows of resources	(2,260,164)
Accrued interest	(102,489)
Landfill closure and postclosure costs	(173,000)

Net position of governmental activities **\$ 11,642,023**

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,645,809	-	13,645,809
Intergovernmental	1,938,571	78,045	2,016,616
Licenses and permits	110,366	-	110,366
Interest income	115,823	2,352	118,175
Charges for services	669,221	-	669,221
Other revenues	303,815	15,902	319,717
Total revenues	16,783,605	96,299	16,879,904
Expenditures:			
Current:			
General government	2,026,916	-	2,026,916
Public services	800,447	-	800,447
Public safety	3,386,716	-	3,386,716
Public works	1,571,620	-	1,571,620
Education	6,573,920	-	6,573,920
County tax	563,322	-	563,322
Unclassified	-	117,237	117,237
Debt service	1,250,294	-	1,250,294
Capital expenditures	1,383,188	-	1,383,188
Total expenditures	17,556,423	117,237	17,673,660
Excess (deficiency) of revenues over (under) expenditures	(772,818)	(20,938)	(793,756)
Other financing sources (uses):			
Note proceeds	55,718	-	55,718
Transfers-in	138,825	-	138,825
Total other financing sources (uses)	194,543	-	194,543
Net change in fund balances	(578,275)	(20,938)	(599,213)
Fund balances, beginning of year, restated	8,221,234	632,593	8,853,827
Fund balances, end of year	\$ 7,642,959	611,655	8,254,614

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, 2018

Net change in fund balances - total governmental funds (from Statement 4)	\$	(599,213)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,068,542) and loss on disposal (\$3,612) exceeded capital outlays (\$987,764).</p>		
		(84,390)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in unavailable revenue - property taxes.</p>		
		(62,200)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds; alternatively, some expenditures using current financial resources are not expensed in the statement of activities:</p>		
Accrued compensated absences		(1,846)
Other postemployment benefits with related deferred inflows and outflows of resources		(31,318)
Landfill closure and postclosure costs		283,000
Accrued interest		8,476
Net pension liability with related deferred inflows and outflows of resources		(35,658)
<p>Bond, note and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of bonds and notes (\$887,384), as well as capital leases (\$100,668) exceeded note proceeds (\$55,718).</p>		
		932,334
<p>The Town had bonds that were originally issued for School purposes. These amounts were funded by Regional School Unit #26 when debt service payments were due. The Town had recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The remaining balance (equal to \$66,250) was paid off in the current year.</p>		
		(66,250)
Change in net position of governmental activities (see Statement 2)	\$	342,935

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the Year Ended June 30, 2018

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 13,510,922	13,510,922	13,645,809	134,887
Intergovernmental	1,916,198	1,916,198	1,938,571	22,373
Licenses and permits	108,350	108,350	110,366	2,016
Interest income	47,000	47,000	76,259	29,259
Charges for services	606,108	606,108	669,221	63,113
Other revenues	225,150	225,150	231,536	6,386
Total revenues	16,413,728	16,413,728	16,671,762	258,034
Expenditures:				
Current:				
General government	1,644,977	1,644,977	1,233,137	411,840
Public services	892,614	892,614	800,447	92,167
Public safety	3,439,149	3,439,149	3,386,716	52,433
Public works	1,585,978	1,585,978	1,564,532	21,446
Education	6,573,920	6,573,920	6,573,920	-
County tax	563,323	563,323	563,322	1
Debt service	1,253,532	1,253,532	1,250,294	3,238
Capital expenditures	2,148,782	2,148,782	1,244,064	904,718
Total expenditures	18,102,275	18,102,275	16,616,432	1,485,843
Excess (deficiency) of revenues over (under) expenditures	(1,688,547)	(1,688,547)	55,330	1,743,877
Other financing sources (uses):				
Transfers-in	1,024,654	1,024,654	1,093,595	68,941
Transfers-out	(1,101,365)	(1,101,365)	(1,253,865)	(152,500)
Loan proceeds	55,718	55,718	55,718	-
Utilization of assigned balance	1,241,788	1,241,788	-	(1,241,788)
Use of prior year surplus	467,752	467,752	-	(467,752)
Total other financing sources (uses)	1,688,547	1,688,547	(104,552)	(1,793,099)
Net change in fund balance, budgetary basis	-	-	(49,222)	(49,222)
Fund balance, beginning of year-budgetary basis			5,708,926	
Fund balance, end of year-budgetary basis			5,659,704	
Amounts held in reserves			1,983,255	
Fund balance, end of year			\$ 7,642,959	

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2018

Business-type Activities - Enterprise Funds		Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	2,087,150
Accounts receivable		337,165
Interfund loans receivable		60,718
Total current assets		2,485,033
Noncurrent assets:		
Capital assets:		
Construction in progress		32,448
Land		44,573
Capital assets, being depreciated		18,387,498
Accumulated depreciation		(7,613,213)
Total capital assets, net		10,851,306
Total assets		13,336,339
LIABILITIES		
Current liabilities:		
Accounts payable		24,056
Accrued interest expense		41,824
Current portion of bonds payable		330,000
Total current liabilities		395,880
Noncurrent liabilities:		
Accrued compensated absences		22,833
Bonds payable		7,635,000
Total noncurrent liabilities		7,657,833
Total liabilities		8,053,713
NET POSITION		
Net investment in capital assets		2,886,306
Unrestricted		2,396,320
Total net position	\$	5,282,626

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, 2018

Business-type Activities - Enterprise Funds	
	Sewer Fund
Operating revenues:	
Charges for services	\$ 1,470,960
Total operating revenues	1,470,960
Operating expenses:	
Wages and benefits	403,218
Travel and training	942
Dues and subscriptions	1,580
Advertising and outreach	569
Computers and devices	4,730
Materials and supplies	34,328
Equipment and maintenance	49,251
Buildings and grounds maintenance	142,463
Vehicles and maintenance	6,078
Professional services	112,765
Other expenses	1,763
Depreciation	589,009
Total operating expenses	1,346,696
Operating income (loss)	124,264
Nonoperating revenue (expense):	
Investment income	25,089
Interest expense	(258,187)
Total nonoperating revenue (expense)	(233,098)
Net income (loss) before transfer	(108,834)
Transfer out - administrative expense reimbursement	(138,825)
Change in net position	(247,659)
Net position, beginning of year	5,530,285
Net position, end of year	\$ 5,282,626

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Business-type Activities - Enterprise Funds		Sewer Fund
Cash flows from operating activities:		
Receipts from customers and users	\$	1,482,862
Payments to suppliers		(382,849)
Payments to employees		(410,666)
Net cash provided by (used in) operating activities		689,347
Cash flows from non-capital and related financing activities:		
Transfers to other funds		(138,825)
Net interfund loans		(73,457)
Net cash provided by (used in) non-capital and related financing activities		(212,282)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(64,875)
Principal payments on bonds		(165,000)
Interest paid on bonds		(258,994)
Net cash provided by (used in) capital and related financing activities		(488,869)
Cash flows from investing activities:		
Interest on cash and investments		25,089
Net cash provided by (used in) investing activities		25,089
Increase (decrease) in cash		13,285
Cash and cash equivalents, beginning of year		2,073,865
Cash and cash equivalents, end of year	\$	2,087,150
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$	124,264
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		589,009
(Increase) decrease in assets:		
Accounts receivable		11,902
Increase (decrease) in liabilities:		
Accounts payable		(28,380)
Accrued payroll and benefits		(7,448)
Net cash provided by (used in) operating activities	\$	689,347

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements
June 30, 2018

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 fund:

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 Town reports the following major enterprise fund:

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

D. Cash and Investments

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

E. Interfund Loans Receivable/Payable

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

F. Receivables

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

G. Capital Assets

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

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

H. Compensated Absences

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

J. Fund Balance

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

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

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

K. Interfund Transactions

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Deferred Inflows and Outflows of Resources

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

M. Use of Estimates

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

N. Pensions

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations for the following:

General government - employee benefits	\$ 651
Fire protection	172
Cemetery	5,337
Solid waste disposal	1,466

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, 2018, the Town reported deposits of \$10,333,020 with a bank balance of \$10,491,838. Of the Town's bank balance of \$10,491,838, none was exposed to custodial credit risk as it was covered by F.D.I.C. or securities pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 8,245,870
<u>Reported in business-type activities</u>	<u>2,087,150</u>
<u>Total deposits</u>	<u>\$ 10,333,020</u>

B. Investments

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

Interest rate risk: In accordance with the Town's investment policy, excluding reserve and trust investments, investment maturities shall be less than one year. At June 30, 2018, the Town had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Money Market	\$ 15,444	N/A	-	-
Mutual Funds	323,744	N/A	-	-
Totals	\$ 339,188	-	-	-

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

DEPOSITS AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

Reported in governmental funds	\$ 339,188
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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, 2018, the Town had no investments subject to custodial credit risk.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments at June 30, 2018 are Level 1 inputs.

PROPERTY TAX

Property taxes for the current year were committed on August 31, 2017 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments on October 22, 2017 and February 9, 2018. Interest was charged at 7% on all tax bills unpaid as of October 23, 2017 and February 10, 2018.

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 \$268,717 for the year ended June 30, 2018.

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 2018 levy:

	<u>2018</u>
Assessed value	\$ 490,339,300
Tax rate (per \$1,000)	<u>26.00</u>
Commitment	12,748,822
Supplemental taxes assessed	<u>4,597</u>
	12,753,419
Less:	
Abatements	16,496
Collections	<u>12,481,173</u>
<u>Receivable at June 30</u>	<u>\$ 255,750</u>
Interest rate on delinquent taxes	7.00 %
Collection rate	97.99%

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of normal operations, the Town has numerous transactions between funds. Individual interfund receivable and payable balances and interfund transfers at June 30, 2018 arising from these transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Transfers</u>
Governmental Activities:			
Major funds:			
General Fund	\$ -	64,318	138,825
Other governmental funds:			
Grant Fund	3,600	-	-
Business-type Activities			
Sewer Fund	60,718	-	(138,825)
Totals	\$ 64,318	64,318	-

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 March 31, 2018, the date of MRC's most recent audited financial statements, was \$733,610 (2.46%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

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

CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,805,552	-	-	2,805,552
Construction in progress	433,819	85,143	518,962	-
Total capital assets, not being depreciated	3,239,371	85,143	518,962	2,805,552
Capital assets, being depreciated				
Buildings	10,623,336	-	-	10,623,336
Improvements	456,234	563,716	-	1,019,950
Equipment	1,214,794	316,736	79,963	1,451,567
Vehicles	3,215,508	339,241	147,812	3,406,937
Infrastructure	14,268,493	201,890	-	14,470,383
Total capital assets, being depreciated	29,778,365	1,421,583	227,775	30,972,173
Less accumulated depreciation:				
Buildings	2,685,615	253,461	-	2,939,076
Improvements	244,580	47,677	-	292,257
Equipment	1,105,739	71,259	79,963	1,097,035
Vehicles	2,203,551	313,033	144,200	2,372,384
Infrastructure	8,688,368	383,112	-	9,071,480
Total accumulated depreciation	14,927,853	1,068,542	224,163	15,772,232
Total capital assets being depreciated, net	14,850,512	353,041	3,612	15,199,941
Governmental activities capital assets, net	\$ 18,089,883	438,184	522,574	18,005,493
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,573	-	-	44,573
Construction in progress	-	32,448	-	32,448
Total capital assets, not being depreciated	44,573	32,448	-	77,021
Capital assets, being depreciated:				
Sewer items	18,388,585	32,427	33,514	18,387,498
Total capital assets, being depreciated	18,388,585	32,427	33,514	18,387,498
Less accumulated depreciation:				
Sewer items	7,057,718	589,009	33,514	7,613,213
Total accumulated depreciation	7,057,718	589,009	33,514	7,613,213
Total capital assets being depreciated, net	11,330,867	(556,582)	-	10,774,285
Business-type activities capital assets, net	\$ 11,375,440	(524,134)	-	10,851,306

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	\$ 208,787
Public services	76,846
Public safety	240,400
Public works	542,509

Total governmental activities depreciation expense \$ 1,068,542

Business-type Activities:

Sewer	\$ 589,009
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CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance <u>(restated)</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds and notes payable	\$ 12,468,134	55,718	887,384	11,636,468	840,749
Capital leases payable	241,029	-	100,668	140,361	103,466
Other postemployment benefits	434,221	96,660	-	528,881	-
Landfill closure and postclosure	456,000	-	283,000	173,000	-
Net pension liability	3,370,789	-	835,743	2,535,046	-
Accrued compensated absences	193,217	1,846	-	195,063	-
Total governmental activities	\$ 17,163,390	152,224	2,106,795	15,208,819	944,215
Business-type Activities:					
Bonds payable	\$ 8,130,000	-	165,000	7,965,000	330,000
Accrued compensated absences	22,833	-	-	22,833	-
Total business-type activities	\$ 8,152,833	-	165,000	7,987,833	330,000

LONG-TERM DEBT

Long-term debt payable at June 30, 2018 is comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest <u>rate</u>	Balance June 30, <u>2018</u>
Governmental activities:					
2008 General obligation bonds	10/30/08	500,000	11/1/28	0.08-5.58%	275,000
2010 General obligation bonds	12/1/10	4,205,000	12/1/20	3.00-5.75%	1,805,000
2014 General obligation bonds	7/1/14	8,285,000	11/1/39	3.00-4.00%	7,635,000
2014 General obligation bonds	8/27/14	2,000,000	8/27/43	3.13%	1,865,750
2018 Note	8/21/17	55,718	8/21/20	2.150%	55,718
Total governmental activities					\$ 11,636,468

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

LONG-TERM DEBT, CONTINUED

Business-type activities:

<u>2014 General obligation bonds</u>	<u>7/1/2014</u>	<u>\$ 8,565,000</u>	<u>11/1/2036</u>	<u>3.00-4.00%</u>	<u>7,965,000</u>
<u>Total business-type activities</u>					<u>\$ 7,965,000</u>

The annual requirements to amortize bonds payable as of June 30, 2018 are as follows:

Year ending June 30,	Governmental		Business-type		Total
	Principal	Interest	Principal	Interest	
2019	\$ 840,749	424,762	330,000	251,569	1,847,080
2020	867,632	390,086	340,000	241,519	1,839,237
2021	1,434,569	317,968	350,000	231,169	2,333,706
2022	437,176	275,952	365,000	220,444	1,298,572
2023	443,807	262,036	375,000	209,344	1,290,187
2024-2028	2,310,332	1,094,061	2,060,000	868,144	6,332,537
2029-2033	2,319,453	731,093	2,480,000	519,427	6,049,973
2034-2038	2,141,744	336,056	1,665,000	95,350	4,238,150
2039-2043	738,565	66,235	-	-	804,800
2044	102,441	3,201	-	-	105,642
	\$ 11,636,468	3,901,450	7,965,000	2,636,966	26,139,884

CAPITAL LEASES

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

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2018:

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 103,466	4,027
2020	18,164	1,151
2021	18,731	585
Total	\$ 140,361	5,763

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plans

Plan Description - The Town sponsors a post-retirement benefit plan providing group term life insurance to retiring employees (hereafter referred to as the PLD OPEB plan). The Town contributes to the Group Life Insurance Plan for Participating Local District (PLD). The PLD plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements for the PLD OPEB plan. MPERS issues publicly available financial reports that are available at www.maineopers.org.

Additionally, the Town sponsors a post-retirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - Under the PLD OPEB plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employee entitled to but not yet receiving benefits	-
Active employees	57
Total	60

Contributions - Premium rates for the PLD OPEB plan are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims.

PLD OPEB Plan - The Town is required to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Contributions to the PLD OPEB plan from the Town were \$2,310 for the year ended June 30, 2018. Employees are not required to contribute to the PLD OPEB plan.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability for the PLD OPEB plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the PLD OPEB plan relative to the projected contributions of all participating employers, actuarially determined.

PLD OPEB Plan - At June 30, 2018, the Town reported a liability of \$22,239 for its proportionate share of the net OPEB liability. At June 30, 2017, the Town's proportion was 0.1330%.

The Town's total Health Plan OPEB liability of \$506,642 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability

		Total OPEB Liability
Balance at June 30, 2017	\$	403,389
Changes for the year:		
Service cost		17,980
Interest		15,795
Changes of benefit terms		-
Differences between expected and actual experience		206
Changes in assumptions or other inputs		76,377
Benefit payments		<u>(7,105)</u>
Net changes		<u>103,253</u>
Balance at June 30, 2018	\$	<u><u>506,642</u></u>

Change in assumptions reflects a change in the discount rate from 3.78% to 3.44% and also a change in valuation method from Projected Unit Credit to the Entry Age Normal funding method.

For the year ended June 30, 2018, the Town recognized OPEB gain of \$701 for the PLD OPEB Plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	6,197
Net difference between projected and actual earnings on OPEB plan investments	-	1,065
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	630
Town contributions subsequent to the measurement date	2,310	-
Total	\$ 2,310	7,892

\$2,310 is reported as deferred outflows of resources related to the PLD OPEB plan resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (1,632)
2020	(1,632)
2021	(1,632)
2022	(1,632)
2023	(1,364)

For the year ended June 30, 2018, the Town recognized OPEB expense of \$34,329 related to the Health Plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185	-
Changes of assumption or other inputs	68,739	-
Total	\$ 68,924	-

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Health Plan OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 7,659
2020	7,659
2021	7,659
2022	7,659
2023	7,659
Thereafter	30,629

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2017 actuarial valuations for the PLD OPEB plan was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	PLD OPEB Plan
Inflation	2.75%
Salary increases	2.75% - 9.00%
Investment rate of return	6.875%

Mortality rates for the PLD OPEB plan were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, with adjustments ranging 104% to 120% based on actuarially determined demographic differences.

The actuarial assumptions used in the June 30, 2017 valuation for the PLD OPEB plan was based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

The total OPEB liability in the January 1, 2018 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year
Salary increases	2.75% per year
Discount rate	3.44%
Healthcare cost trend rates	8.27% for 2018, decreasing 0.28% per year
Retirees' share of the benefit related costs	100% of projected health insurance premiums

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

The actuarial assumptions used in the January 1, 2018 valuation for the Health Plan was based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.0%	6.0%
Real estate	5.0%	5.2%
Traditional credit	16.0%	3.0%
US Government Securities	9.0%	2.3%
Total	100.0%	

Discount Rate - The rate used to measure the total OPEB liability for the PLD OPEB plan was 5.41% which is a blend of the assumed long-term expected rate of return of 6.875% and a municipal bond index rate of 3.58%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2017. Projections of the plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2052. Therefore, the portion of the future projected benefit payments after 2052 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The discount rate of 3.44% used to measure the total OPEB liability for the Health plan was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net PLD OPEB plan liability calculated using the discount rate of 5.41%, as well as what the Town's proportionate share of the net PLD OPEB plan liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.41%) or 1 percentage-point higher (6.41%) than the current rate:

	1% Decrease (4.41%)	Discount Rate (5.41%)	1% Increase (6.41%)
Net OPEB liability	\$ 29,846	22,239	16,234

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate - The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 3.44%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.44%) or 1 percentage-point higher (4.44%) than the current rate:

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$ 600,826	506,642	431,309

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Town’s total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates of 8.27% decreasing 0.28% per year, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7.27% decreasing 0.28% per year) or 1 percentage-point higher (9.27% decreasing 0.28% per year) than the current healthcare cost trend rates:

		1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$	426,053	506,642	610,410

OPEB Plan Fiduciary Net Position - Detailed information about the PLD OPEB plan’s fiduciary net position are available in a separately issued MPERS financial report.

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 ten years after closure. Until the current fiscal year, Federal law required a 30-year post closure monitoring and maintenance period. This change significantly reduces the future cost of these activities.

Although closure and postclosure care costs will be paid only near or after the dates that the landfills stop accepting waste, the Town reports a portion of these closure and postclosure costs as a program expense in each year based on landfill capacity used as of each balance sheet date. The Town will recognize the remaining estimated cost of closure and postclosure care for the site as the remaining estimated capacity is filled.

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

An engineering estimate was calculated for the closure and postclosure costs of the landfill as of June 30, 2018. Generally accepted accounting principles require that cost estimates be based on the present value of consultation and construction costs adjusted for an assumed inflation rate, known as current cost. The current cost of closure and postclosure costs projected in the engineering estimate total \$918,300. The estimated remaining life of the landfill at June 30, 2018 is 16 years. The new cell has a capacity of 40,000 yards, of which approximately 7,541 yards were used as of June 30, 2018.

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:

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS, CONTINUED

	<u>2017</u>	<u>2018</u>
Total estimated future landfill closure and postclosure care costs	\$ 2,911,500	918,300
Estimated capacity used	15.66%	18.85%
Estimated gross landfill closure and postclosure care costs – end of year	456,000	173,000
Amounts actually expended	-	-
<u>Estimated liability for landfill closure and postclosure care costs - end of year</u>	<u>456,000</u>	<u>173,000</u>
<u>Estimated remaining landfill closure and postclosure care costs to be recognized</u>	<u>\$ 2,455,500</u>	<u>745,300</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 2018.

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, 2018.

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).

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

DEFERRED COMPENSATION PLAN, CONTINUED

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees are permitted to contribute up to the maximum allowed per Internal Revenue Code limits. Employer contributions are not required, unless specifically agreed upon per individual contract with each employee. For the year ended June 30, 2018, the Town's contribution to the plan was \$22,567.

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

TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established six tax increment financing (TIF) districts in order to finance development programs in the Town of Orono. The expenditures for these programs are paid for by tax dollars that have been retained under the tax increment financing program. The Town has entered into several Credit Enhancement Agreements (CEAs) with individual organizations as permitted within its TIF District development programs, established under the State of Maine Title 30-A. The CEA's outline conditions for the reimbursement of a percentage of tax revenues generated through the increased values of certain parcels within the districts. The agreements and payments are intended to promote economic development through real estate development and job creation, as well as infrastructure improvements and business incentives within the Town's TIF districts. For the fiscal year ended June 30, 2018, the Town remitted a total of \$168,636 in credit enhancement payments. All credit enhancement payments made during the year are outlined below.

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

On October 25, 2013, the TIF district was amended and renamed the Maine Technology Park Omnibus Municipal TIF. The term was extended to 30 years ending February 28, 2030. The original assessed base value in this district was assessed at \$4,762,300 as of April 1, 2012 and spans 34.99 acres. The Town is allowed to enter into credit enhancement agreements up to 100% reimbursement, however, there is currently no CEA's in place for this TIF district. In FY18, the District value decreased substantially due to the purchase of property by the University of Maine that was converted to tax-exempt status as a result, no taxes were captured for this tax year. The balance of tax increment funds retained by the Town, in previous years, for its approved development purposes at year ended June 30, 2018 was \$55,260.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

EnvisioNet Municipal Development TIF - This TIF was established on July 13, 2000 and has a life of 20 years. The original assessed base value in this district is zero. EnvisioNet filed for bankruptcy in FY14 and the Town decided to retain the 70% TIF revenues that were to be reimbursed. During 2015, the related property was sold and all current and back taxes were paid to the Town in an amount of \$195,550. The amount of tax increment revenues retained by the Town for the year ended June 30, 2018 was \$65,793, representing 100% of the captured tax revenues.

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

Fiscal year ended June 30, 2018 was the fifteenth year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2018 was \$115,266, which was returned to the developer.

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

On May 13, 2013, the TIF district was renamed the Downtown and Transit-Oriented Development TIF whereas the original name was Transit-Oriented TIF. The amendment increased the original acreage to 96.4 acres in order to allow the Town to fund various transit and other economic development costs; provide continuing employment opportunities for the citizens of the Town and surrounding region; improve and broaden the tax base of the Town; improve the general economy of the Town, the surrounding region and the State of Maine; and to encourage the development, expansion and improvement of commercial facilities within the Town. The amount of tax increment revenues made available for the year ended June 30, 2018 was \$690,502, of which \$22,282 was returned due to credit enhancement agreements with Staar Properties, James D. Swett Living Trust, and Rose Property.

Webster Point TIF - 100% Economic Development - This TIF was established on February 7, 2011 and is in effect until June 30, 2027. The original assessed base value in this district is zero. Effective May 14, 2012 the Town agreed to a Credit Enhancement Agreement with Webster Point LLC. In that agreement, the Town agreed to provide the developer 85% of the tax increment revenues. The Town will use the remaining 15% for approved development projects and mitigating impacts within the district. The amount of tax increment revenues made available for the year ended June 30, 2018 was \$46,626.

Penobscot Valley Dermatology - While approved by the Orono Town Council on April 1, 2014, this TIF District was established to exist for a total of thirty (30) years beginning on July 1, 2015. The original assessed base value in this district is \$200,400 with 100% of the incremental value captured. The development program includes a credit enhancement agreement with Cutis Properties, LLC for thirty (30) years total with an average return of up to 40% of the taxes paid on real and personal property. (Specifically, the maximum agreed rate of return is as follows: years 1-5 60%; years 6-15 45%; and years 16-30 30%.) This Credit Enhancement Agreement also contains a provision requiring that the Town retain, at minimum, taxes at the following levels paid on a value of

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

\$2,000,000: FY16-20 40%; FY21-30 55%; and FY31-45 70%. The development program allows funds retained by the Town to also be used for public infrastructure, childcare, recreational trails, mitigation of downtown impacts, economic development, professional and administrative costs, and financing expenses. For FY18, the District value was \$1,995,700 which resulted in 59.91% of taxes paid on the increment (equalling \$31,088) returned to Cutis Properties. The amount of tax increment revenues made available for the year ended June 30, 2018 was \$46,678.

NET PENSION LIABILITY

General Information about the Pension Plan

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

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

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Employees are required to contribute 8.0% for the regular plan and special plan of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2018, was 9.6% and 10.1% of annual payroll for the regular plan and the special plan, respectively. These contributions, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$344,915 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$2,535,046 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2017, the Town's proportion was 0.6192%.

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

NET PENSION LIABILITY, CONTINUED

For the year ended June 30, 2018, the Town recognized pension expense of \$380,573. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 215,717	-
Differences between expected and actual experience	-	121,791
Net difference between projected and actual earnings on pension plan investments	-	69,709
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	94,250
Town contributions subsequent to the measurement date	344,915	-
Total	\$ 560,632	\$ 285,750

\$344,915 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (106,791)
2020	192,348
2021	17,008
2022	(172,598)

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

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

NET PENSION LIABILITY, CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%
Total	100%	

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

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

	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
Town's proportionate share of the net pension liability	\$ 5,086,081	\$ 2,535,046	\$ 614,512

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

Payables to the Pension Plan - None as of June 30, 2018.

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

NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2018:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 33,777,725	18,464,519
Accumulated depreciation	(15,772,232)	(7,613,213)
Bonds payable	(11,636,468)	(7,965,000)
Capital leases payable	(140,361)	-
<u>Total net investment in capital assets</u>	<u>\$6,228,664</u>	<u>2,886,306</u>

FUND BALANCES

As of June 30, 2018, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
<u>Inventory</u>	\$ 12,509	-
Total nonspendable	12,509	-
Restricted:		
Downtown TIF	864,421	-
Maine Technology Park TIF	55,260	-
Penobscot Valley Dermatology TIF	50,864	-
Webster Point TIF	34,203	-
EnvisioNet TIF	67,447	-
Dirigo Pines Inn TIF	923	-
Grant Fund	-	188,284
Cemetery	-	341,126
Public Library	-	64,842
Library Construction	-	17,403
Total restricted	1,073,118	611,655
Assigned:		
<u>Assigned for subsequent year's budget</u>	<u>400,000</u>	<u>-</u>

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

FUND BALANCES, CONTINUED

Reserves:		
Communications replacement reserve	\$ 1,574	-
Unemployment reserve	42,898	-
Landfill closure reserve	40,803	-
Capital equipment reserve	206,210	-
Cable capital support reserve	5,125	-
Office computer system reserve	8,365	-
Council reserve projects	4,607	-
Emergency medical services reserve	7,617	-
Major maintenance reserve	18,747	-
Safety equipment reserve	12,490	-
Public works garage reserve	223,159	-
Skate park reserve	18,157	-
Recreation reserve	3,996	-
Sally Jacobs sculpture reserve	1,904	-
Voting machine reserve	11,225	-
Employee benefits reserve	29,503	-
Library maintenance reserve	41,042	-
Police technology reserve	4,069	-
Ambulance reserve	137,166	-
Fire truck reserve	198	-
Masonic Library Grant	800	-
Solid waste reserve	70,416	-
Public works garage project	10,033	-
IT audiovisual reserve	10,033	-
Carryforwards:		
Town manager	8,450	-
Assessing	35,000	-
Planning	13,458	-
Police	13,000	-
Fire	3,500	-
Parks and recreation	15,835	-
Public works	23,000	-
Facilities	5,150	-
Capital equipment	4,000	-
Capital facilities	22,200	-
Capital infrastructure	367,930	-
Miscellaneous	3,500	-
Total assigned	1,825,160	-
Total unassigned	4,732,172	-
Total fund balances	\$ 7,642,959	611,655

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

NEW PRONOUNCEMENTS AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the Town has elected to implement Statement No. 75 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of implementing GASB Statement No. 75, the Town has restated beginning net position in the government-wide statement of net position to account for the addition of the Town’s proportionate share of the net OPEB liability of \$65,918, which effectively decreased the District’s net position as of July 1, 2017 by \$65,918.

Additionally, in the current year management determined that a previously recorded prepaid health insurance balance was incorrectly recorded. As such, the Town has restated beginning fund balance in the general fund, as well as net position in the government-wide statements by \$63,377, which effectively decreased both as of July 1, 2017 by \$63,377.

TOWN OF ORONO, MAINE
Required Supplementary Information

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.6192%	0.6344%	0.6536%	0.6802%
Town's proportionate share of the net pension liability	\$ 2,535,046	3,370,789	2,085,401	1,046,695
Town's covered payroll	3,466,077	3,411,083	3,322,232	3,297,330
Town's proportionate share of the net pension liability as a percentage of its covered payroll	73.14%	98.82%	62.77%	31.74%
Plan fiduciary net position as a percentage of of the total pension liability	86.43%	81.61%	88.27%	94.10%

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

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 344,915	318,336	303,704	267,184	234,994
Contributions in relation to the contractually required contribution	(344,915)	(318,336)	(303,704)	(267,184)	(234,994)
Contribution deficiency (excess)	\$ -	-	-	-	-
Town's covered payroll	\$ 3,504,468	3,466,077	3,411,083	3,322,232	3,297,330
Contributions as a percentage of covered payroll	9.84%	9.18%	8.90%	8.04%	7.13%

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

Schedule of Changes in the Town's Total Health Plan OPEB Liability and Related Ratios
Last 10 Fiscal Years*

		<u>2018</u>
Total OPEB Liability		
Service cost	\$	17,980
Interest		15,795
Changes of benefit terms		-
Differences between expected and actual experience		206
Changes of assumptions or other inputs		76,377
Benefit payments		<u>(7,105)</u>
Net change in total OPEB Liability		103,253
Total OPEB liability - beginning		<u>403,389</u>
Total OPEB liability - ending	\$	<u><u>506,642</u></u>
Covered-employee payroll	\$	2,815,179
Total OPEB liability as a percentage of covered-employee payroll		18.00%

** Only one year of information available.*

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net OPEB Liability
 Last 10 Fiscal Years*

	2018	2017
<u>PLD OPEB Plan</u>		
Town's proportion of the net OPEB liability	0.1330%	0.1363%
Town's proportionate share of the net OPEB liability	\$ 22,239	30,832
Town's covered-employee payroll	3,466,077	3,411,083
Town's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	0.64%	0.90%
Plan fiduciary net position as a percentage of the total OPEB liability	47.42%	unavailable

* Only two years of information available. Amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

Schedule of Town's OPEB Contributions
 Last 10 Fiscal Years*

	2018	2017
<u>PLD OPEB Plan</u>		
Contractually required contribution	\$ 2,310	2,310
Contributions in relation to the contractually required contribution	(2,310)	(2,310)
Contribution deficiency (excess)	-	-
Town's covered-employee payroll	3,504,468	3,466,077
Contributions as a percentage of covered-employee payroll	0.066%	0.067%

* Only two years of information available

TOWN OF ORONO, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms (Pension) - None

Changes of Assumptions (Pension) - The following are changes in actuarial assumptions used in the most recent valuations:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate	6.875%	7.125%	7.250%	7.250%
Inflation rate	2.75%	3.50%	3.50%	3.50%
Salary increases	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Cost of living increases	2.20%	2.55%	3.12%	3.12%

** This schedule is intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.*

Mortality rates:

In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. In 2016 and going forward, mortality rates were based on the RP2014 Total Data Set Health Annuitant Mortality Table.

Changes of Benefit Terms (OPEB) - None

Changes of Assumptions (OPEB) - None related to the PLD OPEB plan. Under the Health Plan, changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018	3.44%
2017	3.78%

Additionally, the valuation method was changed from the Projected Unit Credit funding method in 2017 to the Entry Age Normal funding method in 2018.

GENERAL FUND

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2018

ASSETS		
Cash and cash equivalents	\$	7,993,734
Receivables:		
Accounts		207,597
Rescue, net		37,826
Taxes - current year		255,750
Taxes - prior years		135,497
Inventory		12,509
Total assets	\$	8,642,913
LIABILITIES		
Accounts payable		286,626
Accrued payroll and benefits		213,893
Performance bond liability		35,110
Taxes paid in advance		45,007
Interfund loans payable		64,318
Total liabilities		644,954
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		355,000
Total deferred inflows of resources		355,000
FUND BALANCE		
Nonspendable - inventory		12,509
Restricted		1,073,118
Assigned		1,825,160
Unassigned		4,732,172
Total fund balance		7,642,959
Total liabilities, deferred inflows of resources, and fund balance	\$	8,642,913

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2018

	2018		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 12,748,822	12,787,489	38,667
Supplemental taxes	-	4,597	4,597
Excise taxes	714,100	798,431	84,331
Interest and costs on taxes	48,000	55,292	7,292
Total taxes	13,510,922	13,645,809	134,887
Intergovernmental:			
State revenue sharing	871,915	885,225	13,310
State road subsidy	71,000	76,232	5,232
General assistance reimbursement	9,870	1,913	(7,957)
BETE reimbursement	25,357	25,453	96
Homestead tax exemption	268,525	268,525	-
Other State grants and reimbursements	14,100	25,792	11,692
UMO reimbursements	655,431	655,431	-
Total intergovernmental	1,916,198	1,938,571	22,373
Licenses and permits:			
Motor vehicle agent fee	12,000	15,762	3,762
Town licenses and permits	5,500	8,208	2,708
Building permits	20,000	17,495	(2,505)
Plumbing fees	2,500	3,379	879
Electrical permits	7,500	8,557	1,057
Land use ordinance fees	3,000	1,250	(1,750)
Road opening permits	2,100	450	(1,650)
Rental unit registration fee	43,800	41,061	(2,739)
Parking permits	4,500	5,250	750
Fish and wildlife license fees	950	908	(42)
Dog license fees	500	956	456
Birth, death and marriage records	6,000	7,090	1,090
Total licenses and permits	108,350	110,366	2,016
Interest income	47,000	76,259	29,259

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

	2018		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
Fire and ambulance fees	\$ 372,499	427,928	55,429
Advertising	6,230	7,610	1,380
Police fees	6,500	22,549	16,049
Police accident reports	2,500	6,563	4,063
Police special detail	13,000	19,434	6,434
Court fees	1,500	4,648	3,148
BB Express: Orchard Trails	2,000	3,000	1,000
Air bottle refill	350	55	(295)
School resource officer	39,525	39,525	-
School crossing guard reimbursement	9,000	7,735	(1,265)
Recreation	49,364	52,440	3,076
Library income and fees	3,500	4,139	639
OVWD plowing fees	2,000	2,000	-
Disposal site fees	12,000	17,115	5,115
Contract assessing revenue	30,240	-	(30,240)
Veazie EMS contract fees	32,000	32,600	600
TIF administration fees	1,000	-	(1,000)
Town office admin fees	1,500	938	(562)
Public works fees	3,500	-	(3,500)
Solid waste hauler	3,750	8,328	4,578
Cemetery revenue	3,400	650	(2,750)
Rental income	10,750	11,964	1,214
Total charges for services	606,108	669,221	63,113
Other revenues:			
Housing Foundation PILOT	35,000	35,000	-
Freeman Forest PILOT	17,600	17,600	-
Parking fines	35,000	28,197	(6,803)
ACO late fees	-	600	600
Code enforcement penalties and fees	7,000	8,850	1,850
Donations	3,050	1,100	(1,950)
Sale of surplus property	3,500	6,276	2,776
Cable franchise fees	62,000	63,770	1,770
Recycling revenue	10,000	2,093	(7,907)
PERC performance credit	52,000	57,216	5,216
Stumpage revenue	-	7,887	7,887
Miscellaneous revenue	-	2,947	2,947
Total other revenues	225,150	231,536	6,386
Total revenues	\$ 16,413,728	16,671,762	258,034

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

	2018		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Town Council	\$ 41,458	38,662	2,796
Town Manager	302,149	285,414	16,735
Finance and administration	400,674	371,940	28,734
Assessor	167,932	118,863	49,069
Elections and voter registration	12,841	8,247	4,594
Insurance	81,393	71,323	10,070
General assistance	14,100	2,817	11,283
Planning and code enforcement	198,147	174,325	23,822
Employee benefits	5,950	6,601	(651)
Contracted services	64,500	58,174	6,326
IT / GIS	73,617	57,448	16,169
Overlay	268,717	39,323	229,394
Miscellaneous	13,499	-	13,499
Total general government	1,644,977	1,233,137	411,840
Public services:			
Library	321,365	309,818	11,547
Recreation	230,940	180,846	50,094
Facilities	205,834	203,179	2,655
Municipal and public safety buildings	80,100	65,230	14,870
Library facilities maintenance	24,230	19,016	5,214
Senior Citizen Center	13,610	9,556	4,054
Anderson Community House	16,535	12,802	3,733
Total public services	892,614	800,447	92,167
Public safety:			
Public safety administration	73,655	73,435	220
Police Department	1,359,152	1,352,701	6,451
Fire Department	1,695,797	1,651,935	43,862
Fire protection	235,795	235,967	(172)
Street lights	74,750	72,678	2,072
Total public safety	3,439,149	3,386,716	52,433
Public works:			
General maintenance	438,275	431,619	6,656
Winter maintenance	490,259	469,855	20,404
Cemetery	89,386	94,723	(5,337)
Solid waste disposal	346,792	348,258	(1,466)
Town garage	221,266	220,077	1,189
Total public works	1,585,978	1,564,532	21,446

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

	2018		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Educational assessment	\$ 6,573,920	6,573,920	-
County tax	563,323	563,322	1
Debt service:			
Principal	760,000	760,000	-
Interest	493,532	490,294	3,238
Total debt service	1,253,532	1,250,294	3,238
Capital expenditures:			
Capital equipment	696,501	678,761	17,740
Capital infrastructure	1,283,676	433,847	849,829
Capital facilities	168,605	131,456	37,149
Total capital expenditures	2,148,782	1,244,064	904,718
Total expenditures	18,102,275	16,616,432	1,485,843
(Excess) deficiency of revenues over (under) expenditures	(1,688,547)	55,330	1,743,877
Other financing sources (uses):			
Transfers-in	1,024,654	1,093,595	68,941
Transfers-out	(1,101,365)	(1,253,865)	(152,500)
Note proceeds	55,718	55,718	-
Utilization of assigned balance	1,241,788	-	(1,241,788)
Use of prior year surplus	467,752	-	(467,752)
Total other financing sources (uses)	1,688,547	(104,552)	(1,793,099)
Net change in fund balances, budgetary basis	-	(49,222)	(49,222)
Fund balance, beginning of year-budgetary basis, as restated		5,708,926	
Fund balance, end of year-budgetary basis		5,659,704	
Amounts held in reserves		1,983,255	
Fund balance, end of year		\$ 7,642,959	

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Fund balances beginning of year	Interest income	Other Revenues	Expenditures	Transfers in	Transfers out	Fund balances end of year
Restricted:							
Downtown TIF	736,684	15,027	-	577,792	690,502	-	864,421
Maine Technology Park TIF	71,193	737	-	16,670	-	-	55,260
Penobscot Valley Dermatology TIF	34,459	815	-	31,088	46,678	-	50,864
Webster Point TIF	60,643	1,131	-	74,197	46,626	-	34,203
EnvisioNet TIF	112,892	2,076	-	113,314	65,793	-	67,447
Dirigo Pines Inn TIF	-	923	-	115,266	115,266	-	923
Assigned:							
Communications replacement	1,556	18	-	-	-	-	1,574
Unemployment	42,379	519	-	-	-	-	42,898
Landfill closure	10,573	230	-	-	30,000	-	40,803
Wood chipper	7,026	62	-	7,088	-	-	-
Capital equipment	684,617	8,633	-	-	145,000	(632,040)	206,210
Cable capital support	5,063	62	-	-	-	-	5,125
Office computer system	8,264	101	-	-	-	-	8,365
Council reserve projects	4,551	56	-	-	-	-	4,607
Emergency medical services	7,525	92	-	-	-	-	7,617
Major maintenance	18,454	293	-	-	20,000	(20,000)	18,747
Safety equipment	12,670	155	-	335	-	-	12,490
Public works garage	264,182	3,218	-	4,241	-	(40,000)	223,159
Skate park	17,937	220	-	-	-	-	18,157
Recreation reserve	2,898	35	1,063	-	-	-	3,996
Sally Jacobs sculpture steward	1,881	23	-	-	-	-	1,904
Voting machine	11,089	136	-	-	-	-	11,225
Employee benefits	29,146	357	-	-	-	-	29,503
Library maintenance	30,633	409	-	-	10,000	-	41,042
Police technology reserve	31	38	-	-	4,000	-	4,069
Ambulance reserve	75,852	1,314	-	-	60,000	-	137,166
Fire truck reserve	110	88	-	-	-	-	198
Orono village green	260,000	2,730	-	-	-	(262,730)	-
Masonic Library Grant	-	-	800	-	-	-	800
Solid Waste Reserve	-	-	70,416	-	-	-	70,416
Public Works Garage Project	-	33	-	-	10,000	-	10,033
IT Audiovisual Reserve	-	33	-	-	10,000	-	10,033
Total General Fund reserves	\$ 2,512,308	39,564	72,279	939,991	1,253,865	(954,770)	1,983,255

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds			Capital Project Fund	Totals
	Grant Fund	Cemetery	Public Library	Library Construction	
ASSETS					
Cash and cash equivalents	\$ 167,953	65,294	1,486	17,403	252,136
Investments	-	275,832	63,356	-	339,188
Accounts receivable	16,731	-	-	-	16,731
Interfund loans receivable	3,600	-	-	-	3,600
Total assets	\$ 188,284	341,126	64,842	17,403	611,655
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	-	-	-
Interfund loans payable	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Restricted	188,284	341,126	64,842	17,403	611,655
Total fund balance	188,284	341,126	64,842	17,403	611,655
Total liabilities and fund balances	\$ 188,284	341,126	64,842	17,403	611,655

TOWN OF ORONO, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds			Capital Project Fund	Totals
	Grant Fund	Cemetery	Public Library	Library Construction	
Revenues:					
Intergovernmental	\$ 78,045	-	-	-	78,045
Interest income (loss)	2,327	(2,164)	1,978	211	2,352
Other	12,752	3,150	-	-	15,902
Total revenues	93,124	986	1,978	211	96,299
Expenditures:					
Current:					
Program expenditures	116,779	-	458	-	117,237
Total expenditures	116,779	-	458	-	117,237
Net change in fund balances	(23,655)	986	1,520	211	(20,938)
Fund balances, beginning of year	211,939	340,140	63,322	17,192	632,593
Fund balances, end of year	\$ 188,284	341,126	64,842	17,403	611,655