

TOWN OF ORONO, MAINE
Annual Financial Report
For the year ended June 30, 2020

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For the year ended June 30, 2020

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Certified Public Accountants and Business Consultants

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, 2020, 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, 2020, 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 March 3, 2021 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, flowing style.

March 3, 2021
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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 \$17,606,463 (*net position*, Statement 1). Of this amount, \$5,411,759 was reported as unrestricted net position (Statement 1). Unrestricted net position is the amount available to be used to meet the Town's ongoing obligations to citizens and creditors. The Town of Orono, Maine's total net position decreased by \$251,326 (Statement 2). This represents an increase of \$16,750 in governmental activities and a decrease of \$268,076 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 \$7,193,712 (Statement 3), which is a decrease of \$1,012,774 (Statement 4) from the prior fiscal year. This total decrease is the result of decreases of \$936,014 shown in the General Fund and \$76,760 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 repayments.
- The Town of Orono, Maine's General Fund reports an unassigned fund balance of \$1,848,282. Total unassigned fund balance (all governmental funds) decreased by \$180,189 from the prior fiscal year due to planned use of unassigned fund balance. Assigned fund balance (Statement 3) decreased from the previous fiscal year by \$668,956 to \$3,851,273 due in large part to the planned use of funds set aside in reserve to make the debt payments associated with the economic development project at 3 Godfrey Drive.
- The Town issued a \$189,492 note for its streetlight conversion project. As of June 30, 2020, the total outstanding bond and notes from direct borrowings principal of the Town, including Sewer fund bonds, was \$17,523,102.

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 its liabilities.

The following schedule is a summary of net position for the years ended June 30, 2020 and June 30, 2019.

	Governmental Activities			Business-type Activities		
	2020	2019	Change	2020	2019	Change
ASSETS						
Current and other assets	\$ 8,211,518	\$ 9,165,692	(954,174)	2,119,368	2,238,677	(119,309)
Capital assets	18,357,420	17,836,341	521,079	9,900,528	10,400,761	(500,233)
Total assets	26,568,938	27,002,033	(433,095)	12,019,896	12,639,438	(619,542)
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	924,248	674,840	249,408	-	-	-
Total deferred outflows of resources	924,248	674,840	249,408	-	-	-
LIABILITIES						
Current liabilities	687,565	667,688	19,877	47,948	59,414	(11,466)
Noncurrent liabilities	13,371,337	13,618,315	(246,978)	7,317,833	7,657,833	(340,000)
Total liabilities	14,058,902	14,286,003	(227,101)	7,365,781	7,717,247	(351,466)
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	481,936	455,272	26,664	-	-	-
Total deferred inflows of resources	481,936	455,272	26,664	-	-	-
NET POSITION						
Net investment in capital assets	8,110,587	6,840,227	1,270,360	2,605,528	2,765,761	(160,233)
Restricted	1,478,589	1,643,491	(164,902)	-	-	-
Unrestricted	3,363,172	4,451,880	(1,088,708)	2,048,587	2,156,430	(107,843)
Total net position	\$ 12,952,348	12,935,598	16,750	4,654,115	4,922,191	(268,076)

The Town of Orono, Maine's governmental activities assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$12,952,348 and business-type activities assets exceeded its liabilities by \$4,654,115 for a total net position of \$17,606,463 at the close of the most recent fiscal year. The summary above shows an 0.13% increase in net position for governmental activities and a 5.4% decrease in net position for business-type activities from the prior fiscal year.

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and adding back any unspent bond or note 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 37.38% of the Town's net position is available to be used to meet the Town's ongoing obligations to its citizens and creditors.

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

Statement of Activities

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

The Town of Orono, Maine's net position decreased \$251,326 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 \$16,750.
- **Business-type activities:** The Town's single business-type activity, the sewer fund, decreased the Town's net position by \$268,076.

The following schedule is a summary of the statement of activities (*Statement 2*) for the years ended June 30, 2020 and June 30, 2019:

	Governmental Activities			Business-type Activities		
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:						
Program revenues:						
Charges for services	\$ 634,161	\$ 748,380	(114,219)	1,509,065	1,490,571	18,494
Operating grants and contributions	165,323	214,039	(48,716)	-	-	-
Capital grants	73,764	71,700	2,064	-	-	-
General revenues:						
Taxes	13,784,393	14,044,311	(259,918)	-	-	-
Intergovernmental	2,647,279	2,075,722	571,557	-	-	-
Investment earnings	155,551	219,374	(63,823)	30,149	51,757	(21,608)
Miscellaneous	133,165	133,710	(545)	-	-	-
Transfers	138,825	138,825	-	(138,825)	(138,825)	-
Total revenues	17,732,461	17,646,061	86,400	1,400,389	1,403,503	(3,114)
Expenses:						
Primary government:						
General government	2,425,223	1,411,218	1,014,005	-	-	-
Public services	875,994	887,569	(11,575)	-	-	-
Public safety	3,813,094	3,714,760	98,334	-	-	-
Public works	2,098,616	2,224,393	(125,777)	-	-	-
Education	6,827,436	6,827,436	-	-	-	-
County tax	682,020	636,443	45,577	-	-	-
Unclassified	166,104	125,267	40,837	-	-	-
Interest on debt service	390,537	511,835	(121,298)	-	-	-
Capital maintenance	436,687	13,565	423,122	-	-	-
Sewer services	-	-	-	1,668,465	1,763,938	(95,473)
Total expenses	17,715,711	16,352,486	1,363,225	1,668,465	1,763,938	(95,473)
Change in net position	16,750	1,293,575	(1,276,825)	(268,076)	(360,435)	92,359

Total governmental activities revenues (\$17,732,461) increased by \$86,400 or 0.5% from fiscal year 2019. This was driven primarily by an increase in intergovernmental revenues which were tempered by decreases in charges for services and property taxes as well as grants and contributions for operating and investment earnings.

Total governmental activities expenses (\$17,715,711) increased this year by \$1,363,225 or 8.3% over fiscal year 2019. This increase was driven primarily by increases in costs for general government, capital maintenance, and public safety; however, these increases were tempered by decreases costs related to interest on debt services and public works.

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

Total governmental activities' revenues exceeded total expenses by \$16,750 (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 \$7,193,712, a decrease of \$1,012,774 in comparison with the prior year. Approximately 25.7% of this total amount (\$1,848,282) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$5,345,430) 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 (\$3,851,273), restricted (by outside agencies or contractual agreements) to specific uses (\$1,478,589) or is in a nonspendable form (inventory) (\$15,568). Restricted funds include Tax Increment Financing (TIF) funds (\$911,029) and Other Governmental Funds (\$567,560).

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 (\$1,848,282) (Statement 3) represents 9.8% of the total governmental funds expenditures (\$18,899,827) (Statement 4); total governmental fund balance (\$7,193,712) (Statement 3) represents 38.1% 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 2020 balance sheet and statement of revenues, expenses, and changes in net position, please see Statements 7 and 8 of the audited financial statements.

Net position of the Town's Sewer Fund decreased by \$268,076 to \$4,654,115 (Statement 8). The Fund showed operating income (operating revenues less operating expenses) of \$80,456. Operating expenses include depreciation expense of \$601,013. Non-operating revenues and expenses combined with transfers out equated to a loss of \$348,532. Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$2,605,528 and unrestricted net position made up the other \$2,048,587. Unrestricted net position represents 143% of operating expenses (\$1,428,609) (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.

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

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and governmental funds in reconciliation at the bottom of the fund financial statements (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 \$506,210.

Also of note regarding Exhibit A-3, the Orono Town Council has assigned \$1,503,806 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.

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2020 amounts to \$36,049,450, less accumulated depreciation of \$17,692,030, leaving a net book value of \$18,357,420. This is an increase of \$521,079 from fiscal year 2019. 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, 2020 included, but were not limited to, the following:

- Infrastructure projects (related to roadways) including: improvements to: Gould's Landing Road (\$24,360), Old Kelley Road (\$41,989); College Avenue Sidewalks (\$6,057); Park Street (\$40,918); Orono Landing Road (\$60,645); and North Maine Avenue (\$620,510)

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

- Equipment and vehicle purchases including: Police Interceptor (\$44,609) and Ambulance Cab/Chassis with associated safety upgrades to both ambulances (\$166,957)

Total governmental activities capital asset additions for the year ending June 30, 2020 were \$1,453,178.

The Town of Orono's capital assets for its business-type activities as of June 30, 2020 amounts to \$18,714,926, less accumulated depreciation of \$8,814,398, leaving a net book value of \$9,900,528. This is a decrease of \$500,233. 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, 2020 totaled \$100,780 and included construction in progress related to infrastructure improvements on Kell Street and Mill Street.

Long-term Debt

At year-end, the Town had \$17,523,102 in outstanding bonds and notes compared to \$18,594,219 in 2019. This total is comprised of governmental activities bonds and notes of \$10,228,102 and business-type activities bonds and notes of \$7,295,000. During the year, the Town issued a \$189,492 note for its streetlight conversion project.

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, 2020, the Town's state assessed valuation was \$493,091,200. Thus, the current debt limitation for the Town of Orono as a whole is \$73,963,680 (15%) and \$36,981,840 (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%
2020	\$494,400,800	1.00%	\$13,076,901	\$26.45	-2.04%

LOOKING AHEAD

In FY 2021, the Town will continue to respond to the impacts of the COVID-19 Public Health Emergency which has impacted service delivery and created uncertainty in the national, state, and local economy. In an effort to buffer the potential impact of a future economic downturn by scaling back revenue projections and reducing or suspending many municipal expenditures for the coming year. This economic uncertainty created a favorable environment in the municipal bond market which the Town intends to take advantage of with an issue that combines refunding existing general obligation bonds and \$2,250,000 new debt for public works and fiber infrastructure projects.

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 and finding the balance between providing high quality and requested Town services and the increasing tax burden borne by our residents. In FY 2021, the Council Work Plan 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 2022 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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,485,951	1,495,771	7,981,722
Investments	975,653	376,054	1,351,707
Receivables:			
Accounts receivable	184,458	265,459	449,917
Rescue receivable	65,407	-	65,407
Taxes receivable - current year	239,286	-	239,286
Taxes receivable - prior years	227,279	-	227,279
Inventory	15,568	-	15,568
Internal balances	17,916	(17,916)	-
Nondepreciable capital assets	3,252,685	57,216	3,309,901
Depreciable capital assets, net	15,104,735	9,843,312	24,948,047
Total assets	26,568,938	12,019,896	38,588,834
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	723,755	-	723,755
Deferred outflows of resources related to OPEB	200,493	-	200,493
Total deferred outflows of resources	924,248	-	924,248
LIABILITIES			
Accounts payable	202,096	9,401	211,497
Accrued payroll and benefits	293,723	-	293,723
Accrued interest	97,659	38,547	136,206
Performance bond liability	35,679	-	35,679
Taxes paid in advance	58,408	-	58,408
Noncurrent liabilities:			
Due within one year	1,532,750	350,000	1,882,750
Due in more than one year	11,838,587	6,967,833	18,806,420
Total liabilities	14,058,902	7,365,781	21,424,683
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	478,857	-	478,857
Deferred inflows of resources related to OPEB	3,079	-	3,079
Total deferred inflows of resources	481,936	-	481,936
NET POSITION			
Net investment in capital assets	8,110,587	2,605,528	10,716,115
Restricted	1,478,589	-	1,478,589
Unrestricted	3,363,172	2,048,587	5,411,759
Total net position	\$ 12,952,348	4,654,115	17,606,463

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Activities
For the Year Ended June 30, 2020

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 2,425,223	116,274	1,140	-	(2,307,809)	-	(2,307,809)
Public services	875,994	21,155	85,415	-	(769,424)	-	(769,424)
Public safety	3,813,094	481,765	52,000	-	(3,279,329)	-	(3,279,329)
Public works	2,098,616	14,967	26,768	73,764	(1,983,117)	-	(1,983,117)
Education	6,827,436	-	-	-	(6,827,436)	-	(6,827,436)
County tax	682,020	-	-	-	(682,020)	-	(682,020)
Unclassified	166,104	-	-	-	(166,104)	-	(166,104)
Interest on debt service	390,537	-	-	-	(390,537)	-	(390,537)
Capital maintenance expenses	436,687	-	-	-	(436,687)	-	(436,687)
Total governmental activities	17,715,711	634,161	165,323	73,764	(16,842,463)	-	(16,842,463)
Business-type activities:							
Sewer services	1,668,465	1,509,065	-	-	-	(159,400)	(159,400)
Total business-type activities	1,668,465	1,509,065	-	-	-	(159,400)	(159,400)
Total primary government	\$ 19,384,176	2,143,226	165,323	73,764	(16,842,463)	(159,400)	(17,001,863)
General revenues:							
Property taxes					\$ 13,013,600	-	13,013,600
Excise taxes					770,793	-	770,793
Motor vehicle registration fees					14,850	-	14,850
UMO reimbursements					655,431	-	655,431
PILOT payments					52,600	-	52,600
Franchise fees					59,931	-	59,931
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					1,547,306	-	1,547,306
Homestead exemption					342,528	-	342,528
Other State aid					102,014	-	102,014
Unrestricted investment earnings					155,551	30,149	185,700
Miscellaneous					5,784	-	5,784
Transfers					138,825	(138,825)	-
Total general revenues and transfers					16,859,213	(108,676)	16,750,537
Change in net position					16,750	(268,076)	(251,326)
Net position - beginning					12,935,598	4,922,191	17,857,789
Net position - ending					\$ 12,952,348	4,654,115	17,606,463

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,240,630	245,321	6,485,951
Investments	590,942	384,711	975,653
Receivables:			
Accounts receivable	169,296	15,162	184,458
Rescue receivable	65,407	-	65,407
Taxes receivable - current year	239,286	-	239,286
Taxes receivable - prior years	227,279	-	227,279
Inventory	15,568	-	15,568
Interfund loans receivable	95,550	-	95,550
Total assets	\$ 7,643,958	645,194	8,289,152
LIABILITIES			
Accounts payable	202,096	-	202,096
Accrued payroll and benefits	293,723	-	293,723
Performance bond liability	35,679	-	35,679
Taxes paid in advance	58,408	-	58,408
Interfund loans payable	-	77,634	77,634
Total liabilities	589,906	77,634	667,540
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	427,900	-	427,900
Total deferred inflows of resources	427,900	-	427,900
FUND BALANCES			
Nonspendable - inventory	15,568	-	15,568
Restricted	911,029	567,560	1,478,589
Assigned	3,851,273	-	3,851,273
Unassigned	1,848,282	-	1,848,282
Total fund balances	6,626,152	567,560	7,193,712
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,643,958	645,194	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			18,357,420
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Unavailable revenue - property taxes			427,900
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			(237,234)
Bonds and notes			(10,228,102)
Financed purchases			(18,731)
Other postemployment benefits with related deferred inflows and outflows of resources			(532,062)
Net pension liability with related deferred inflows and outflows of resources			(1,666,896)
Accrued interest			(97,659)
Landfill closure and postclosure costs			(246,000)
Net position of governmental activities			\$ 12,952,348

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,749,493	-	13,749,493
Intergovernmental	2,722,183	66,440	2,788,623
Licenses and permits	111,839	-	111,839
Interest income	137,197	18,354	155,551
Charges for services	510,688	-	510,688
Other revenues	218,668	23,874	242,542
Total revenues	17,450,068	108,668	17,558,736
Expenditures:			
Current:			
General government	1,999,492	-	1,999,492
Public services	794,867	-	794,867
Public safety	3,617,318	-	3,617,318
Public works	1,589,592	-	1,589,592
Education	6,827,436	-	6,827,436
County tax	682,020	-	682,020
Unclassified	-	166,104	166,104
Debt service	1,314,969	-	1,314,969
Capital expenditures	1,904,713	3,316	1,908,029
Total expenditures	18,730,407	169,420	18,899,827
Excess (deficiency) of revenues over (under) expenditures	(1,280,339)	(60,752)	(1,341,091)
Other financing sources (uses):			
Note proceeds	189,492	-	189,492
Transfers-in	154,833	-	154,833
Transfers-out	-	(16,008)	(16,008)
Total other financing sources (uses)	344,325	(16,008)	328,317
Net change in fund balances	(936,014)	(76,760)	(1,012,774)
Fund balances, beginning of year	7,562,166	644,320	8,206,486
Fund balances, end of year	\$ 6,626,152	567,560	7,193,712

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, 2020

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,012,774)
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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 capital outlays (\$1,453,178) exceeded depreciation expense (\$932,099).		521,079
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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.		34,900
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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		(33,771)
Other postemployment benefits with related deferred inflows and outflows of resources		(35,576)
Landfill closure and postclosure costs		(42,000)
Accrued interest		3,823
Net pension liability with related deferred inflows and outflows of resources		(168,212)

Bonds, notes and financed purchased agreement proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bonds, notes and financed purchased agreements 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 principal repayments of bonds and notes (\$920,609), as well as finance purchase agreements (\$18,164), exceeded note proceeds (\$189,492).

Change in net position of governmental activities (see Statement 2)	\$	16,750
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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, 2020

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 12,683,553	13,874,362	13,749,493	(124,869)
Intergovernmental	2,815,934	2,676,177	2,722,183	46,006
Licenses and permits	115,200	115,200	111,839	(3,361)
Interest income	110,000	110,000	101,093	(8,907)
Charges for services	610,060	610,060	510,688	(99,372)
Other revenues	188,150	188,150	218,667	30,517
Total revenues	16,522,897	17,573,949	17,413,963	(159,986)
Expenditures:				
Current:				
General government	1,438,457	1,709,057	1,381,317	327,740
Public services	864,925	873,025	794,867	78,158
Public safety	3,744,702	3,759,702	3,617,318	142,384
Public works	1,764,235	1,782,460	1,589,592	192,868
Education	6,842,941	6,827,436	6,827,436	-
County tax	682,020	682,020	682,020	-
Debt service	1,190,529	702,341	697,163	5,178
Capital expenditures	1,050,000	1,717,820	1,315,118	402,702
Total expenditures	17,577,809	18,053,861	16,904,831	1,149,030
Excess (deficiency) of revenues over (under) expenditures	(1,054,912)	(479,912)	509,132	989,044
Other financing sources (uses):				
Transfers-in	138,725	138,725	154,833	16,108
Transfers-out	(147,000)	(1,091,913)	(1,468,447)	(376,534)
Loan proceeds	-	189,492	189,492	-
Utilization of assigned balance	713,187	893,608	-	(893,608)
Use of prior year surplus	350,000	350,000	-	(350,000)
Total other financing sources (uses)	1,054,912	479,912	(1,124,122)	(1,604,034)
Net change in fund balance, budgetary basis	-	-	(614,990)	(614,990)
Fund balance, beginning of year-budgetary basis			3,286,374	
Fund balance, end of year-budgetary basis			2,671,384	
Amounts held in reserves			3,954,768	
Fund balance, end of year			\$ 6,626,152	

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2020

Business-type Activities - Enterprise Funds		Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	1,495,771
Investments		376,054
Accounts receivable		265,459
Total current assets		2,137,284
Noncurrent assets:		
Capital assets:		
Construction in progress		12,643
Land		44,573
Capital assets, being depreciated		18,657,710
Accumulated depreciation		(8,814,398)
Total capital assets, net		9,900,528
Total assets		12,037,812
LIABILITIES		
Current liabilities:		
Accounts payable		9,401
Accrued interest expense		38,547
Interfund loans payable		17,916
Current portion of bonds payable		350,000
Total current liabilities		415,864
Noncurrent liabilities:		
Accrued compensated absences		22,833
bonds payable		6,945,000
Total noncurrent liabilities		6,967,833
Total liabilities		7,383,697
NET POSITION		
Net investment in capital assets		2,605,528
Unrestricted		2,048,587
Total net position	\$	4,654,115

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, 2020

Business-type Activities - Enterprise Funds		Sewer Fund
Operating revenues:		
Charges for services	\$	1,509,065
Total operating revenues		1,509,065
Operating expenses:		
Wages and benefits		457,987
Travel and training		1,410
Dues and subscriptions		2,828
Computers and devices		5,127
Materials and supplies		44,201
Equipment and maintenance		19,080
Buildings and grounds maintenance		185,635
Vehicles and maintenance		7,680
Professional services		103,648
Depreciation		601,013
Total operating expenses		1,428,609
Operating income (loss)		80,456
Nonoperating revenue (expense):		
Investment income		30,149
Interest expense		(239,856)
Total nonoperating revenue (expense)		(209,707)
Net income (loss) before transfer		(129,251)
Transfer out - administrative expense reimbursement		(138,825)
Change in net position		(268,076)
Net position, beginning of year		4,922,191
Net position, end of year	\$	4,654,115

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2020

Business-type Activities - Enterprise Funds		Sewer Fund
Cash flows from operating activities:		
Receipts from customers and users	\$	1,481,468
Payments to suppliers		(379,412)
Payments to employees		(457,987)
Net cash provided by (used in) operating activities		644,069
Cash flows from non-capital and related financing activities:		
Transfers to other funds		(138,825)
Increase (decrease) in interfund loans payable		8,531
Net cash provided by (used in) non-capital and related financing activities		(130,294)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(100,780)
Principal payments on bonds		(340,000)
Interest paid on bonds		(241,519)
Net cash provided by (used in) capital and related financing activities		(682,299)
Cash flows from investing activities:		
Purchase of investments		(9,376)
Interest on cash and investments		30,149
Net cash provided by (used in) investing activities		20,773
Increase (decrease) in cash		(147,751)
Cash and cash equivalents, beginning of year		1,643,522
Cash and cash equivalents, end of year	\$	1,495,771
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$	80,456
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		601,013
(Increase) decrease in assets:		
Accounts receivable		(27,597)
Increase (decrease) in liabilities:		
Accounts payable		(9,803)
Net cash provided by (used in) operating activities	\$	644,069

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements
June 30, 2020

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. Inventory

Inventory consists of fuel which is recorded at cost on a first-in, first-out basis.

H. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. 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.

J. 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.

K. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Interfund Transactions

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

M. 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.

N. 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.

O. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

P. 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.

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, 2020, expenditures exceeded appropriations for the following:

Contracted services	\$ 432
Fire Department	18,511
Solid waste disposal	3,859

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 MRC is currently transitioning from a long term contractual arrangement with the Penobscot Energy Recovery Corporation to a new venture that includes partnering with a private partner, Coastal Resources of Maine, which constructed and operated a solid waste and recycling processing facility. On May 28, 2020, this facility suspended its operation. MRC continues to work with the private partners, lenders, and the Maine Department of Environmental Protection to restart operations; however, in the meantime, MRC members (including the Town of Orono) are using alternative, licensed disposal options.

MRC's last independent audit was conducted effective June 30, 2019. The next scheduled audit will be for the period July 1, 2019 - December 31, 2020 in order to align the audit to the corporation's fiscal year. At the last audit, the Town's proportionate interest in the net position of the MRC was \$698,561 (4.02%). Complete financial statements may be obtained from the MRC at 20 Godfrey Drive, Suite 213, Orono, Maine 04473.

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

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a deposit policy for custodial credit risk. As of June 30, 2020, the Town reported deposits of \$7,981,722 with a bank balance of \$8,115,365. Of the Town's bank balance of \$8,115,365, 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	\$ 6,485,951
Reported in business-type activities	<u>1,495,771</u>
Total deposits	<u>\$ 7,981,722</u>

B. Investments

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

Interest rate risk: In accordance with the Town's investment policy, excluding reserve and trust investments, investment maturities shall be less than one year. At June 30, 2020, 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	\$ 23,425	N/A	-	-
Mutual funds	545,819	N/A	-	-
Certificate of deposit	310,048	101,287	208,761	-
Equities	419,460	N/A	-	-
Corporate bonds	52,955	25,090	27,865	-
Totals	\$ 1,351,707	126,377	236,626	-

Investments have been reported as follows:

Reported in governmental funds	\$ 975,653
Reported in proprietary fund	<u>376,054</u>
Total investments	<u>\$ 1,351,707</u>

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, 2020, the Town had no investments subject to custodial credit risk.

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

DEPOSITS AND INVESTMENTS, CONTINUED

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:

Gilead Sciences Inc	\$ 25,090	A
Qualcomm Inc Senior	27,865	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, 2020 are Level 1 inputs.

PROPERTY TAX

Property taxes for the current year were committed on August 20, 2019 on the assessed value listed as of the prior April 1st, for all real and personal property located in the Town. Payment of taxes was due in two equal installments on September 30, 2019 and February 3, 2020. Interest was charged at 9% 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 \$75,143 for the year ended June 30, 2020.

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 2020 levy:

	<u>2020</u>
Assessed value	\$ 494,400,800
Tax rate (per \$1,000)	26.45
Commitment	13,076,901
Less:	
Abatements	134,073
Collections	12,703,542
<u>Receivable at June 30</u>	<u>\$ 239,286</u>
Collection rate	98.15%

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of normal operations, the Town has numerous transactions between funds. Individual interfund receivable and payable balances and interfund transfers at June 30, 2020 arising from these transactions were as follows:

	Interfund Receivables	Interfund Payables	Transfers
Governmental Activities:			
Major funds:			
General Fund	\$ 95,550	-	154,833
Other governmental funds:			
Grant Fund	-	77,359	(16,008)
Library Construction	-	275	-
Business-type Activities			
Sewer Fund	-	17,916	(138,825)
Totals	\$ 95,550	95,550	-

CAPITAL ASSETS

	Balance June 30, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2020</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,805,552	-	-	2,805,552
Construction in progress	-	447,133	-	447,133
Total capital assets not being depreciated	2,805,552	447,133	-	3,252,685
Capital assets, being depreciated:				
Buildings	10,631,282	-	-	10,631,282
Improvements	1,041,939	-	-	1,041,939
Equipment	1,639,624	-	-	1,639,624
Vehicles	3,573,317	211,566	-	3,784,883
Infrastructure	14,904,558	794,479	-	15,699,037
Total capital assets being depreciated	31,790,720	1,006,045	-	32,796,765
Less accumulated depreciation for:				
Buildings	3,192,934	253,858	-	3,446,792
Improvements	341,034	47,907	-	388,941
Equipment	1,179,528	75,579	-	1,255,107
Vehicles	2,606,722	256,738	-	2,863,460
Infrastructure	9,439,713	298,017	-	9,737,730
Total accumulated depreciation	16,759,931	932,099	-	17,692,030
Total capital assets being depreciated, net	15,030,789	73,946	-	15,104,735
Governmental activities capital assets, net	\$ 17,836,341	521,079	-	18,357,420

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

CAPITAL ASSETS, CONTINUED

Business-type Activities:

Capital assets, not being depreciated:

Land	\$ 44,573	-	-	44,573
Construction in progress	-	12,643	-	12,643
Total capital assets not being depreciated	44,573	12,643	-	57,216

Capital assets, being depreciated:

Sewer infrastructure	18,569,573	88,137	-	18,657,710
Total capital assets being depreciated	18,569,573	88,137	-	18,657,710

Less accumulated depreciation for:

Sewer infrastructure	8,213,385	601,013	-	8,814,398
Total accumulated depreciation	8,213,385	601,013	-	8,814,398

Total capital assets being depreciated, net	10,356,188	(512,876)	-	9,843,312
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Business-type activities capital assets, net	\$ 10,400,761	(500,233)	-	9,900,528
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Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$ 209,888
Public services	75,976
Public safety	186,399
Public works	459,836

Total governmental activities depreciation expense	\$ 932,099
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Business-type Activities:

Sewer	\$ 601,013
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CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Governmental Activities:					
Bonds and notes from direct borrowings	\$ 10,959,219	189,492	920,609	10,228,102	1,514,019
Financed purchases*	36,895	-	18,164	18,731	18,731
Other postemployment benefits	507,790	221,686	-	729,476	-
Landfill closure and postclosure	204,000	42,000	-	246,000	-
Net pension liability	1,706,948	204,846	-	1,911,794	-
Accrued compensated absences	203,463	33,771	-	237,234	-
Total governmental activities	\$ 13,618,315	691,795	938,773	13,371,337	1,532,750
Business-type Activities:					
Notes from direct borrowings	\$ 7,635,000	-	340,000	7,295,000	350,000
Accrued compensated absences	22,833	-	-	22,833	-
Total business-type activities	\$ 7,657,833	-	340,000	7,317,833	350,000

* These agreements are considered direct borrowings.

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

LONG-TERM DEBT

Bonds and notes from direct borrowings at June 30, 2020 is comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2020</u>
Governmental activities:					
2008 Note - MMBB	10/30/08	\$ 500,000	11/1/28	0.08-5.58%	225,000
2010 Bond – BNY	12-1-10	4,205,000	12/1/20	3.00-5.75%	985,000
2014 Bond - Gorham Savings	7/1/14	8,285,000	11/1/39	3.00-4.00%	6,930,000
2014 Note - USDA	8/27/14	2,000,000	8/27/43	3.13%	1,769,113
2018 Note - First National Bank	8/21/17	55,718	8/21/20	2.150%	18,974
2019 Note - First National Bank	8/2/18	163,500	7/2/21	3.410%	110,523
<u>2020 Note - First National Bank</u>	<u>10/28/19</u>	<u>189,492</u>	<u>10/28/26</u>	<u>2.420%</u>	<u>189,492</u>
<u>Total governmental activities</u>					<u>\$ 10,228,102</u>
Business-type activities:					
<u>2014 Bond - Gorham Savings</u>	<u>7/1/2014</u>	<u>\$ 8,565,000</u>	<u>11/1/2036</u>	<u>3.00-4.00%</u>	<u>7,295,000</u>
<u>Total business-type activities</u>					<u>\$ 7,295,000</u>

The annual requirements to amortize bonds and notes from direct borrowings as of June 30, 2020 are as follows:

Year ending June 30,	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 1,514,019	326,876	350,000	231,169	2,422,064
2022	519,144	281,928	365,000	220,444	1,386,516
2023	470,200	265,437	375,000	209,344	1,319,981
2024	477,529	250,673	385,000	197,944	1,311,146
2025	484,921	235,682	400,000	186,169	1,306,772
2026-2030	2,391,543	951,282	2,215,000	739,669	6,297,494
2031-2035	2,341,318	577,726	2,640,000	347,841	5,906,885
2036-2040	1,637,246	191,154	565,000	11,300	2,404,700
2041-2044	392,182	31,100	-	-	423,282
	<u>\$ 10,228,102</u>	<u>3,111,858</u>	<u>7,295,000</u>	<u>2,143,880</u>	<u>22,778,840</u>

FINANCED PURCHASES

The Town has entered into two financed purchase agreements for financing the acquisition of equipment. The financed purchase agreements have been recorded as liabilities in the government-wide financial statements at the present value of the future minimum lease payments.

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

FINANCED PURCHASES, CONTINUED

The following is a schedule of the future minimum financed purchase agreement payments, and the present value of the net minimum payments at June 30, 2020.

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
<u>2021</u>	<u>\$ 18,731</u>	<u>585</u>
<u>Total</u>	<u>\$ 18,731</u>	<u>585</u>

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, 2020, 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	<u>57</u>
Total	<u>60</u>

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

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

The Town’s total Health Plan OPEB liability of \$696,061 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$	480,099
Changes for the year:		
Service cost		19,115
Interest		20,204
Changes of benefit terms		(14,140)
Differences between expected and actual experience		73,346
Changes in assumptions or other inputs		130,452
Benefit payments		(13,015)
Net changes		215,962
Balance at June 30, 2020	\$	696,061

Change in assumptions reflects a change in the discount rate from 4.10% to 2.74%.

For the year ended June 30, 2020, The Town recognized OPEB expense of \$34,825. At June 30, 2020, 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	\$ 66,154	-
Changes of assumption or other inputs	127,850	-
Total	\$ 194,004	-

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

Year ended June 30:	
2021	\$ 22,661
2022	22,661
2023	22,661
2024	22,661
2025	22,661
Thereafter	80,699

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

Actuarial Assumptions - The total OPEB liability in the January 1, 2020 measurement 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	2.00% per annum
Salary increases	1.50% per annum
Discount rate	2.74% per annum
Healthcare cost trend rates	8.55% for 2020, decreasing to 3.53% for 2040
Retirees' share of the benefit related costs	100% of projected health insurance premiums

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

The actuarial assumptions used in the January 1, 2020 valuation for the Health Plan 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 for the Health plan was 2.74% 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.

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 2.74%, 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 (1.74%) or 1 percentage-point higher (3.74%) than the current rate:

	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB liability	\$ 814,192	696,061	600,658

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	\$ 593,549	696,061	827,357

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

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.maineipers.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, 2020. Employees are not required to contribute to the PLD OPEB plan.

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

The net OPEB liability for both the PLD and SET OPEB plans was measured as of June 30, 2019, and the net OPEB liabilities used to calculate the net OPEB liabilities was determined by actuarial valuations as of June 30, 2018. 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, 2020, the Town reported a liability of \$33,415 for its proportionate share of the net OPEB liability. At June 30, 2019, the Town's proportion was 0.1562%.

For the year ended June 30, 2020, the Town recognized OPEB expense of \$1,389 for the PLD OPEB plan. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,130	-
Changes of assumptions	-	1,585
Net difference between projected and actual earnings on OPEB plan investments	-	1,494
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,721	-
Town contributions subsequent to the measurement date	638	-
Total	\$ 6,489	3,079

An amount of \$638 is reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ (136)
2022	(136)
2023	176
2024	1,937
2025	931

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:

	<u>PLD OPEB Plan</u>
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.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

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 net OPEB liability for the plan was 4.98% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.5%, 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.

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 4.98%, 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 (3.98%) or 1 percentage-point higher (5.98%) than the current rate:

	1% Decrease (3.98%)	Discount Rate (4.98%)	1% Increase (5.98%)
Net OPEB liability	\$ 44,127	33,415	24,969

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.

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

LANDFILL CLOSURE AND POSTCLOSURE COSTS

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, 2020. 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, 2020 is 15 years. The new cell has a capacity of 40,000 yards, of which approximately 9,929 yards were used as of June 30, 2020.

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

	<u>2019</u>	<u>2020</u>
Total estimated future landfill closure and postclosure care costs	\$ 934,600	989,300
Estimated capacity used	21.81%	24.82%
Estimated gross landfill closure and postclosure care costs – end of year	204,000	246,000
<u>Amounts actually expended</u>	<u>-</u>	<u>-</u>
<u>Estimated liability for landfill closure and postclosure care costs - end of year</u>	<u>204,000</u>	<u>246,000</u>
<u>Estimated remaining landfill closure and postclosure care costs to be recognized</u>	<u>\$ 730,600</u>	<u>743,300</u>

Federal law requires financial assurance regarding closure and post-closure care. Financial assurance is computed annually through a variety of ratios regarding liquidity, debt, and revenues. The Town has met the financial assurance conditions for 2020.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association (MMA). These pools, and the risks of loss to which the Town is exposed, are as follows:

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

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

RISK MANAGEMENT, CONTINUED

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

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

The Town is subject to assessments by the risk pools. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2020.

DEFERRED COMPENSATION PLAN

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

The 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, 2020, the Town's contribution to the plan was \$25,680.

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, 2020, the Town remitted a total of \$229,341.42 in credit enhancement payments. All credit enhancement payments made during the year are outlined below.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

Maine Technology Park Omnibus Municipal TIF (Previously Sensor Research and Development TIF) - 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, 2020 was \$45,706.

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, 2020 was \$66,932, representing 100% of the captured tax revenues. On June 30, 2020, the balance of the EnvisioNet Development Program Fund was \$76,663.

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, 2020 was the seventeenth year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2020 was \$117,261, 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.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

On May 13, 2013, the TIF district was renamed the Downtown and Transit-Oriented Development TIF whereas the original name was Transit-Oriented TIF. The amendment increased the original acreage to 96.4 acres in order to allow the Town to fund various transit and other economic development costs; provide continuing employment opportunities for the citizens of the Town and surrounding region; improve and broaden the tax base of the Town; improve the general economy of the Town, the surrounding region and the State of Maine; and to encourage the development, expansion and improvement of commercial facilities within the Town. The amount of tax increment revenues received for the year ended June 30, 2020 was \$668,937, of which \$22,756 was returned due to credit enhancement agreements with Staar Properties, James D. Swett Living Trust, and Rose Property. As of June 30, 2020, the Downtown and Transit Oriented TIF Program Development Program had a balance of \$636,599.

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, 2020 was \$38,945 with \$17,564 returned to the developer. As of June 30, 2020, the Webster Point TIF Development Program had a balance of \$58,247.

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.

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 Fiscal Year 2020, the District value was \$1,999,400 which resulted in 59.98% of taxes paid on the increment (equaling \$31,724) returned to Cutis Properties. The amount of tax increment revenues received for the year ended June 30, 2020 was \$47,584. As of June 30, 2020, the Penobscot Valley Dermatology TIF Development Program had a balance of \$85,867.

Orono Basin Omnibus Municipal Development and TIF District - Of note, on February 11, 2019, the Orono Town Council approved and Maine Department of Economic and Community Development subsequently authorized this TIF District to exist for a total of 20 years beginning on July 1, 2019. Fiscal year 2020 marked the first year that an increment was captured resulting in \$5,254.

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

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.maineipers.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 7.35% to 8.10% of their annual pay for the regular AC plan and 8.0% of their annual pay for the special 2C plan. The Town's contractually required contribution rates for the year ended June 30, 2020, were 10.0% of annual payroll for the regular AC Plan, and 10.6% of annual payroll for the special 2C Plan. 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 \$390,507 for the year ended June 30, 2020.

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

At June 30, 2020, the Town reported a liability of \$1,911,794 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Town's proportion was 0.6255%.

For the year ended June 30, 2020, the Town recognized pension expense of \$558,719. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NET PENSION LIABILITY, CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 96,819	-
Differences between expected and actual experience	226,362	-
Net difference between projected and actual earnings on pension plan investments	-	478,857
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,067	-
Town contributions subsequent to the measurement date	390,507	-
Total	\$ 723,755	478,857

\$390,507 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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 91,574
2022	(205,615)
2023	(31,262)
2024	(306)

Actuarial Assumptions - The total pension liability in the June 30, 2019 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	1.91% 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, 2019 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, 2019 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	\$ 4,354,943	1,911,794	(373,539)

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, 2020.

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, notes 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, 2020:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 36,049,450	18,714,926
Accumulated depreciation	(17,692,030)	(8,814,398)
Bonds and notes from direct borrowings	(10,228,102)	(7,295,000)
Financed purchases	(18,731)	-
<u>Total net investment in capital assets</u>	<u>\$ 8,110,587</u>	<u>2,605,528</u>

FUND BALANCES

As of June 30, 2020, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
<u>Inventory</u>	<u>\$ 15,568</u>	<u>-</u>
Restricted:		
Downtown TIF	636,599	-
Maine Technology Park TIF	45,706	-
Penobscot Valley Dermatology TIF	85,867	-
Webster Point TIF	58,247	-
EnvisioNet TIF	76,663	-
Dirigo Pines Inn TIF	2,693	-
Orono Basin TIF	5,254	-
Grant Fund	-	142,757
Cemetery	-	338,973
Public Library	-	73,683
Library Construction	-	12,147
Total restricted	911,029	567,560
Assigned:		
Assigned for subsequent year's budget	\$ 400,000	-
Reserves:		
Interest on reserves (all non-TIF)	30,007	-
Unemployment reserve	42,898	-
Landfill closure reserve	27,555	-

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

FUND BALANCES, CONTINUED

Capital Infrastructure	\$ 376,534	-
Capital equipment reserve	506,210	-
Council reserve projects	4,607	-
Major maintenance reserve	37,515	-
Safety equipment reserve	11,507	-
Public works garage reserve	40,544	-
Skate park reserve	18,157	-
Recreation reserve	4,555	-
Employee benefits reserve	87,121	-
Debt reserve – 3 Godfrey reserve	1,503,806	-
Library maintenance reserve	51,042	-
Public Works Facility Maint Rsrv	20,033	-
Police technology reserve	7,569	-
Ambulance reserve	39,709	-
Fire truck reserve	198	-
Sally Jacobs sculpture steward	1,904	-
IT audiovisual reserve	35,100	-
Assessing revaluation reserve	77,603	-
Pub Sfty Radio Upgrade	15,000	-
Solid waste reserve	84,565	-
Trail system reserve	20,000	-
Carryforwards:		
Police	15,000	-
Facilities	16,000	-
Capital infrastructure	376,534	-
Total assigned	3,851,273	-
Total unassigned	1,848,282	-
Total fund balances	\$ 6,626,152	567,560

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 six years of information available)

	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.6255%	0.6237%	0.6192%	0.6344%	0.6536%	0.6802%
Town's proportionate share of the net pension liability	\$ 1,911,794	1,706,948	2,535,046	3,370,789	2,085,401	1,046,695
Town's covered payroll	3,761,277	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	50.83%	48.71%	73.14%	98.82%	62.77%	31.74%
Plan fiduciary net position as a percentage of the total pension liability	90.62%	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 seven years of information available)

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 390,507	386,308	344,915	318,336	303,704	267,184	234,994
Contributions in relation to the contractually require contribution	(390,507)	(386,308)	(344,915)	(318,336)	(303,704)	(267,184)	(234,994)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
Town's covered payroll	\$ 3,787,081	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	10.31%	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*

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 19,115	21,783	17,980
Interest	20,204	17,964	15,795
Changes of benefit terms	(14,140)	-	-
Differences between expected and actual experience	73,346	-	206
Changes of assumptions or other inputs	130,452	(53,776)	76,377
Benefit payments	(13,015)	(12,514)	(7,105)
Net change in total OPEB Liability	<u>215,962</u>	<u>(26,543)</u>	<u>103,253</u>
Total OPEB liability - beginning	480,099	506,642	403,389
Total OPEB liability – ending	<u>\$ 696,061</u>	<u>480,099</u>	<u>506,642</u>
Covered-employee payroll	\$ 3,021,511	2,815,179	2,815,179
Total OPEB liability as a percentage of covered-employee payroll	23.04%	17.05%	18.00%

* Only three 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*

	2020	2019	2018	2017
PLD OPEB Plan				
Town's proportion of the net OPEB liability	0.1562%	0.1371%	0.1330%	0.1363%
Town's proportionate share of the net OPEB Liability	\$ 33,415	27,691	22,239	30,832
Town's covered-employee payroll	3,761,277	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	0.89%	0.79%	0.64%	0.90%
Plan fiduciary net position as a percentage of the total OPEB liability	43.18%	43.92%	47.42%	unavailable

* Only four 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*

	2020	2019	2018	2017
PLD OPEB Plan				
Contractually required contribution	\$ 638	638	639	639
Contributions in relation to the contractually required contribution	(638)	(638)	(639)	(639)
Contribution deficiency (excess)	-	-	-	-
Town's covered-employee payroll	\$ 3,787,081	3,761,277	3,504,468	3,466,077
Contributions as a percentage of covered-employee payroll	0.017%	0.017%	0.019%	0.019%

* Only four 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>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate	6.750%	6.750%	6.875%	7.125%	7.250%
Inflation rate	2.75%	2.75%	2.75%	3.50%	3.50%
Salary increases	2.75% to 9.00%	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%	2.20%	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>2020</u>	<u>2017</u>
Discount rate	4.98%	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>
2020	2.74%
2019	4.10%
2018	3.44%
2017	3.78%

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

GENERAL FUND

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2020

ASSETS		
Cash and cash equivalents	\$	6,240,630
Investments		590,942
Receivables:		
Accounts		169,296
Rescue		65,407
Taxes - current year		239,286
Taxes - prior years		227,279
Inventory		15,568
Interfund loans receivable		95,550
Total assets	\$	7,643,958
LIABILITIES		
Accounts payable		202,096
Accrued payroll and benefits		293,723
Performance bond liability		35,679
Taxes paid in advance		58,408
Total liabilities		589,906
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		427,900
Total deferred inflows of resources		427,900
FUND BALANCE		
Nonspendable - inventory		15,568
Restricted		911,029
Assigned		3,851,273
Unassigned		1,848,282
Total fund balance		6,626,152
Total liabilities, deferred inflows of resources, and fund balance	\$	7,643,958

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, 2020

	2020		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 13,042,262	12,929,897	(112,365)
Excise taxes	784,100	770,793	(13,307)
Interest and costs on taxes	48,000	48,803	803
Total taxes	13,874,362	13,749,493	(124,869)
Intergovernmental:			
State revenue sharing	1,513,835	1,547,306	33,471
State road subsidy	71,700	73,764	2,064
General assistance reimbursement	9,170	1,140	(8,030)
BETE reimbursement	74,727	74,861	134
Homestead tax exemption	342,964	342,528	(436)
UMO reimbursements	655,431	655,431	-
Other miscellaneous intergovernmental revenues	8,350	27,153	18,803
Total intergovernmental	2,676,177	2,722,183	46,006
Licenses and permits:			
Motor vehicle agent fee	15,000	14,850	(150)
Town licenses and permits	6,000	8,315	2,315
Building permits	15,000	12,147	(2,853)
Plumbing fees	2,800	2,490	(310)
Electrical permits	7,500	6,317	(1,183)
Land use ordinance fees	1,000	1,000	-
Road opening permits	750	350	(400)
Rental unit registration fee	44,700	40,284	(4,416)
Parking permits	4,800	6,490	1,690
Fish and wildlife license fees	800	592	(208)
Site plan review	-	3,550	3,550
Landfill permit	10,000	10,675	675
Birth, death and marriage records	5,950	4,779	(1,171)
Dog licenses	900	-	(900)
Total licenses and permits	115,200	111,839	(3,361)
Interest income	110,000	101,093	(8,907)

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

	2020		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
Fire and ambulance fees	\$ 394,800	335,312	(59,488)
Advertising	7,000	7,150	150
Police fees	20,000	11,475	(8,525)
Police accident reports	5,000	6,934	1,934
Police special detail	10,000	15,003	5,003
Court fees	6,100	3,520	(2,580)
BB Express: Orchard Trails	4,000	2,000	(2,000)
Air bottle refill	100	290	190
School resource officer	41,500	41,500	-
School crossing guard reimbursement	11,900	7,706	(4,194)
Recreation	34,310	10,508	(23,802)
Public library fees	3,500	3,072	(428)
OVWD plowing fees	2,000	2,000	-
Disposal site fees	15,000	11,090	(3,910)
Veazie EMS contract fees	32,000	34,200	2,200
TIF administration fees	1,000	586	(414)
Town office admin fees	1,500	1,625	125
Public works fees	100	-	(100)
Solid waste hauler	7,250	1,877	(5,373)
Cemetery revenue	2,500	6,575	4,075
Rental income	10,500	8,265	(2,235)
Total charges for services	610,060	510,688	(99,372)
Other revenues:			
Housing Foundation PILOT	35,000	35,000	-
Freeman Forest Foundation	17,600	17,600	-
Parking fines	37,000	21,300	(15,700)
ACO late fees	-	175	175
Code enforcement penalties and fees	5,000	2,525	(2,475)
Donations	1,200	825	(375)
Sale of surplus property	3,000	-	(3,000)
Cable franchise fees	66,500	59,931	(6,569)
Recycling revenue	2,500	1,659	(841)
MRC rebate	18,750	26,768	8,018
MCJA PD training reimbursement	-	52,000	52,000
Miscellaneous revenue	1,600	884	(716)
Total other revenues	188,150	218,667	30,517
Total revenues	17,573,949	17,413,963	(159,986)

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

	2020		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Town Council	\$ 40,121	36,432	3,689
Town Manager	333,245	318,457	14,788
Finance	218,936	210,863	8,073
Administration	212,578	205,228	7,350
Assessor	182,485	120,533	61,952
Elections and voter registration	18,283	10,717	7,566
Insurance	91,350	74,727	16,623
General assistance	13,100	2,618	10,482
Planning	94,316	77,855	16,461
Code enforcement	97,444	91,579	5,865
Contracted services	80,050	80,482	(432)
IT / GIS	100,504	86,487	14,017
Tax abatements	216,645	65,339	151,306
Miscellaneous	10,000	-	10,000
Total general government	1,709,057	1,381,317	327,740
Public services:			
Library	322,895	318,983	3,912
Recreation	185,890	135,272	50,618
Facilities	226,305	213,846	12,459
Municipal and public safety buildings	80,200	78,505	1,695
Library facilities maintenance	25,640	21,489	4,151
Senior Citizen Center	16,360	16,314	46
Anderson Community House	15,735	10,458	5,277
Total public services	873,025	794,867	78,158
Public safety:			
Public safety administration	103,773	76,708	27,065
Police Department	1,524,164	1,441,913	82,251
Fire Department	1,816,605	1,835,116	(18,511)
Fire protection	239,660	236,336	3,324
Street lights	75,500	27,245	48,255
Total public safety	3,759,702	3,617,318	142,384
Public works:			
General maintenance	1,001,169	881,916	119,253
Winter maintenance	225,213	162,630	62,583
Cemetery	6,650	5,662	988
Solid waste disposal	316,843	320,702	(3,859)
Town garage	232,585	218,682	13,903
Total public works	1,782,460	1,589,592	192,868

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

	2020		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Educational assessment	\$ 6,827,436	6,827,436	-
County tax	682,020	682,020	-
Debt service:			
Principal	457,993	452,818	5,175
Interest	244,348	244,345	3
Total debt service	702,341	697,163	5,178
Capital expenditures:			
Capital equipment	138,000	134,633	3,367
Capital infrastructure	1,552,820	1,173,485	379,335
Capital facilities	27,000	7,000	20,000
Total capital expenditures	1,717,820	1,315,118	402,702
Total expenditures	18,053,861	16,904,831	1,149,030
(Excess) deficiency of revenues over (under) expenditures	(479,912)	509,132	989,044
Other financing sources (uses):			
Transfers-in from sewer fund	138,725	138,825	100
Transfers-in from grant fund	-	16,008	16,008
Transfers-out to reserves	(1,091,913)	(1,468,447)	(376,534)
Note proceeds	189,492	189,492	-
Utilization of assigned balance	893,608	-	(893,608)
Use of prior year surplus	350,000	-	(350,000)
Total other financing sources (uses)	479,912	(1,124,122)	(1,604,034)
Net change in fund balances, budgetary basis	-	(614,990)	(614,990)
Fund balance, beginning of year-budgetary basis		3,286,374	
Fund balance, end of year - budgetary basis		2,671,384	
Amounts held in reserves		3,954,768	
Fund balance, end of year		\$ 6,626,152	

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	Fund balances beginning of year	Interest income	Other Revenues	Expenditures	Transfers in	Transfers out	Fund balances end of year
Restricted:							
Downtown TIF	\$ 806,898	13,188	-	857,308	673,821	-	636,599
Maine Technology Park TIF	56,431	845	-	11,570	-	-	45,706
Webster Point TIF	38,904	1,012	-	20,614	38,945	-	58,247
Penobscot Valley Dermatology TIF	68,528	1,479	-	31,724	47,584	-	85,867
EnvisioNet TIF	26,389	946	-	12,720	66,932	(4,884)	76,663
Dirigo Pines Inn TIF	2,021	672	-	117,261	117,261	-	2,693
Orono Basin TIF	-	-	-	-	5,254	-	5,254
Assigned:							
Interest on Reserves (all non-TIF)	15,845	17,962	-	3,800	-	-	30,007
Unemployment	42,898	-	-	-	-	-	42,898
Landfill closure	55,803	-	-	43,248	15,000	-	27,555
Capital Infrastructure	-	-	-	-	376,534	-	376,534
Capital equipment	426,210	-	-	-	80,000	-	506,210
Council reserve projects	4,607	-	-	-	-	-	4,607
Major maintenance	28,747	-	-	11,232	20,000	-	37,515
Safety equipment	11,507	-	-	-	-	-	11,507
Public works garage	50,000	-	-	9,456	-	-	40,544
Skate park	18,157	-	-	-	-	-	18,157
Recreation reserve	4,554	-	1	-	-	-	4,555
Employee benefits	87,121	-	-	-	-	-	87,121
Debt reserve - 3 Godfrey	1,991,994	-	-	488,188	-	-	1,503,806
Library maintenance	46,042	-	-	-	5,000	-	51,042
Public Works Facility Maint Rsrv	15,033	-	-	-	5,000	-	20,033
Police technology reserve	5,569	-	-	-	2,000	-	7,569
Ambulance reserve	197,166	-	-	157,457	-	-	39,709
Fire truck reserve	198	-	-	-	-	-	198
Sally Jacobs sculpture steward	1,904	-	-	-	-	-	1,904
IT Audiovisual Reserve	30,100	-	-	-	5,000	-	35,100
Assessing revaluation	135,000	-	-	57,397	-	-	77,603
Pub Sfty Radio Upgrade	-	-	-	-	15,000	-	15,000
Solid Waste Reserve	88,166	-	-	3,601	-	-	84,565
Trail System Reserve	20,000	-	-	-	-	-	20,000
Total General Fund reserves	\$ 4,275,792	36,104	1	1,825,576	1,473,331	(4,884)	3,954,768

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			Capital Project Fund	Totals
	Grant Fund	Cemetery	Public Library	Library Construction	
ASSETS					
Cash and cash equivalents	\$ 204,954	27,364	581	12,422	245,321
Investments	-	311,609	73,102	-	384,711
Accounts receivable	15,162	-	-	-	15,162
Total assets	\$ 220,116	338,973	73,683	12,422	645,194
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans payable	77,359	-	-	275	77,634
Total liabilities	77,359	-	-	275	77,634
Fund balances:					
Restricted	142,757	338,973	73,683	12,147	567,560
Total fund balance	142,757	338,973	73,683	12,147	567,560
Total liabilities and fund balances	\$ 220,116	338,973	73,683	12,422	645,194

TOWN OF ORONO, MAINE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds			Capital Project Fund	Totals
	Grant Fund	Cemetery	Public Library	Library Construction	
Revenues:					
Intergovernmental	\$ 66,440	-	-	-	66,440
Interest income (loss)	2,972	12,117	3,265	-	18,354
Other	18,974	4,100	800	-	23,874
Total revenues	88,386	16,217	4,065	-	108,668
Expenditures:					
Current:					
Program expenditures	127,289	37,929	886	-	166,104
Capital outlay	-	-	-	3,316	3,316
Total expenditures	127,289	37,929	886	3,316	169,420
Other financing uses:					
Transfers-out	(16,008)	-	-	-	(16,008)
Total other financing uses	(16,008)	-	-	-	(16,008)
Net change in fund balances	(54,911)	(21,712)	3,179	(3,316)	(76,760)
Fund balances, beginning of year	197,668	360,685	70,504	15,463	644,320
Fund balances, end of year	\$ 142,757	338,973	73,683	12,147	567,560