

TOWN OF ORONO, MAINE

Annual Financial Report

For the year ended June 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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 that reads "Remya Kristen Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 30, 2019
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 \$17,857,789 (*net position*, Statement 1). Of this amount, \$6,608,310 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 \$933,140 (Statement 2). This represents an increase of \$1,293,575 in governmental activities and a decrease of \$360,435 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 \$8,206,486 (Statement 3), which is a decrease of \$48,128 (Statement 4) from the prior fiscal year. This total decrease is comprised of a decrease of \$80,793 shown in the General Fund and an increase of \$32,665 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 \$2,028,471. Total unassigned fund balance (all governmental funds) decreased by \$2,703,701 from the prior fiscal year due in large part to the decision of the Town Council to re-assign funds the Town received for debt payment associated with the Godfrey Drive Economic Development Bond that were classified as unassigned in the previous reporting period. This action also affected the assigned fund balance (Statement 3) which increased from the previous fiscal year by \$2,695,069 to \$4,520,229.
- The Town did not issue any new bonds during FY 2019, but did issue a note for \$163,500 for the purchase of a new Holder municipal tractor. As of June 30, 2019, the total outstanding bond principal of the Town, including Sewer fund bonds, was \$18,594,219.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

Statement of Net Position

As previously noted, the statement of net position balances all of the Town's assets 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, 2019 and June 30, 2018.

	Governmental Activities			Business-type Activities		
	2019	2018	Change	2019	2018	Change
ASSETS						
Current and other assets	\$ 9,165,692	\$ 9,190,250	(24,558)	2,238,677	2,485,033	(246,356)
Capital assets	17,836,341	18,005,493	(169,152)	10,400,761	10,851,306	(450,545)
Total assets	27,002,033	27,195,743	(193,710)	12,639,438	13,336,339	(696,901)
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources -						
related to pensions and OPEB	674,840	631,866	42,974	-	-	-
Total deferred outflows of resources	674,840	631,866	42,974	-	-	-
LIABILITIES						
Current liabilities	667,688	683,125	(15,437)	59,414	65,880	(6,466)
Noncurrent liabilities	13,618,315	15,208,819	(1,590,504)	7,657,833	7,987,833	(330,000)
Total liabilities	14,286,003	15,891,944	(1,605,941)	7,717,247	8,053,713	(336,466)
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources -						
related to pensions and OPEB	455,272	293,642	161,630	-	-	-
Total deferred inflows of resources	455,272	293,642	161,630	-	-	-
NET POSITION						
Net investment in capital assets	6,840,227	6,228,664	611,563	2,765,761	2,886,306	(120,545)
Restricted	1,643,491	1,684,773	(41,282)	-	-	-
Unrestricted	4,451,880	3,728,586	723,294	2,156,430	2,396,320	(239,890)
Total net position	\$ 12,935,598	11,642,023	1,293,575	4,922,191	5,282,626	(360,435)

The Town of Orono, Maine's governmental activities assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$12,935,598, and business-type activities assets exceeded its liabilities by \$4,922,191 for a total net position of \$17,857,789 at the close of the most recent fiscal year. The summary above shows an 11.1% increase in net position for governmental activities and a 6.8% decrease in net position for business-type activities from the prior fiscal year.

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

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and adding back any unspent bond proceeds. The Town of Orono, Maine uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. 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 liquidated to satisfy these liabilities. It should be noted that 37.0% 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 \$933,140 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 \$1,293,575.
- **Business-type activities:** The Town's single business-type activity, the sewer fund, decreased the Town's net position by \$360,435.

The following schedule is a summary of the statement of activities (*Statement 2*) for the years ended June 30, 2019 and June 30, 2018:

	Governmental Activities			Business-type Activities		
	2019	2018	Change	2019	2018	Change
Revenues:						
Program revenues:						
Charges for services	\$ 748,380	813,941	(65,561)	1,490,571	1,470,960	19,611
Operating grants and contributions	214,039	222,205	(8,166)	-	-	-
Capital grants	71,700	76,232	(4,532)	-	-	-
General revenues:						
Taxes	14,044,311	13,583,609	460,702	-	-	-
Intergovernmental	2,075,722	1,976,796	98,926	-	-	-
Investment earnings	219,374	118,175	101,199	51,757	25,089	26,668
Miscellaneous	133,710	26,746	106,964	-	-	-
Transfers	138,825	138,825	-	(138,825)	(138,825)	-
Total revenues	17,646,061	16,956,529	689,532	1,403,503	1,357,224	46,279
Expenses:						
Primary government:						
General government	1,411,218	2,304,853	(893,635)	-	-	-
Public services	887,569	879,576	7,993	-	-	-
Public safety	3,714,760	3,619,297	95,463	-	-	-
Public works	2,224,393	1,836,337	388,056	-	-	-
Education	6,827,436	6,573,920	253,516	-	-	-
County tax	636,443	563,322	73,121	-	-	-
Unclassified	125,267	117,237	8,030	-	-	-
Interest on debt service	511,835	420,684	91,151	-	-	-
Capital maintenance	13,565	298,368	(284,803)	-	-	-
Sewer services	-	-	-	1,763,938	1,604,883	159,055
Total expenses	16,352,486	16,613,594	(261,108)	1,763,938	1,604,883	159,055
Change in net position	1,293,575	342,935	950,640	(360,435)	(247,659)	(112,776)
Net position, July 1, restated	11,642,023	11,299,088	342,935	5,282,626	5,530,285	(247,659)
Net position, June 30	\$ 12,935,598	11,642,023	1,293,575	4,922,191	5,282,626	(360,435)

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

Total governmental activities revenues (\$17,646,061) increased by \$689,532 or 4.07% from fiscal year 2018. This was driven primarily by increases in property taxes, excise taxes, intergovernmental revenues, and investment earnings; however, the increase was tempered by decreases in charges for services as well as grants and contributions for operating and capital activities.

Total governmental activities expenses (\$16,352,486) decreased this year by \$261,108 or 1.57% over fiscal year 2018. This decrease was driven primarily by decreases in costs for general government and capital maintenance; however, these decreases were tempered by increases in public works and education.

Total governmental activities' revenues exceeded total expenses by \$1,293,575 (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 \$8,206,486, a decrease of \$48,128 in comparison with the prior year. Approximately 24.7% of this total amount (\$2,028,471) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$6,178,015) is not available for new spending because it has already been set aside (by the Town Council) in its use for various capital and other governmental purposes (\$4,520,229), restricted (by outside agencies or contractual agreements) to specific uses (\$1,643,491), or is in a nonspendable form (inventory)(\$14,295). Restricted funds include Tax Increment Financing (TIF) funds (\$999,171) and Other Governmental Funds (\$644,320).

As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental funds expenditures. Unassigned fund balance (\$2,028,471) (Statement 3) represents 11.4% of the total governmental funds expenditures (\$17,819,689) (Statement 4); total governmental fund balance (\$8,206,486) (Statement 3) represents 46.1% 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 2019 balance sheet and statement of revenues, expenses, and changes in net position, please see Statements 7 and 8 on pages 17 and 18 of the audited financial statements.

Net position of the Town's Sewer Fund decreased by \$360,435 to \$4,922,191 (Statement 8). The Fund showed an operating loss (operating revenues less operating expenses) of \$23,412. Operating expenses include depreciation expense of \$600,172. Non-operating revenues and expenses combined with transfers out equated to an additional loss of \$337,023. Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$2,765,761 and unrestricted net position made up the other \$2,156,430. Unrestricted net position represents 143% of operating expenses (\$1,513,983) (Statements 7 and 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.

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

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, 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 \$426,210.

Also of note regarding Exhibit A-3, the Orono Town Council has assigned \$1,991,994 as debt reserve to fund the remaining payments associated with the economic development general obligation bond. These funds were paid to the Town by the Orono Economic Development Corporation when it sold the property at 3 Godfrey Drive. These funds will be exhausted when the final debt payment is made in FY21.

General Fund Budgetary Highlights

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

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

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2019 amounts to \$34,596,272, less accumulated depreciation of \$16,759,931, leaving a net book value of \$17,836,341. This is a decrease of \$169,152 from fiscal year 2018. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, as well as infrastructure. Highlights of capital asset additions for the year ending June 30, 2019 included, but were not limited to, the following:

- Infrastructure projects (related to roadways) including improvements to College Avenue Sidewalk (\$38,254); Gould's Landing (\$19,326); Westwood Drive Paving (\$20,837); Mill Street, Sidewalk, and Drainage (\$269,535); Lexington Road (\$25,500); and Winterhaven Drive (\$60,722)
- Equipment and vehicle purchases including miscellaneous Plow Equipment (\$17,257); Farris Z-Turn Mower (\$7,300); Holder Municipal Tractor (\$163,500); Police Interceptor (\$33,084); Public Works Ram 4500 (\$44,857); and Public Works Ram 5500 (\$88,439)
- Facility improvements including the replacement of a shed to hold Police equipment (\$7,946) and capital repairs to the Public Safety Building HVAC system (\$21,989)

Total governmental activities capital asset additions for the year ending June 30, 2019 were \$818,547.

The Town of Orono's capital assets for its business-type activities as of June 30, 2019 amounts to \$18,614,146, less accumulated depreciation of \$8,213,385, leaving a net book value of \$10,400,761. This is a decrease of \$450,545. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and sewer infrastructure. Total business-type activity capital asset additions for the year ending June 30, 2019 totaled \$149,627 and included improvements to the Mill Street Main.

Long-term Debt

At year-end, the Town had \$18,594,219 in outstanding bonds compared to \$19,601,468 in 2018. This is comprised of governmental activities bonds of \$10,959,219 and business-type activities bonds of \$7,635,000.

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, 2019, the Town's state assessed valuation was \$456,800,000. Thus, the current debt limitation for the Town of Orono as a whole is \$68,520,000 (15%) and \$34,260,000 (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>
2011	\$415,448,300	1.75%	\$ 8,620,552	\$ 20.75	-0.24%
2012	\$413,922,200	-0.37%	\$ 8,816,656	\$ 21.30	2.65%
2013	\$418,583,000	1.13%	\$ 9,041,393	\$ 21.60	1.41%
2014	\$442,456,800	5.70%	\$10,264,998	\$23.20	7.41%
2015	\$456,522,000	3.18%	\$10,888,050	\$23.85	2.80%
2016	\$462,939,500	1.41%	\$11,295,724	\$24.40	2.30%
2017	\$483,528,800	4.43%	\$12,015,691	\$24.85	1.84%
2018	\$490,339,300	1.41%	\$12,748,828	\$26.00	4.63%
2019	\$489,495,000	-0.17%	\$13,216,365	\$27.00	3.85%

LOOKING AHEAD

In FY 2020, the Town is not anticipating any significant changes to operations; however, a large unplanned expense will be made from the Downtown and Transit Oriented Tax Increment Financing District Program Development Fund to fund costly repair of the newly constructed portion of Mill Street that was significantly damaged as the result of a hydrant failure. Also, although the Maine Legislature continues its practice of not fully meeting its statutorily mandated funding of the Municipal Revenue Sharing Program, at the close of the fiscal year it passed a budget that provides for a modest increase in funding from 2% to 3%.

Orono Town Council continues its work implementing Orono's Comprehensive Plan, with 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. In FY 2020, the Council Workplan includes consideration of expanding revenue streams and ensuring equity in taxation, including the completion of a town wide revaluation project to be implemented for the calculation of FY 2021 property taxes. 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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,466,521	1,643,522	9,110,043
Investments	940,761	366,678	1,307,439
Receivables:			
Accounts receivable	198,756	237,862	436,618
Rescue receivable	90,009	-	90,009
Taxes receivable - current year	264,670	-	264,670
Taxes receivable - prior years	181,295	-	181,295
Inventory	14,295	-	14,295
Internal balances	9,385	(9,385)	-
Nondepreciable capital assets	2,805,552	44,573	2,850,125
Depreciable capital assets, net	15,030,789	10,356,188	25,386,977
Total assets	27,002,033	12,639,438	39,641,471
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	658,748	-	658,748
Deferred outflows of resources related to OPEB	16,092	-	16,092
Total deferred outflows of resources	674,840	-	674,840
LIABILITIES			
Accounts payable	282,359	19,204	301,563
Accrued payroll and benefits	230,383	-	230,383
Accrued interest	101,482	40,210	141,692
Performance bond liability	33,610	-	33,610
Taxes paid in advance	19,854	-	19,854
Noncurrent liabilities:			
Due within one year	938,773	340,000	1,278,773
Due in more than one year	12,679,542	7,317,833	19,997,375
Total liabilities	14,286,003	7,717,247	22,003,250
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	450,484	-	450,484
Deferred inflows of resources related to OPEB	4,788	-	4,788
Total deferred inflows of resources	455,272	-	455,272
NET POSITION			
Net investment in capital assets	6,840,227	2,765,761	9,605,988
Restricted	1,643,491	-	1,643,491
Unrestricted	4,451,880	2,156,430	6,608,310
Total net position	\$ 12,935,598	4,922,191	17,857,789

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Activities
For the Year Ended June 30, 2019

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,411,218	118,527	4,220	-	(1,288,471)	-	(1,288,471)
Public services	887,569	49,363	150,663	-	(687,543)	-	(687,543)
Public safety	3,714,760	561,326	36,000	-	(3,117,434)	-	(3,117,434)
Public works	2,224,393	19,164	23,156	71,700	(2,110,373)	-	(2,110,373)
Education	6,827,436	-	-	-	(6,827,436)	-	(6,827,436)
County tax	636,443	-	-	-	(636,443)	-	(636,443)
Unclassified	125,267	-	-	-	(125,267)	-	(125,267)
Interest on debt service	511,835	-	-	-	(511,835)	-	(511,835)
Capital maintenance expenses	13,565	-	-	-	(13,565)	-	(13,565)
Total governmental activities	16,352,486	748,380	214,039	71,700	(15,318,367)	-	(15,318,367)
Business-type activities:							
Sewer services	1,763,938	1,490,571	-	-	-	(273,367)	(273,367)
Total business-type activities	1,763,938	1,490,571	-	-	-	(273,367)	(273,367)
Total primary government	\$ 18,116,424	2,238,951	214,039	71,700	(15,318,367)	(273,367)	(15,591,734)
General revenues:							
Property taxes					\$ 13,243,839	-	13,243,839
Excise taxes					800,472	-	800,472
Motor vehicle registration fees					13,384	-	13,384
UMO reimbursements					655,431	-	655,431
PILOT payments					52,600	-	52,600
Franchise fees					66,590	-	66,590
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					931,785	-	931,785
Homestead exemption					347,963	-	347,963
Other State aid					140,543	-	140,543
Unrestricted investment earnings					219,374	51,757	271,131
Miscellaneous					1,136	-	1,136
Transfers					138,825	(138,825)	-
Total general revenues and transfers					16,611,942	(87,068)	16,524,874
Change in net position					1,293,575	(360,435)	933,140
Net position - beginning					11,642,023	5,282,626	16,924,649
Net position - ending					\$ 12,935,598	4,922,191	17,857,789

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,199,207	267,314	7,466,521
Investments	576,208	364,553	940,761
Receivables:			
Accounts receivable	185,138	13,618	198,756
Rescue receivable	90,009	-	90,009
Taxes receivable - current year	264,670	-	264,670
Taxes receivable - prior years	181,295	-	181,295
Inventory	14,295	-	14,295
Interfund loans receivable	10,550	775	11,325
Total assets	\$ 8,521,372	646,260	9,167,632
LIABILITIES			
Accounts payable	282,359	-	282,359
Accrued payroll and benefits	230,383	-	230,383
Performance bond liability	33,610	-	33,610
Taxes paid in advance	19,854	-	19,854
Interfund loans payable	-	1,940	1,940
Total liabilities	566,206	1,940	568,146
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	393,000	-	393,000
Total deferred inflows of resources	393,000	-	393,000
FUND BALANCES			
Nonspendable - inventory	14,295	-	14,295
Restricted	999,171	644,320	1,643,491
Assigned	4,520,229	-	4,520,229
Unassigned	2,028,471	-	2,028,471
Total fund balances	7,562,166	644,320	8,206,486
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,521,372	646,260	

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.	17,836,341
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	393,000
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	(203,463)
Bonds payable	(10,959,219)
Capital leases payable	(36,895)
Other postemployment benefits with related deferred inflows and outflows of resources	(496,486)
Net pension liability with related deferred inflows and outflows of resources	(1,498,684)
Accrued interest	(101,482)
Landfill closure and postclosure costs	(204,000)

Net position of governmental activities	\$ 12,935,598
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TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 14,006,311	-	14,006,311
Intergovernmental	2,151,642	125,936	2,277,578
Licenses and permits	100,335	-	100,335
Interest income	190,670	28,704	219,374
Charges for services	602,054	-	602,054
Other revenues	238,290	25,294	263,584
Total revenues	17,289,302	179,934	17,469,236
Expenditures:			
Current:			
General government	1,929,305	-	1,929,305
Public services	815,016	-	815,016
Public safety	3,549,599	-	3,549,599
Public works	1,647,454	-	1,647,454
Education	6,827,436	-	6,827,436
County tax	636,443	-	636,443
Unclassified	-	125,267	125,267
Debt service	1,353,591	-	1,353,591
Capital expenditures	933,638	1,940	935,578
Total expenditures	17,692,482	127,207	17,819,689
Excess (deficiency) of revenues over (under) expenditures	(403,180)	52,727	(350,453)
Other financing sources (uses):			
Note proceeds	163,500	-	163,500
Transfers-in	158,887	-	158,887
Transfers-out	-	(20,062)	(20,062)
Total other financing sources (uses)	322,387	(20,062)	302,325
Net change in fund balances	(80,793)	32,665	(48,128)
Fund balances, beginning of year	7,642,959	611,655	8,254,614
Fund balances, end of year	\$ 7,562,166	644,320	8,206,486

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, 2019

Net change in fund balances - total governmental funds (from Statement 4)	\$	(48,128)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

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

This is the amount by which depreciation expense (\$987,699) exceeded capital outlays (\$818,547).

(169,152)

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.

38,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds; alternatively, some expenditures using current financial resources are not expensed in the statement of activities.

This is the change in:

Accrued compensated absences

(8,400)

Other postemployment benefits with related deferred inflows and outflows of resources

(30,947)

Landfill closure and postclosure costs

(31,000)

Accrued interest

1,007

Net pension liability with related deferred inflows and outflows of resources

761,480

Notes 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 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 notes (\$840,749), as well as capital leases (\$103,466) exceeded note proceeds (\$163,500).

780,715

Change in net position of governmental activities (see Statement 2)	\$	1,293,575
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See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the Year Ended June 30, 2019

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 12,955,206	14,048,465	14,006,311	(42,154)
Intergovernmental	2,037,209	2,060,060	2,151,642	91,582
Licenses and permits	105,080	105,080	100,335	(4,745)
Interest income	110,000	110,000	144,342	34,342
Charges for services	623,590	623,590	602,054	(21,536)
Other revenues	184,400	184,400	237,732	53,332
Total revenues	16,015,485	17,131,595	17,242,416	110,821
Expenditures:				
Current:				
General government	1,370,784	1,533,253	1,277,941	255,312
Public services	879,182	886,117	814,216	71,901
Public safety	3,518,557	3,652,247	3,549,599	102,648
Public works	1,718,521	1,690,081	1,647,454	42,627
Education	6,842,941	6,842,941	6,827,436	15,505
County tax	636,443	636,443	636,443	-
Debt service	1,223,522	1,223,522	1,223,523	(1)
Capital expenditures	1,516,500	1,830,851	642,821	1,188,030
Total expenditures	17,706,450	18,295,455	16,619,433	1,676,022
Excess (deficiency) of revenues over (under) expenditures	(1,690,965)	(1,163,860)	622,983	1,786,843
Other financing sources (uses):				
Transfers-in	610,825	617,775	358,314	(259,461)
Transfers-out	(38,500)	(1,130,698)	(3,518,127)	(2,387,429)
Loan proceeds	-	163,500	163,500	-
Utilization of assigned balance	718,640	1,068,783	-	(1,068,783)
Use of prior year surplus	400,000	444,500	-	(444,500)
Total other financing sources (uses)	1,690,965	1,163,860	(2,996,313)	(4,160,173)
Net change in fund balance, budgetary basis	-	-	(2,373,330)	(2,373,330)
Fund balance, beginning of year-budgetary basis			5,659,704	
Fund balance, end of year-budgetary basis			3,286,374	
Amounts held in reserves			4,275,792	
Fund balance, end of year			\$ 7,562,166	

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2019

Business-type Activities - Enterprise Funds		Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	1,643,522
Investments		366,678
Accounts receivable		237,862
Total current assets		2,248,062
Noncurrent assets:		
Capital assets:		
Land		44,573
Capital assets, being depreciated		18,569,573
Accumulated depreciation		(8,213,385)
Total capital assets, net		10,400,761
Total assets		12,648,823
LIABILITIES		
Current liabilities:		
Accounts payable		19,204
Accrued interest expense		40,210
Interfund loans payable		9,385
Current portion of bonds payable		340,000
Total current liabilities		408,799
Noncurrent liabilities:		
Accrued compensated absences		22,833
Bonds payable		7,295,000
Total noncurrent liabilities		7,317,833
Total liabilities		7,726,632
NET POSITION		
Net investment in capital assets		2,765,761
Unrestricted		2,156,430
Total net position	\$	4,922,191

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, 2019

Business-type Activities - Enterprise Funds	
	Sewer Fund
Operating revenues:	
Charges for services	\$ 1,490,571
Total operating revenues	1,490,571
Operating expenses:	
Wages and benefits	465,265
Travel and training	2,191
Dues and subscriptions	1,830
Advertising and outreach	131
Computers and devices	4,512
Materials and supplies	39,988
Equipment and maintenance	132,369
Buildings and grounds maintenance	157,360
Vehicles and maintenance	6,685
Professional services	103,480
Depreciation	600,172
Total operating expenses	1,513,983
Operating income (loss)	(23,412)
Nonoperating revenue (expense):	
Investment income	51,757
Interest expense	(249,955)
Total nonoperating revenue (expense)	(198,198)
Net income (loss) before transfer	(221,610)
Transfer out - administrative expense reimbursement	(138,825)
Change in net position	(360,435)
Net position, beginning of year	5,282,626
Net position, end of year	\$ 4,922,191

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Business-type Activities - Enterprise Funds		Sewer Fund
Cash flows from operating activities:		
Receipts from customers and users	\$	1,589,874
Payments to suppliers		(453,398)
Payments to employees		(465,265)
Net cash provided by (used in) operating activities		671,211
Cash flows from non-capital and related financing activities:		
Transfers to other funds		(138,825)
Net interfund loans		70,103
Net cash provided by (used in) non-capital and related financing activities		(68,722)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(149,627)
Principal payments on bonds		(330,000)
Interest paid on bonds		(251,569)
Net cash provided by (used in) capital and related financing activities		(731,196)
Cash flows from investing activities:		
Purchase of investments		(366,678)
Interest on cash and investments		51,757
Net cash provided by (used in) investing activities		(314,921)
Increase (decrease) in cash		(443,628)
Cash and cash equivalents, beginning of year		2,087,150
Cash and cash equivalents, end of year	\$	1,643,522
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$	(23,412)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		600,172
(Increase) decrease in assets:		
Accounts receivable		99,303
Increase (decrease) in liabilities:		
Accounts payable		(4,852)
Net cash provided by (used in) operating activities	\$	671,211

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements
June 30, 2019

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 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.

O. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined based on actuary reports prepared by the OPEB Plan's actuary. 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.

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

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.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations for the following:

Town council	\$ 2,666
Finance	237
Fire protection	447
Cemetery	471
Solid waste disposal	312
Debt service – principal	1

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 June 30, 2019, the date of MRC's most recent audited financial statements, was \$698,561 (4.02%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

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, 2019, the Town reported deposits of \$9,110,043 with a bank balance of \$9,210,246. Of the Town's bank balance of \$9,210,246, 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	\$ 7,466,521
Reported in business-type activities	1,643,522
Total deposits	\$ 9,110,043

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

DEPOSITS AND INVESTMENTS, CONTINUED

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, 2019, 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	\$ 36,640	N/A	-	-
Mutual Funds	478,090	N/A	-	-
Certificate of deposit	303,607		303,607	-
Equities	387,943	N/A	-	-
Corporate bonds	101,159		75,209	25,951
Totals	\$ 1,307,439	-	378,816	25,951

Investments have been reported as follows:

Reported in governmental funds	\$ 940,761
Reported in proprietary fund	366,678

Total investments **\$ 1,307,439**

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, 2019, the Town had no investments subject to custodial credit risk.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town's investments in corporate bonds (fixed income securities) were rated by Standard & Poor's as follows:

Comcast Corp	\$ 25,343	A-
FHLB Cons	24,792	AA+
Gilead Sciences Inc	25,073	A
Qualcomm Inc	25,951	A-

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, 2019 are Level 1 inputs.

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

PROPERTY TAX

Property taxes for the current year were committed on August 26, 2018 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 2, 2018 and February 6, 2019. Interest was charged at 8% on all tax bills unpaid.

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 \$156,414 for the year ended June 30, 2019.

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 2019 levy:

	<u>2019</u>
Assessed value	\$ 489,495,000
<u>Tax rate (per \$1,000)</u>	<u>27.00</u>
Commitment	13,216,365
Less:	
Abatements	9,301
<u>Collections</u>	<u>12,942,394</u>
 <u>Receivable at June 30</u>	 <u>264,670</u>
 Collection rate	 97.99%

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, 2019 arising from these transactions were as follows:

	Interfund Receivables	Interfund Payables	Transfers
Governmental Activities:			
Major funds:			
General Fund	\$ 10,550	-	158,887
Other governmental funds:			
Grant Fund	100	-	(20,062)
Cemetery	675	-	-
Library Construction	-	1,940	-
Business-type Activities			
Sewer Fund	-	9,385	(138,825)
Totals	\$ 11,325	11,325	-

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
Total capital assets, not being depreciated	2,805,552	-	-	2,805,552
Capital assets, being depreciated				
Buildings	10,623,336	7,946	-	10,631,282
Improvements	1,019,950	21,989	-	1,041,939
Equipment	1,451,567	188,057	-	1,639,624
Vehicles	3,406,937	166,380	-	3,573,317
Infrastructure	14,470,383	434,175	-	14,904,558
Total capital assets, being depreciated	30,972,173	818,547	-	31,790,720
Less accumulated depreciation:				
Buildings	2,939,076	253,858	-	3,192,934
Improvements	292,257	48,777	-	341,034
Equipment	1,097,035	82,493	-	1,179,528
Vehicles	2,372,384	234,338	-	2,606,722
Infrastructure	9,071,480	368,233	-	9,439,713
Total accumulated depreciation	15,772,232	987,699	-	16,759,931
Total capital assets being depreciated, net	15,199,941	(169,152)	-	15,030,789
Governmental activities capital assets, net	\$ 18,005,493	(169,152)	-	17,836,341
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,573	-	-	44,573
Construction in progress	32,448	149,627	182,075	-
Total capital assets, not being depreciated	77,021	149,627	182,075	44,573
Capital assets, being depreciated:				
Sewer infrastructure	18,387,498	182,075	-	18,569,573
Total capital assets, being depreciated	18,387,498	182,075	-	18,569,573
Less accumulated depreciation:				
Sewer infrastructure	7,613,213	600,172	-	8,213,385
Total accumulated depreciation	7,613,213	600,172	-	8,213,385
Total capital assets being depreciated, net	10,774,285	(418,097)	-	10,356,188
Business-type activities capital assets, net	\$ 10,851,306	(268,470)	182,075	10,400,761

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	\$	209,887
Public services		76,846
Public safety		155,405
Public works		545,561

Total governmental activities depreciation expense \$ 987,699

Business-type Activities:

Sewer	\$	600,172
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CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning			Ending	Amounts
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities:					
Notes from direct borrowings	\$ 11,636,468	163,500	840,749	10,959,219	920,609
Capital leases payable	140,361	-	103,466	36,895	18,164
Other postemployment benefits	528,881	-	21,091	507,790	-
Landfill closure and postclosure	173,000	31,000	-	204,000	-
Net pension liability	2,535,046	-	828,098	1,706,948	-
Accrued compensated absences	195,063	8,400	-	203,463	-
Total governmental activities	\$ 15,208,819	202,900	1,793,404	13,618,315	938,773
Business-type Activities:					
Notes from direct borrowings	\$ 7,965,000	-	330,000	7,635,000	340,000
Accrued compensated absences	22,833	-	-	22,833	-
Total business-type activities	\$ 7,987,833	-	330,000	7,657,833	340,000

LONG-TERM DEBT

Long-term debt payable at June 30, 2019 is comprised of the following:

	Date of	Original	Date of	Interest	Balance
	<u>issue</u>	<u>amount</u>	<u>maturity</u>	<u>rate</u>	<u>June 30,</u>
		<u>issued</u>			<u>2019</u>
Governmental activities:					
2008 Note - BNY	10/30/08	\$ 500,000	11/1/28	0.08-5.58%	250,000
2010 Note - MMBB	12/1/10	4,205,000	12/1/20	3.00-5.75%	1,405,000
2014 Note - Gorham Savings	7/1/14	8,285,000	11/1/39	3.00-4.00%	7,285,000
2014 Note - USDA	8/27/14	2,000,000	8/27/43	3.13%	1,818,175
2018 Note - First National Bank	8/21/17	55,718	8/21/20	2.150%	37,544
2019 Note - First National Bank	8/2/18	163,500	7/2/21	3.410%	163,500
Total governmental activities					\$ 10,959,219

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>7,635,000</u>
<u>Total business-type activities</u>					<u>\$ 7,635,000</u>

The annual requirements to amortize bonds payable as of June 30, 2019 are as follows:

Year ending June 30,	Governmental		Business-type		Total
	Principal	Interest	Principal	Interest	
2020	\$ 920,609	377,104	340,000	241,519	1,879,232
2021	1,488,886	322,214	350,000	231,169	2,392,269
2022	493,382	277,895	365,000	220,444	1,356,721
2023	443,807	262,036	375,000	209,344	1,290,187
2024	450,488	247,920	385,000	197,944	1,281,352
2025-2029	2,334,561	1,021,449	2,135,000	805,219	6,296,229
2030-2034	2,320,217	655,583	2,560,000	436,059	5,971,859
2035-2039	2,024,299	259,501	1,125,000	43,700	3,452,500
2040-2044	482,970	46,192	-	-	529,162
	\$ 10,959,219	3,469,894	7,635,000	2,385,398	24,449,511

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, 2019:

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 18,164	1,151
2021	18,731	585
Total	\$ 36,895	1,736

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 – HEALTH INSURANCE

General Information about the OPEB Plans

Plan Description - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. 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 - 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, 2019, the following employees were covered by the benefit terms:

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

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

The Town’s total OPEB liability of \$480,099 was measured as of January 1, 2019, and was determined based upon a rollforward of the January 1, 2018 actuarial valuation results.

Changes in the Total OPEB Liability

Balance at June 30, 2018		\$	506,642
Changes for the year:			
Service cost			21,783
Interest			17,964
Changes of benefit terms			-
Differences between expected and actual experience			-
Changes in assumptions or other inputs			(53,776)
Benefit payments			(12,514)
Net changes			(26,543)
Balance at June 30, 2019		\$	480,099

Change in assumptions reflects a change in the discount rate from 3.44% to 4.10%.

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

For the year ended June 30, 2019, The Town recognized OPEB expense of \$29,514. At June 30, 2019, The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 164	-
Changes of assumption or other inputs	12,703	-
Total	\$ 12,867	-

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ 2,281
2021	2,281
2022	2,281
2023	2,281
2024	2,281
Thereafter	1,462

Actuarial Assumptions - 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	4.10% per annum
Healthcare cost trend rates	8.27% for 2018, decreasing to 4.00% for 2032
Retirees' share of the benefit related costs	100% of projected health insurance premiums

Mortality rates 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 were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - The rate used to measure the total OPEB liability was 4.10% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the Town’s total OPEB liability calculated using the discount rate of 4.10%, 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 (3.10%) or 1 percentage-point higher (5.10%) than the current rate:

	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 564,790	480,099	411,903

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Town’s total OPEB liability calculated using the healthcare cost trend rates, 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 or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 403,525	480,099	578,287

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

General Information about the OPEB Plan

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 PLD OPEB 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.

Benefits Provided - Under the PLD OPEB plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the PLD OPEB 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.

Contributions - Premium rates are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums total \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Employer contributions to the PLD OPEB plan from the Town were \$638 for the year ended June 30, 2019. 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) – LIFE INSURANCE, CONTINUED

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

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an 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 OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town reported a liability of \$27,691 for its proportionate share of the net OPEB liability. At June 30, 2018, the Town’s proportion was 0.1371%.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$2,071 for the PLD OPEB plan. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,337	-
Changes of assumptions	-	3,335
Net difference between projected and actual earnings on OPEB plan investments	-	1,453
Changes in proportion and differences between Town contributions and proportionate share of contributions	250	-
Town contributions subsequent to the measurement date	638	-
Total	\$ 3,225	4,788

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuations 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	6.75%

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

The actuarial assumptions used in the June 30, 2018 valuations were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

The long-term expected rate of return on 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. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

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	15.0%	3.0%
U.S. Government Securities	10.0%	2.3%

Discount Rate - The rate used to measure the total OPEB liability for the plan was 5.13%, which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.87%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2018. 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 2047. Therefore, the portion of the future projected benefit payments after 2047 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.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

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 5.13%, 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 (4.13%) or 1 percentage-point higher (6.13%) than the current rate:

	1% Decrease (4.13%)	Discount Rate (5.13%)	1% Increase (6.13%)
Net OPEB liability	\$ 36,854	27,691	20,679

OPEB Plan Fiduciary Net Position - Detailed information about the PLD OPEB plan’s fiduciary net positions 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 fiscal year 2018, Federal law required a 30-year post closure monitoring and maintenance period. This change significantly reduced 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, 2019. 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 \$934,600. The estimated remaining life of the landfill at June 30, 2019 is 16 years. The new cell has a capacity of 40,000 yards, of which approximately 8,724 yards were used as of June 30, 2019.

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>2018</u>	<u>2019</u>
Total estimated future landfill closure and postclosure care costs	\$ 918,300	934,600
Estimated capacity used	18.85%	21.81%
Estimated gross landfill closure and postclosure care costs – end of year	173,000	204,000
Amounts actually expended	-	-
<u>Estimated liability for landfill closure and postclosure care costs - end of year</u>	<u>173,000</u>	<u>204,000</u>
<u>Estimated remaining landfill closure and postclosure care costs to be recognized</u>	<u>\$ 745,300</u>	<u>730,600</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 2019.

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, 2019.

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, 2019, the Town's contribution to the plan was \$21,298.

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 seven 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, 2019, the Town remitted a total of \$209,040 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) - 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 FY19, 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, 2019 was \$56,431.

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. The amount of tax increment revenues retained by the Town for the year ended June 30, 2019 was \$68,324, representing 100% of the captured tax revenues. On June 30, 2019, the balance of the EnvisioNet Development Program Fund was \$26,389.

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 sheltered and returned to the developer in accordance with the terms of the credit enhancement agreement.

Fiscal year ended June 30, 2019 was the sixteenth year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2019 was \$119,699, which was returned to the developer.

Downtown and Transit-Oriented Development TIF - 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 received for the year ended June 30, 2019 was \$682,847, of which \$23,139 was returned due to credit enhancement agreements with Staar Properties, James D. Swett Living Trust, and Rose Property. As of June 30, 2019, the Downtown and Transit Oriented TIF Program Development Program had a balance of \$806,898.

Webster Point TIF - 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 received for the year ended June 30, 2019 was \$39,755. As of June 30, 2019, the Webster Point TIF Development Program had a balance of \$38,904.

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 \$2,000,000:

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

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 FY19, the District value was \$1,999,400 which resulted in 59.98% of taxes paid on the increment (equaling \$32,381) returned to Cutis Properties. The amount of tax increment revenues received for the year ended June 30, 2019 was \$48,573. As of June 30, 2019, the Penobscot Valley Dermatology TIF Development Program had a balance of \$68,528.

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, 2019, was 10% and 10.5% 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 \$386,308 for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a liability of \$1,706,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was 0.6237%.

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

NET PENSION LIABILITY, CONTINUED

For the year ended June 30, 2019, the Town recognized pension gain of \$375,175. At June 30, 2019, 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	\$ 272,440	-
Differences between expected and actual experience	-	13,404
Net difference between projected and actual earnings on pension plan investments	-	412,161
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	24,919
Town contributions subsequent to the measurement date	386,308	-
Total	\$ 658,748	\$ 450,484

\$386,308 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, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 192,889
2021	15,985
2022	(280,391)
2023	(106,527)

Actuarial Assumptions - The total pension liability in the June 30, 2018 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 9.00% per year
Investment return	6.75% 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, 2018 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, 2018 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%

Discount Rate - The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, 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 (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Town's proportionate share of the net pension liability	\$ 4,023,049	1,706,948	(457,972)

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, 2019.

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, 2019:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 34,596,272	18,614,146
Accumulated depreciation	(16,759,931)	(8,213,385)
Bonds payable	(10,959,219)	(7,635,000)
Capital leases payable	(36,895)	-
<u>Total net investment in capital assets</u>	<u>\$ 6,840,227</u>	<u>2,765,761</u>

FUND BALANCES

As of June 30, 2019, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
<u>Inventory</u>	<u>\$ 14,295</u>	<u>-</u>
Total nonspendable	14,295	-
Restricted:		
Downtown TIF	806,898	-
Maine Technology Park TIF	56,431	-
Penobscot Valley Dermatology TIF	68,528	-
Webster Point TIF	38,904	-
EnvisioNet TIF	26,389	-
Dirigo Pines Inn TIF	2,021	-
Grant Fund	-	197,668
Cemetery	-	360,685
Public Library	-	70,504
<u>Library Construction</u>	<u>-</u>	<u>15,463</u>
Total restricted	999,171	644,320
Assigned:		
<u>Assigned for subsequent year's budget</u>	<u>350,000</u>	<u>-</u>

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

FUND BALANCES, CONTINUED

Reserves:		
Interest on Reserves (all non-TIF)	\$ 15,845	-
Unemployment reserve	42,898	-
Landfill closure reserve	55,803	-
Capital equipment reserve	426,210	-
Council reserve projects	4,607	-
Major maintenance reserve	28,747	-
Safety equipment reserve	11,507	-
Public works garage reserve	50,000	-
Skate park reserve	18,157	-
Recreation reserve	4,554	-
Sally Jacobs sculpture reserve	1,904	-
Employee benefits reserve	87,121	-
Debt reserve – 3 Godfrey reserve	1,991,994	-
Library maintenance reserve	46,042	-
Police technology reserve	5,569	-
Ambulance reserve	197,166	-
Fire truck reserve	198	-
Assessing revaluation reserve	135,000	-
Solid waste reserve	88,166	-
Trail system reserve	20,000	-
Public works garage project	15,033	-
IT audiovisual reserve	30,100	-
Carryforwards:		
Town manager	6,975	-
Assessing	43,480	-
Police	15,000	-
Parks and recreation	7,300	-
Public works	18,225	-
Library	800	-
Capital infrastructure	798,328	-
Miscellaneous	3,500	-
Total assigned	4,520,229	-
Total unassigned	2,028,471	-
Total fund balances	\$ 7,562,166	644,320

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 five years of information available)

	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.6237%	0.6192%	0.6344%	0.6536%	0.6802%
Town's proportionate share of the net pension liability	\$ 1,706,948	2,535,046	3,370,789	2,085,401	1,046,695
Town's covered payroll	3,504,468	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	48.71%	73.14%	98.82%	62.77%	31.74%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	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 six years of information available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 386,308	344,915	318,336	303,704	267,184	234,994
Contributions in relation to the contractually require contribution	(386,308)	(344,915)	(318,336)	(303,704)	(267,184)	(234,994)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Town's covered payroll	\$ 3,761,277	3,504,468	3,466,077	3,411,083	3,322,232	3,297,330
Contribution as a percentage of covered payroll	10.27%	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*

	2019	2018
Total OPEB Liability		
Service cost	\$ 21,783	17,980
Interest	17,964	15,795
Changes of benefit terms	-	-
Differences between expected and actual experience	-	206
Changes of assumptions or other inputs	(53,776)	76,377
Benefit payments	(12,514)	(7,105)
Net change in total OPEB Liability	(26,543)	103,253
Total OPEB liability - beginning	506,642	403,389
Total OPEB liability - ending	\$480,099	506,642
Covered-employee payroll	\$2,815,179	2,815,179
Total OPEB liability as a percentage of covered-employee payroll	17.05%	18.00%

* Only two years 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*

	2019	2018	2017
<u>PLD OPEB Plan</u>			
Town's proportion of the net OPEB liability	0.1371%	0.1330%	0.1363%
Town's proportionate share of the net OPEB liability	\$ 27,691	22,239	30,832
Town's covered-employee payroll	3,504,468	3,466,077	3,411,083
Town's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	0.79%	0.64%	0.90%
Plan fiduciary net position as a percentage of the total OPEB liability	43.92%	47.42%	unavailable

* Only three 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*

	2019	2018	2017
<u>PLD OPEB Plan</u>			
Contractually required contribution	\$ 638	639	639
Contributions in relation to the contractually required contribution	(638)	(639)	(639)
Contribution deficiency (excess)	-	-	-
Town's covered-employee payroll	\$3,761,277	3,504,468	3,466,077
Contributions as a percentage of covered-employee payroll	0.017%	0.019%	0.019%

* Only three years of information available

TOWN OF ORONO, MAINE
Notes to Required Supplementary Information

Net Pension Liability

Changes of Benefit Terms - None

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

	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate	6.750%	6.875%	7.125%	7.250%
Inflation rate	2.75%	2.75%	3.50%	3.50%
Salary increases	2.75% to 9.00%	2.75% to 9.00%	3.50% to 9.50%	3.50% to 9.50%
Cost of living increase	1.91%	2.20%	2.55%	3.12%

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 RP2014 Total Data Set Healthy Annuitant Mortality Table.

Changes of Benefit Terms (OPEB) - None

Changes of Assumptions (OPEB) - The following are changes in actuarial assumptions used in the most recent valuations regarding the MPERS life insurance plans:

	<u>2019</u>	<u>2018</u>
Discount rate	5.13%	5.41%

Under the Health Plan - Town, 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>
2019	4.10%
2018	3.44%
2017	3.78%

GENERAL FUND

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2019

ASSETS		
Cash and cash equivalents	\$	7,199,207
Investments		576,208
Receivables:		
Accounts		185,138
Rescue		90,009
Taxes - current year		264,670
Taxes - prior years		181,295
Inventory		14,295
Interfund loans receivable		10,550
Total assets	\$	8,521,372
LIABILITIES		
Accounts payable		282,359
Accrued payroll and benefits		230,383
Performance bond liability		33,610
Taxes paid in advance		19,854
Total liabilities		566,206
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		393,000
Total deferred inflows of resources		393,000
FUND BALANCE		
Nonspendable - inventory		14,295
Restricted		999,171
Assigned		4,520,229
Unassigned		2,028,471
Total fund balance		7,562,166
Total liabilities, deferred inflows of resources, and fund balance	\$	8,521,372

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, 2019

	2019		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 13,216,365	13,157,650	(58,715)
Excise taxes	784,100	800,472	16,372
Interest and costs on taxes	48,000	48,189	189
Total taxes	14,048,465	14,006,311	(42,154)
Intergovernmental:			
State revenue sharing	894,815	931,785	36,970
State road subsidy	76,200	71,700	(4,500)
General assistance reimbursement	9,870	4,220	(5,650)
BETE reimbursement	59,198	59,324	126
Homestead tax exemption	356,846	347,963	(8,883)
Other State grants and reimbursements	7,700	81,219	73,519
UMO reimbursements	655,431	655,431	-
Total intergovernmental	2,060,060	2,151,642	91,582
Licenses and permits:			
Motor vehicle agent fee	15,000	13,384	(1,616)
Town licenses and permits	6,000	7,530	1,530
Building permits	18,000	10,016	(7,984)
Plumbing fees	2,800	2,776	(24)
Electrical permits	7,500	7,098	(402)
Land use ordinance fees	1,000	1,475	475
Road opening permits	600	800	200
Rental unit registration fee	41,250	44,751	3,501
Parking permits	5,280	5,000	(280)
Fish and wildlife license fees	800	880	80
Dog license fees	900	277	(623)
Birth, death and marriage records	5,950	6,348	398
Total licenses and permits	105,080	100,335	(4,745)
Interest income	110,000	144,342	34,342

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

	2019		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
Fire and ambulance fees	\$ 386,600	379,399	(7,201)
Advertising	6,230	8,290	2,060
Police fees	20,000	19,857	(143)
Police accident reports	5,000	6,283	1,283
Police special detail	15,800	15,355	(445)
Court fees	6,100	5,217	(883)
BB Express: Orchard Trails	4,000	4,000	-
Air bottle refill	100	200	100
School resource officer	41,500	41,500	-
School crossing guard reimbursement	9,000	13,873	4,873
Recreation	44,550	33,191	(11,359)
Public library fees	3,500	4,300	800
OVWD plowing fees	2,000	2,000	-
Disposal site fees	13,500	15,505	2,005
Contract assessing revenue	12,960	-	(12,960)
Veazie EMS contract fees	32,000	33,000	1,000
UM ALS/EMS revenue	-	2,200	2,200
TIF administration fees	1,000	1,197	197
Town office admin fees	1,500	1,630	130
Solid waste hauler	7,250	1,659	(5,591)
Cemetery revenue	1,500	3,925	2,425
Rental income	9,500	9,473	(27)
Total charges for services	623,590	602,054	(21,536)
Other revenues:			
Housing Foundation PILOT	35,000	35,000	-
Freeman Forest Foundation	17,600	17,600	-
Parking fines	35,000	38,367	3,367
ACO late fees	-	575	575
Code enforcement penalties and fees	7,000	4,275	(2,725)
Donations	3,050	3,372	322
Sale of surplus property	3,000	5,216	2,216
Cable franchise fees	60,000	66,590	6,590
Recycling revenue	5,000	6,967	1,967
MRC rebate	18,750	23,156	4,406
MCJA PD training reimbursement	-	36,000	36,000
Miscellaneous revenue	-	614	614
Total other revenues	184,400	237,732	53,332
Total revenues	\$ 17,131,595	17,242,416	110,821

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

	2019		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Town Council	\$ 32,341	35,007	(2,666)
Town Manager	318,036	299,811	18,225
Finance	203,283	203,520	(237)
Administration	204,738	200,075	4,663
Assessor	167,585	116,258	51,327
Elections and voter registration	11,866	10,988	878
Insurance	89,100	75,652	13,448
General assistance	14,100	5,950	8,150
Planning	88,027	73,980	14,047
Code enforcement	97,715	90,470	7,245
Contracted services	65,510	50,575	14,935
IT / GIS	91,403	76,600	14,803
Tax abatements	139,549	34,768	104,781
Miscellaneous	10,000	4,287	5,713
Total general government	1,533,253	1,277,941	255,312
Public services:			
Library	302,081	296,079	6,002
Recreation	231,105	191,681	39,424
Facilities	219,826	213,329	6,497
Municipal and public safety buildings	84,900	78,304	6,596
Library facilities maintenance	20,560	15,629	4,931
Senior Citizen Center	12,510	10,405	2,105
Anderson Community House	15,135	8,789	6,346
Total public services	886,117	814,216	71,901
Public safety:			
Public safety administration	75,961	73,665	2,296
Police Department	1,447,321	1,412,403	34,918
Fire Department	1,816,355	1,751,065	65,290
Fire protection	235,860	236,307	(447)
Street lights	76,750	76,159	591
Total public safety	3,652,247	3,549,599	102,648
Public works:			
General maintenance	512,624	472,901	39,723
Winter maintenance	540,997	540,687	310
Cemetery	38,360	38,831	(471)
Solid waste disposal	369,799	370,111	(312)
Town garage	228,301	224,924	3,377
Total public works	1,690,081	1,647,454	42,627

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

	2019		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Educational assessment	\$ 6,842,941	6,827,436	15,505
County tax	636,443	636,443	-
Debt service:			
Principal	879,826	879,827	(1)
Interest	343,696	343,696	-
Total debt service	1,223,522	1,223,523	(1)
Capital expenditures:			
Capital equipment	375,500	360,929	14,571
Capital infrastructure	1,178,201	236,746	941,455
Capital facilities	277,150	45,146	232,004
Total capital expenditures	1,830,851	642,821	1,188,030
Total expenditures	18,295,455	16,619,433	1,676,022
(Excess) deficiency of revenues over (under) expenditures	(1,163,860)	622,983	1,786,843
Other financing sources (uses):			
Transfers-in from reserves	113,950	199,427	85,477
Transfers-in from sewer fund	138,825	138,825	-
Transfers-in from grant fund	365,000	20,062	(344,938)
Transfers-out to reserves	(1,130,698)	(3,518,127)	(2,387,429)
Note proceeds	163,500	163,500	-
Utilization of assigned balance	1,068,783	-	(1,068,783)
Use of prior year surplus	444,500	-	(444,500)
Total other financing sources (uses)	1,163,860	(2,996,313)	(4,160,173)
Net change in fund balances, budgetary basis	-	(2,373,330)	(2,373,330)
Fund balance, beginning of year-budgetary basis		5,659,704	
Fund balance, end of year - budgetary basis		3,286,374	
Amounts held in reserves		4,275,792	
Fund balance, end of year		\$ 7,562,166	

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2019

	Fund balances beginning of year	Interest income	Other Revenues	Expenditures	Transfers in	Transfers out	Fund balances end of year
Restricted:							
Downtown TIF	\$ 864,421.00	23,537	-	763,907	682,847	-	806,898
Maine Technology Park TIF	55,260	1,171	-	-	-	-	56,431
Penobscot Valley Dermatology TIF	50,864	1,471	-	32,380	48,573	-	68,528
Webster Point TIF	34,203	1,029	-	36,083	39,755	-	38,904
EnvisioNet TIF	67,447	2,177	-	111,559	68,324	-	26,389
Dirigo Pines Inn TIF	923	1,098	-	119,699	119,699	-	2,021
Assigned:							
Interest on Reserves (all non-TIF)	-	15,845	-	-	-	-	15,845
Communications replacement	1,574	-	-	-	-	(1,574)	-
Unemployment	42,898	-	-	-	-	-	42,898
Landfill closure	40,803	-	-	-	15,000	-	55,803
Wood chipper	-	-	-	-	-	-	-
Capital equipment	206,210	-	-	-	220,000	-	426,210
Cable capital support	5,125	-	-	-	-	(5,125)	-
Office computer system	8,365	-	-	-	-	(8,365)	-
Council reserve projects	4,607	-	-	-	-	-	4,607
Emergency medical services	7,617	-	-	-	-	(7,617)	-
Major maintenance	18,747	-	-	-	10,000	-	28,747
Safety equipment	12,490	-	-	983	-	-	11,507
Public works garage	223,159	-	-	6,935	-	(166,224)	50,000
Skate park	18,157	-	-	-	-	-	18,157
Recreation reserve	3,996	-	558	-	-	-	4,554
Sally Jacobs sculpture steward	1,904	-	-	-	-	-	1,904
Voting machine	11,225	-	-	703	-	(10,522)	-
Employee benefits	29,503	-	-	-	57,618	-	87,121
Debt reserve - 3 Godfrey	-	-	-	-	1,991,994	-	1,991,994
Library maintenance	41,042	-	-	-	5,000	-	46,042
Police technology reserve	4,069	-	-	-	1,500	-	5,569
Ambulance reserve	137,166	-	-	-	60,000	-	197,166
Fire truck reserve	198	-	-	-	-	-	198
Assessing revaluation	-	-	-	-	135,000	-	135,000
Masonic Library Grant	800	-	-	800	-	-	-
Solid Waste Reserve	70,416	-	-	-	17,750	-	88,166
Trail System Reserve	-	-	-	-	20,000	-	20,000
Public Works Garage Project	10,033	-	-	-	5,000	-	15,033
IT Audiovisual Reserve	10,033	-	-	-	20,067	-	30,100
Total General Fund reserves	\$ 1,983,255	46,328	558	1,073,049	3,518,127	(199,427)	4,275,792

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds			Capital Project Fund	Totals
	Grant Fund	Cemetery	Public Library	Library Construction	
ASSETS					
Cash and cash equivalents	\$ 183,950	65,294	667	17,403	267,314
Investments	-	294,716	69,837	-	364,553
Accounts receivable	13,618	-	-	-	13,618
Interfund loans receivable	100	675	-	-	775
Total assets	\$ 197,668	360,685	70,504	17,403	646,260
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans payable	-	-	-	1,940	1,940
Total liabilities	-	-	-	1,940	1,940
Fund balances:					
Restricted	197,668	360,685	70,504	15,463	644,320
Total fund balance	197,668	360,685	70,504	15,463	644,320
Total liabilities and fund balances	\$ 197,668	360,685	70,504	17,403	646,260

TOWN OF ORONO, MAINE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds			Capital Project Fund	Totals
	Grant Fund	Cemetery	Public Library	Library Construction	
Revenues:					
Intergovernmental	\$ 125,936	-	-	-	125,936
Interest income (loss)	3,788	18,434	6,482	-	28,704
Other	24,169	1,125	-	-	25,294
Total revenues	153,893	19,559	6,482	-	179,934
Expenditures:					
Current:					
Program expenditures	124,447	-	820	-	125,267
Capital outlay	-	-	-	1,940	1,940
Total expenditures	124,447	-	820	1,940	127,207
Other financing uses:					
Transfers-out	(20,062)	-	-	-	(20,062)
Total other financing uses	(20,062)	-	-	-	(20,062)
Net change in fund balances	9,384	19,559	5,662	(1,940)	32,665
Fund balances, beginning of year	188,284	341,126	64,842	17,403	611,655
Fund balances, end of year	\$ 197,668	360,685	70,504	15,463	644,320