

2014

Financial Statements Town of Orono, Maine June 30, 2014

Orono, Me.

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TOWN OF ORONO, MAINE

Annual Financial Report

For the year ended June 30, 2014

TOWN OF ORONO, MAINE
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For the year ended June 30, 2014

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Independent Auditor's Report

Town Council
Town of Orono, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the Town of Orono, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orono, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remyn Kristen Ouellette". The signature is written in a cursive, flowing style.

November 24, 2014
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2014

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, 2014. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The assets of the Town of Orono, Maine exceeded its liabilities at the close of the most recent fiscal year by \$19,198,933 (*net position*) (Statement 1). Of this amount, \$9,193,136 was reported as unrestricted net position (Statement 1). Unrestricted net position is the amount available to be used to meet the Town's ongoing obligations to citizens and creditors. The Town of Orono, Maine's total net position increased by \$117,727 (Statement 2). This represents an increase of \$307,509 in governmental activities and a decrease of \$189,782 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 \$7,824,701 (Statement 3), which is a decrease of \$1,513,277 (Statement 4) from the prior fiscal year. Of the total decrease, \$659,829 is shown in the general fund, \$852,077 is attributable to the Katahdin Project fund, and the final \$1,371 is shown in other governmental funds.
- The Town of Orono, Maine's general fund reports an unassigned fund balance of \$2,498,002 (Statement 3); however, the Katahdin Project has an unassigned fund balance of (\$1,557,177) and the other governmental funds is (\$2,344) (Statement 3), leaving the Town with a total unassigned fund balance of \$938,481 (Statement 3). Total unassigned fund balance decreased by \$1,161,357 from the prior fiscal year. This was driven almost entirely by an increase in the negative unassigned fund balance in the Katahdin project as of June 30, 2014.
- The Town has incurred preconstruction costs related to the municipal parking lot and plaza that are being built alongside the new University Credit Union building named the Katahdin Project. This is a bonded project; however, as of the end of the fiscal year the Town of Orono, Maine had not been reimbursed for related expenses and therefore shows a deficit fund balance. This deficit will be made whole by funds from a USDA Rural Development Bond that will be distributed once the project reaches substantial completion which is slated for early fiscal year 2015. Bond payments for this project will eventually be paid for with TIF (tax increment financing) dollars and the effects of this project will not affect general fund balance going forward.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

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

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

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

Statement of Net Position

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

The following schedule is a summary of net position for the years ended June 30, 2014 and June 30, 2013.

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and other assets	\$ 9,271,126	10,434,433	(1,163,307)	2,534,808	2,447,685	87,123
Capital assets	<u>12,767,610</u>	<u>11,404,788</u>	<u>1,362,822</u>	<u>12,328,072</u>	<u>12,865,972</u>	<u>(537,900)</u>
Total Assets	22,038,736	21,839,221	199,515	14,862,880	15,313,657	(450,777)
Long-term liabilities	7,809,767	8,149,934	(340,167)	8,886,498	9,129,482	(242,984)
Other liabilities	<u>686,000</u>	<u>453,827</u>	<u>232,173</u>	<u>320,418</u>	<u>338,429</u>	<u>(18,011)</u>
Total Liabilities	8,495,767	8,603,761	(107,994)	9,206,916	9,467,911	(260,995)
Net investment in capital assets	5,526,129	4,055,037	1,471,092	3,460,306	3,750,043	(289,737)
Restricted	1,019,362	973,720	45,642	-	-	-
Unrestricted	<u>6,997,478</u>	<u>8,206,703</u>	<u>(1,209,225)</u>	<u>2,195,658</u>	<u>2,095,703</u>	<u>99,955</u>
Total Net Position	<u>\$ 13,542,969</u>	<u>13,235,460</u>	<u>307,509</u>	<u>5,655,964</u>	<u>5,845,746</u>	<u>(189,782)</u>

The Town of Orono, Maine's governmental activities assets exceeded its liabilities by \$13,542,969 and business-type activities assets exceeded its liabilities by \$5,655,964 for total net position of \$19,198,933 at the close of the most recent fiscal year. The summary above shows an increase in net position of 2.32% for governmental activities and a decrease of 3.25% for business-type activities from the prior fiscal year.

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

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Orono, Maine uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

It should be noted that 51.67% of the Town's net position is available to be used to meet the Town's ongoing obligations to its citizens and creditors.

Statement of Activities

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

The following schedule is a summary of the statement of activities for the years ended June 30, 2014 and June 30, 2013:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:						
Program revenues:						
Charges for services	\$ 680,102	620,421	59,681	1,561,040	1,601,151	(40,111)
Operating grants and contributions	332,317	422,799	(90,482)	-	-	-
Capital grants	98,254	91,464	6,790	-	29,163	(29,163)
General revenues:						
Taxes	10,965,040	9,721,233	1,243,807	-	-	-
Intergovernmental	1,806,665	2,248,256	(441,591)	-	-	-
Investment	17,603	11,978	5,625	3,973	2,829	1,144
Miscellaneous	408,060	1,110,067	(702,007)	-	-	-
Transfer	120,000	120,000	-	(120,000)	(120,000)	-
Gain (loss) on disposal	-	(41,538)	41,538	-	(634)	634
Total Revenues	<u>14,428,041</u>	<u>14,304,680</u>	<u>123,361</u>	<u>1,445,013</u>	<u>1,512,509</u>	<u>(67,496)</u>
Expenses:						
General government	1,752,187	1,969,054	(216,867)	-	-	-
Public services	766,229	842,145	(75,916)	-	-	-
Public safety	3,075,196	2,847,443	227,753	-	-	-
Public works	1,704,154	1,644,908	59,246	-	-	-
Education	5,714,080	5,047,509	666,571	-	-	-
County tax	477,242	470,712	6,530	-	-	-
Unclassified	226,526	852,730	(626,204)	-	-	-
Interest on long-term debt	322,995	349,833	(26,838)	-	-	-
Capital maintenance expenses	81,923	774,917	(692,994)	-	-	-
Sewer services	-	-	-	1,634,795	1,752,364	(117,569)
Total Expenses	<u>14,120,532</u>	<u>14,799,251</u>	<u>(678,719)</u>	<u>1,634,795</u>	<u>1,752,364</u>	<u>(117,569)</u>
Change in Net Position	<u>\$ 307,509</u>	<u>(494,571)</u>	<u>802,080</u>	<u>(189,782)</u>	<u>(239,855)</u>	<u>50,073</u>

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

Financial Analysis of the Government's Funds

Governmental Funds:

As of the end of the current fiscal year, the Town of Orono, Maine's governmental funds reported combined ending fund balances at June 30, 2014 of \$7,824,701, a decrease of \$1,513,277 in comparison with the prior year. Just over 11.99% of this total amount (\$938,481) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$6,886,220) is not available for new spending because it has already been set aside in its use for 1) various capital and other governmental purposes (\$1,019,362), 2) long-term notes receivable (\$2,667,000), or 3) committed or assigned to specific uses (\$3,199,858).

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 (\$938,481) (Statement 3) represents 5.85% of the total governmental funds expenditures (\$16,047,820) (Statement 4); total governmental fund balance (\$7,824,701) (Statement 3) represents 48.76% of total governmental funds expenditures.

Total governmental activities revenues (\$14,428,041) (Statement 2) increased by 0.08% over fiscal year 2013. This was driven by growth in general taxes and charges for service, but the increase was mitigated by decreases in grants, intergovernmental and miscellaneous revenues.

Total expenditures (\$14,120,532) (Statement 2) decreased this year by 4.59% over fiscal year 2013. Decreases in general government, public services, unclassified, interest on long-term debt, and capital maintenance expenses drove this decrease and offset increases in public safety, public works and education expenses.

Total revenues exceeded total expenditures by \$307,509 (Statement 2) resulting in a positive change in net position.

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 2014 balance sheet and statement of revenues, expenses, and changes in net position, please see pages 17 and 18 of the audited financial statements.

Net position of the Town's sewer district decreased \$189,782 to \$5,655,964. Operating income (operating revenues less operating expenses) was \$302,706 while nonoperating expenses and transfers out were \$492,488 (Statement 8). Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$3,460,306 and unrestricted net position made up the other \$2,195,658. Unrestricted net position represents 174.5% of current year operating expenses.

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

Fund Financial Statements

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

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

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

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

Noteworthy Special Revenue/Trust/Capital Project Funds

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

The Capital Equipment Reserve Fund is available to absorb the cost of equipment that would otherwise be purchased through the normal operating budget. The utilization of a reserve fund allows the Town to reach into a "savings account" for larger purchases to reduce the year-to-year impact on the taxpayer. It is funded during each fiscal year by an assigned appropriation within the operating budget as well as by transfers from the unassigned fund balance remaining at the end of the previous fiscal year. As of the end of the fiscal year, the capital equipment fund had a balance of \$853,754.

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

General Fund Budgetary Highlights

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

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2014 amounts to \$33,925,413, net of accumulated depreciation of \$21,157,803, leaving a net book value of \$12,767,610. This is an increase of \$1,362,822 from fiscal year 2013. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, as well as infrastructure.

The Town of Orono's capital assets for its business-type activities as of June 30, 2014 amounts to \$17,729,101, net of accumulated depreciation of \$5,401,029, leaving a net book value of \$12,328,072. This is a decrease of \$537,900. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and sewer infrastructure.

Long-term Liabilities

At year-end, the Town had \$16,109,247 in outstanding bonds compared to \$16,796,930 in 2013. This is comprised of governmental activities bonds of \$7,241,481 and business-type activities bonds of \$8,867,766.

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation, with a further limit of no more than 7.5% of state assessed valuation in enterprise fund debt. The current debt limitation for the Town of Orono as a whole is \$66,368,520 and \$33,184,260 for its sewer fund, far exceeding the Town's outstanding general obligation debt.

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

HISTORICAL ASSESSMENTS AND MIL RATES

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

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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,065,983	2,259,348	7,325,331
Investments	286,202	-	286,202
Receivables:			
Accounts receivable	192,456	286,488	478,944
Rescue receivable (net of allowance of \$176,559)	100,235	-	100,235
Taxes receivable - current year	406,426	-	406,426
Taxes receivable - prior years	276,796	-	276,796
Note receivable	2,667,000	-	2,667,000
Receivable - RSU #26 debt service payments	265,000	-	265,000
Internal balances	11,028	(11,028)	-
Nondepreciable capital assets	5,053,142	44,573	5,097,715
Depreciable capital assets, net	7,714,468	12,283,499	19,997,967
Total assets	22,038,736	14,862,880	36,901,616
LIABILITIES			
Accounts payable	221,883	10,267	232,150
Accrued payroll and benefits	195,980	7,448	203,428
Accrued compensated absences	200,752	18,732	219,484
Accrued interest	107,575	302,703	410,278
Performance bond liability	160,562	-	160,562
Noncurrent liabilities:			
Due within one year	1,021,786	249,147	1,270,933
Due in more than one year	6,587,229	8,618,619	15,205,848
Total liabilities	8,495,767	9,206,916	17,702,683
NET POSITION			
Net investment in capital assets	5,526,129	3,460,306	8,986,435
Restricted	1,019,362	-	1,019,362
Unrestricted	6,997,478	2,195,658	9,193,136
Total net position	\$ 13,542,969	5,655,964	19,198,933

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Activities
For the year ended June 30, 2014

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,752,187	151,663	235,637	-	(1,364,887)	-	(1,364,887)
Public services	766,229	145,450	-	-	(620,779)	-	(620,779)
Public safety	3,075,196	354,445	-	-	(2,720,751)	-	(2,720,751)
Public works	1,704,154	28,544	96,680	98,254	(1,480,676)	-	(1,480,676)
Education	5,714,080	-	-	-	(5,714,080)	-	(5,714,080)
County tax	477,242	-	-	-	(477,242)	-	(477,242)
Unclassified	226,526	-	-	-	(226,526)	-	(226,526)
Interest on debt service	322,995	-	-	-	(322,995)	-	(322,995)
Capital maintenance expenses	81,923	-	-	-	(81,923)	-	(81,923)
Total governmental activities	14,120,532	680,102	332,317	98,254	(13,009,859)	-	(13,009,859)
Business-type activities:							
Sewer services	1,634,795	1,561,040	-	-	-	(73,755)	(73,755)
Total business-type activities	1,634,795	1,561,040	-	-	-	(73,755)	(73,755)
Total primary government	\$ 15,755,327	2,241,142	332,317	98,254	(13,009,859)	(73,755)	(13,083,614)
General revenues:							
Property taxes					\$ 10,322,019	-	10,322,019
Excise taxes					643,021	-	643,021
Motor vehicle registration fees					13,414	-	13,414
UMO reimbursements					662,931	-	662,931
PILOT payments					52,600	-	52,600
Franchise fees					63,571	-	63,571
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					875,983	-	875,983
Homestead exemption					120,563	-	120,563
Other State aid					31,017	-	31,017
Unrestricted investment earnings					17,603	3,973	21,576
Miscellaneous					394,646	-	394,646
Transfers					120,000	(120,000)	-
Total general revenues					13,317,368	(116,027)	13,201,341
Change in net position					307,509	(189,782)	117,727
Net position - beginning, as restated					13,235,460	5,845,746	19,081,206
Net position - ending	\$				13,542,969	5,655,964	19,198,933

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Balance Sheet
Governmental Funds
June 30, 2014

	General	Katahdin Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,866,062	-	199,921	5,065,983
Investments	-	-	286,202	286,202
Receivables:				
Accounts receivable	169,854	-	22,602	192,456
Rescue receivable (net of allowance of \$176,559)	100,235	-	-	100,235
Taxes receivable - current year	406,426	-	-	406,426
Taxes receivable - prior years	276,796	-	-	276,796
Note receivable	2,667,000	-	-	2,667,000
Interfund loans receivable	1,555,427	-	14,154	1,569,581
Receivable - RSU #26 debt service payments	265,000	-	-	265,000
Total assets	\$ 10,306,800	-	522,879	10,829,679
LIABILITIES				
Accounts payable	185,033	-	36,850	221,883
Accrued payroll and benefits	195,980	-	-	195,980
Performance bond liability	160,562	-	-	160,562
Interfund loans payable	-	1,557,177	1,376	1,558,553
Total liabilities	541,575	1,557,177	38,226	2,136,978
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	603,000	-	-	603,000
Unavailable revenue - RSU #26 debt service payments	265,000	-	-	265,000
Total deferred inflows of resources	868,000	-	-	868,000
FUND BALANCES (DEFICIT)				
Nonspendable	2,667,000	-	-	2,667,000
Restricted	532,365	-	486,997	1,019,362
Committed	617,928	-	-	617,928
Assigned	2,581,930	-	-	2,581,930
Unassigned	2,498,002	(1,557,177)	(2,344)	938,481
Total fund balances (deficit)	8,897,225	(1,557,177)	484,653	7,824,701
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,306,800	-	522,879	

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.	12,767,610
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	603,000
Unavailable revenue - RSU #26 debt service payments	265,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued compensated absences	(200,752)
Bonds and notes payable	(7,241,481)
Other postemployment benefits	(286,534)
Accrued interest	(107,575)
Landfill closure and postclosure costs	(81,000)

Net position of governmental activities **\$ 13,542,969**

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	General	Katahdin Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 10,788,040	-	-	10,788,040
Intergovernmental	1,878,345	-	110,040	1,988,385
Licenses and permits	136,135	-	-	136,135
Interest income	11,688	-	5,915	17,603
Charges for services	498,791	-	-	498,791
Other revenues	632,283	-	69,804	702,087
Total revenues	13,945,282	-	185,759	14,131,041
Expenditures:				
Current:				
General government	1,618,660	-	-	1,618,660
Public services	690,473	-	-	690,473
Public safety	2,895,844	-	-	2,895,844
Public works	1,416,348	-	-	1,416,348
Education	5,714,080	-	-	5,714,080
County tax	477,242	-	-	477,242
Unclassified	43,374	-	183,152	226,526
Debt service	986,814	-	-	986,814
Capital expenditures	882,276	1,135,579	3,978	2,021,833
Total expenditures	14,725,111	1,135,579	187,130	16,047,820
Deficiency of revenues under expenditures	(779,829)	(1,135,579)	(1,371)	(1,916,779)
Other financing sources:				
Issuance of debt	-	283,502	-	283,502
Transfers-in	120,000	-	-	120,000
Total other financing sources	120,000	283,502	-	403,502
Net change in fund balances	(659,829)	(852,077)	(1,371)	(1,513,277)
Fund balances (deficit), beginning of year	9,557,054	(705,100)	486,024	9,337,978
Fund balances (deficit), end of year	\$ 8,897,225	(1,557,177)	484,653	7,824,701

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, 2014

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,513,277)
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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 outlay (\$1,980,910) exceeded depreciation expense (\$618,088) in the current period.

1,362,822

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

177,000

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

Accrued compensated absences

(23,124)

Other postemployment benefits

(35,229)

Landfill closure and postclosure costs

(41,000)

Accrued interest

7,047

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$723,022) exceeded proceeds (\$283,502).

439,520

The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #26 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$265,000. This is the principal paid off during the year.

(66,250)

Change in net position of governmental activities (see Statement 2)	\$	307,509
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See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2014

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,919,179	10,919,179	10,788,040	(131,139)
Intergovernmental	1,806,300	1,806,300	1,878,345	72,045
Licenses and permits	92,075	92,075	136,135	44,060
Interest income	6,000	6,000	6,373	373
Charges for services	462,891	462,891	498,791	35,900
Other revenues	339,550	339,550	371,708	32,158
Total revenues	13,625,995	13,625,995	13,679,392	53,397
Expenditures:				
Current:				
General government	1,460,214	1,460,214	1,366,871	93,343
Public services	751,327	751,327	690,473	60,854
Public safety	2,901,406	2,901,406	2,895,844	5,562
Public works	1,409,598	1,409,598	1,416,348	(6,750)
Education	5,714,080	5,714,080	5,714,080	-
County tax	477,242	477,242	477,242	-
Debt service	415,463	415,463	415,463	-
Capital expenditures	1,422,614	1,422,614	405,236	1,017,378
Total expenditures	14,551,944	14,551,944	13,381,557	1,170,387
Excess (deficiency) of revenues over (under) expenditures	(925,949)	(925,949)	297,835	1,223,784
Other financing sources (uses):				
Issuance of bonds	545,000	545,000	-	(545,000)
Transfers-in	193,500	193,500	120,000	(73,500)
Transfers-out	(524,788)	(524,788)	(450,127)	74,661
Utilization of assigned balance	412,237	412,237	-	(412,237)
Utilization of unassigned balance	300,000	300,000	-	(300,000)
Total other financing sources (uses)	925,949	925,949	(330,127)	(1,256,076)
Net change in fund balance, budgetary basis	-	-	(32,292)	(32,292)
Fund balance, beginning of year-budgetary basis			6,514,175	
Fund balance, end of year-budgetary basis			6,481,883	
Amounts held in reserves			2,415,342	
Fund balance, end of year			\$ 8,897,225	

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2014

Business-type Activities - Enterprise Funds		Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	2,259,348
Accounts receivable		286,488
Total current assets		2,545,836
Noncurrent assets:		
Capital assets:		
Land		44,573
Capital assets being depreciated		17,684,528
Less accumulated depreciation		(5,401,029)
Total capital assets being depreciated		12,283,499
Total assets		14,873,908
LIABILITIES		
Current liabilities:		
Accounts payable		10,267
Accrued payroll and benefits		7,448
Accrued compensated absences		18,732
Accrued interest expense		302,703
Interfund loans payable		11,028
Current portion of bonds payable		249,147
Total current liabilities		599,325
Long-term liabilities:		
Bonds payable		8,618,619
Total liabilities		9,217,944
NET POSITION		
Net investment in capital assets		3,460,306
Unrestricted		2,195,658
Total net position	\$	5,655,964

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, 2014

Business-type Activities - Enterprise Funds		Sewer Fund
Operating revenues:		
Charges for services	\$	1,561,040
Total operating revenues		1,561,040
Operating expenses:		
Salaries and benefits		370,711
Operations		280,661
Administrative expenses		43,387
Depreciation		563,575
Total operating expenses		1,258,334
Operating income		302,706
Nonoperating revenue (expense):		
Investment income		3,973
Interest expense		(376,461)
Total nonoperating expense		(372,488)
Loss before transfer		(69,782)
Transfer out - administrative expense reimbursement		(120,000)
Change in net position		(189,782)
Net position, beginning of year		5,845,746
Net position, end of year	\$	5,655,964

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2014

Business-type Activities - Enterprise Funds		Sewer Fund
Cash flows from operating activities:		
Receipts from customers and users	\$	1,567,056
Payments to suppliers		(321,739)
Payments to employees		(365,532)
Net cash provided by operating activities		879,785
Cash flows from non-capital financing activities:		
Transfers to other funds		(120,000)
Net cash used in non-capital financing activities		(120,000)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(25,675)
Principal payments on bonds		(248,163)
Interest paid on bonds		(384,617)
Net cash used for capital and related financing activities		(658,455)
Cash flows from investing activities:		
Interest on cash and investments		3,973
Net cash provided by investing activities		3,973
Increase in cash		105,303
Cash and cash equivalents, beginning of year		2,154,045
Cash and cash equivalents, end of year	\$	2,259,348
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	302,706
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation		563,575
Increase (decrease) in operating assets and liabilities:		
Accounts receivable		6,016
Due from other funds		12,164
Accounts payable		(9,855)
Accrued compensated absences		5,179
Net cash provided by operating activities		879,785

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements
June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The government reports the following major enterprise fund:

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

D. Cash and Investments

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

E. Interfund Loans Receivable/Payable

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

F. Receivables

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

G. Capital Assets

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

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

H. Compensated Absences

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Long-term Obligations

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

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

J. Fund Balance

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

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

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

K. Deferred Inflows of Resources

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Interfund Transactions

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

M. Use of Estimates

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2014, expenditures exceeded the Department. Once adopted, the budget can only be amended by the Town Council, and then only to the extent that excess revenues over estimated amounts can be used to increase appropriations in the following departments:

Public works	\$ 6,750
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C. Deficit Fund Balances

At June 30, 2014, the following funds had deficit fund balances:

Katahdin Project	\$ 1,557,177
Grant Fund	2,344

The deficit will be funded with future loan proceeds and grant revenue.

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

DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a deposit policy for custodial credit risk. As of June 30, 2014, the Town reported deposits of \$7,325,331 with a bank balance of \$7,769,394. Of the Town's bank balance of \$7,769,394, none was exposed to custodial credit risk. The entire bank balance was covered by the F.D.I.C. or securities pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 5,065,983
Reported in business-type activities	2,259,348
Total deposits	\$ 7,325,331

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, 2014, 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>
Common Stock	20,825	N/A	-	-
Mutual Funds	265,377	N/A	-	-
Totals	\$ 286,202	-	-	-

Investments have been reported as follows:

Reported in governmental funds	\$ 286,202
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Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the Town's investment policy, the securities are required to be held by a third party custodian. At June 30, 2014, the Town had no investments subject to custodial credit risk.

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

NOTE RECEIVABLE

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

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

The balance of the note receivable from OEDC as of June 30, 2014 is \$2,667,000. The note receivable from OEDC was funded through the issuance of a 2000 General Obligation Bond, which was subsequently refinanced with the issuance of a 2010 General Obligation Bond. The 2010 General Obligation Bond, which the Town is responsible for, had an outstanding balance of \$3,230,000 at June 30, 2014.

The Town retained \$563,000 from the \$5,800,000 loan as a debt service reserve to cover one year's debt payments in the event of default. This reserve fund, which is classified as committed fund balance on the Town's financial statements, is earning interest and had a balance of \$617,928 at June 30, 2014. The Town believes the balance from OEDC is fully collectible and that an allowance for doubtful accounts is not necessary at this time.

PROPERTY TAX

Property taxes for the current year were committed on July 31, 2013 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments on September 20, 2013 and February 7, 2014. Interest was charged at 7% on all tax bills unpaid as of September 21, 2013 and February 8, 2014.

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 \$82,655 for the year ended June 30, 2014.

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 2014 levy:

	<u>2014</u>
Assessed value	\$ 442,456,800
<u>Tax rate (per \$1,000)</u>	<u>23.20</u>
Commitment	10,264,998
<u>Supplemental taxes assessed</u>	<u>4,241</u>
	10,269,239
Less:	
Abatements	9,945
<u> Collections</u>	<u>9,852,868</u>
<u>Receivable at June 30</u>	<u>\$ 406,426</u>
Interest rate on delinquent taxes	7.00%
Collection rate	96.04%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,805,552	-	-	2,805,552
Construction in progress	705,100	1,542,490	-	2,247,590
Total capital assets, not being depreciated	3,510,652	1,542,490	-	5,053,142
Capital assets, being depreciated				
Buildings	13,299,515	-	-	13,299,515
Improvements	388,128	30,000	-	418,128
Equipment	1,369,036	5,790	-	1,374,826
Vehicles	2,716,020	181,688	-	2,897,708
Infrastructure	10,661,152	220,942	-	10,882,094
Total capital assets, being depreciated	28,433,851	438,420	-	28,872,271
Less accumulated depreciation:				
Buildings	10,114,221	120,303	-	10,234,524
Improvements	205,892	16,936	-	222,828
Equipment	1,081,287	57,659	-	1,138,946
Vehicles	1,755,928	208,458	-	1,964,386
Infrastructure	7,382,387	214,732	-	7,597,119
Total accumulated depreciation	20,539,715	618,088	-	21,157,803
Total capital assets being depreciated, net	7,894,136	(179,668)	-	7,714,468
Governmental activities capital assets, net	\$ 11,404,788	1,362,822	-	12,767,610
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,573	-	-	44,573
Construction in progress	9,665	-	9,665	-
Total capital assets, not being depreciated	54,238	-	9,665	44,573
Capital assets, being depreciated:				
Sewer items	17,649,188	35,340	-	17,684,528
Total capital assets, being depreciated	17,649,188	35,340	-	17,684,528
Less accumulated depreciation:				
Sewer items	4,837,454	563,575	-	5,401,029
Total accumulated depreciation	4,837,454	563,575	-	5,401,029
Total capital assets being depreciated, net	12,811,734	(528,235)	-	12,283,499
Business-type activities capital assets, net	\$ 12,865,972	(528,235)	9,665	12,328,072

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

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$	75,174
Public safety		179,352
Public services		75,756
Public works		287,806
Total governmental activities depreciation expense	\$	618,088

Business-type Activities:

Sewer	\$	563,575
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INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of normal operations, the Town has numerous transactions between funds. Individual interfund receivable and payable balances and interfund transfers at June 30, 2014 arising from these transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Transfers</u>
Governmental Activities:			
Major funds:			
General Fund	\$ 1,555,427	-	120,000
Katahdin Project	-	1,557,177	-
Other governmental funds:			
Grant Fund	11,904	-	-
Cemetery	2,250	-	-
Library Construction	-	1,376	-
Business-type Activities			
Sewer Fund	-	11,028	(120,000)
Totals	\$ 1,569,581	1,569,581	-

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	\$ 7,681,001	283,502	723,022	7,241,481	1,021,786
Other postemployment benefits	251,305	35,229	-	286,534	-
Landfill closure and postclosure costs	40,000	41,000	-	81,000	-
Accrued compensated absences	177,628	200,752	177,628	200,752	-
Total governmental activities	\$ 8,149,934	560,483	900,650	7,809,767	1,021,786
Business-type Activities:					
Bonds payable	\$ 9,115,929	-	248,163	8,867,766	249,147
Accrued compensated absences	13,553	18,732	13,553	18,732	-
Total business-type activities	\$ 9,129,482	18,732	261,716	8,886,498	249,147

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

LONG-TERM DEBT

Long-term debt payable at June 30, 2014 is comprised of the following:

	Date of <u>issue</u>	Original amount <u>issued</u>	Date of <u>maturity</u>	Interest rate <u>rate</u>	Balance June 30, <u>2014</u>
Governmental activities:					
1997 General obligation bonds (1)	11/1/97	\$ 1,325,000	11/1/17	5.28-5.78%	265,000
2002 General obligation bonds	8/1/02	2,460,000	8/1/17	3.50-4.88%	780,000
2008 USDA	9/15/08	600,000	9/15/35	4.13%	531,995
2008 USDA	9/15/08	1,310,000	9/15/35	4.25%	1,163,927
2008 USDA	9/15/08	550,000	9/15/35	4.38%	482,057
2008 General obligation bonds	10/30/08	500,000	11/1/28	0.08-5.58%	375,000
2010 General obligation bonds	12/1/10	4,205,000	12/1/20	3.00-5.75%	3,230,000
General obligation bonds	12/1/10	325,000	12/1/15	3.00-4.25%	130,000
Bond anticipation note - Katahdin Project (2)					283,502
Total governmental activities					\$ 7,241,481
Business-type activities:					
2008 USDA	9/15/08	\$ 2,450,000	9/15/35	4.38%	2,188,637
2008 USDA	9/15/08	5,690,000	9/15/35	4.38%	5,065,414
2008 USDA	9/15/08	1,820,000	9/15/35	4.13%	1,613,715
Total business-type activities					\$ 8,867,766

(1) As of July 1, 2009, the Orono School Department joined Regional School Unit (RSU) #26. In accordance with the consolidation agreement, RSU #26 reimburses the Town when debt service payments related to the former School Department are due. The Town has recorded a receivable for \$265,000, which is the outstanding amount of bonds payable related to the former School Department.

(2) In 2014, the Town drew \$283,502 from a bond anticipation note with a local bank at an interest rate of 1%. The bond anticipation note was permanently financed on July 1, 2014 with the issuance of a general obligation bond in the amount of \$16,850,000 with an interest rate of 3.00-4.00%.

The annual requirements to amortize bonds payable as of June 30, 2014 are as follows:

Year ending June 30,	Governmental		Business-type		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 1,021,786	320,313	249,147	383,634	1,974,880
2016	760,919	286,990	259,931	312,850	1,620,690
2017	718,665	252,615	271,182	361,599	1,604,061
2018	746,528	216,856	282,921	349,860	1,596,165
2019	498,263	185,702	295,167	337,614	1,316,746
2020-2024	1,945,714	507,135	1,678,924	1,484,981	5,616,754
2025-2029	636,824	279,973	2,075,201	1,088,704	4,080,702
2030-3034	630,163	144,212	2,565,067	598,838	3,938,280
2035-2036	282,619	18,616	1,190,226	77,310	1,568,771
	\$ 7,241,481	2,212,412	8,867,766	4,995,390	23,317,049

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

OTHER POSTEMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Orono, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Orono is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report.

The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. The consultants completed the latest OPEB liability actuarial valuation in August 2014.

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

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal cost	\$ 24,660	23,057	23,057
Amortization of unfunded	31,605	38,224	38,224
Interest	11,166	9,616	7,840
Adjustment to ARC	(14,533)	(12,147)	(9,579)
Annual required contribution	52,898	58,750	59,542
Contributions made	(17,669)	(17,497)	(15,137)
Increase in Net OPEB	35,229	41,253	44,405
Net OPEB obligation – beginning of year	251,305	210,052	165,647
Net OPEB obligation – end of year	\$ 286,534	251,305	210,052

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

The following table represents the OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 and the two preceding years.

<u>Fiscal Year End</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 59,542	25.42%	\$ 210,052
June 30, 2013	58,750	29.78%	251,305
June 30, 2014	52,898	33.40%	286,534

Funding Status and Funding Progress – The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2014 and two preceding years are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial accrued liability	\$ 568,375	687,417	687,417
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 568,375	687,417	687,417
Funded ratio	0%	0%	0%
Covered payroll	\$ 3,622,238	3,434,751	2,994,000
Unfunded actuarial accrued liability as a percentage of covered payroll	15.69%	20.01%	22.96%

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

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

Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Discount rate	4.0%
Rate of salary increases	3.0%
Ultimate rate of health trend costs	4.60%

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

JOINT VENTURE

The Town is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe, and environmentally-sound methods of solid waste disposal. The Town's proportionate interest in the net position of the MRC on December 31, 2013, the date of MRC's most recent audited financial statements, was \$852,176 (2.47%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2013, the MRC in turn owned 25.52% of the limited partnership interests in Penobscot Energy Recovery Company (PERC). Allocation of PERC ownership interests among the members of the MRC is based upon their respective shares of cumulative performance credits and other cash flows and reserves. At June 30, 2014, the Town's proportionate interest in PERC was 0.63%.

LANDFILL CLOSURE AND POSTCLOSURE COSTS

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

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

An engineering estimate was calculated for the closure and post-closure costs of the landfill during fiscal year 2013. Generally accepted accounting principles require that cost estimates be based on the present value of consultation and construction costs adjusted for an assumed inflation rate, known as current cost. The current cost of closure and post-closure costs projected in the engineering estimate total \$2,114,400. The estimated remaining life of the landfill at June 30, 2014 is 30 years. The new cell has a capacity of 40,000 yards, of which approximately 1,535 yards were used as of June 30, 2014.

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>2014</u>
Total estimated future landfill closure and postclosure care costs	\$ 2,114,400
Estimated capacity used	3.84%
Estimated gross landfill closure and postclosure care costs – end of year	81,000
Amounts actually expended	-
<u>Estimated liability for landfill closure and postclosure care costs - end of year</u>	<u>81,000</u>
<u>Estimated remaining landfill closure and postclosure care costs to be recognized</u>	<u>\$ 2,033,400</u>

Federal law requires financial assurance regarding closure and post-closure care. Financial assurance is computed annually through a variety of ratios regarding liquidity, debt, and revenues. The Town has met the financial assurance conditions for 2014.

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

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMARC). The Town's matching contribution to the plan for the year ended June 30, 2014 was \$17,734.

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

PENSION PLAN

Maine Public Employees Retirement System

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

The Town of Orono is a participating district in the System. This allows maintenance, support workers, and custodial support staff to participate voluntarily in the System. Participants are required to contribute 6.5% of their annual gross salary to the plan and the district is required to make a contribution based on an historical assessment of the plan by the System. Vesting of benefits occurs after five years of service. Disability, pre-retirement and death benefits are provided under the Town's plan. A cost of living increase is provided under the Town's plan. Upon retirement at or after age sixty, the participant is entitled to an annual retirement benefit of two-percent of the average of their three highest years earnings multiplied by the number of years of credited service. The Town's contribution as a participating local district for the year ended June 30, 2014 was approximately \$238,160.

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

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

RISK MANAGEMENT

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

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

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

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

The Town is subject to assessments by the risk pools. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2014.

TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established five tax increment financing (TIF) districts in order to finance development programs in the Town of Orono. The expenditures for these programs are paid for by tax dollars that have been retained under the tax increment financing program.

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

Fiscal year ended June 30, 2010 was the final year tax revenues were retained and made available to Sensor Research and Development. The amount of captured tax increment revenues retained by the Town for its approved development purposes for the year ended June 30, 2014 was \$43,008, representing 100% of the captured tax revenues.

EnvisioNet Municipal Development TIF - This TIF was established on July 13, 2000 and has a life of 20 years. The original assessed base value in this district is zero. Following the bankruptcy of EnvisioNet, the Town decided to retain the 70% of TIF revenues which would have been returned to EnvisioNet. The amount of tax increment revenues retained by the Town for the year ended June 30, 2014 was \$42,888.

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

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

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

Fiscal year ended June 30, 2014 was the tenth year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2014 was \$102,853, which was returned to the developer.

Transit-Oriented TIF - 100% Economic Development - This TIF was established on March 17, 2000 and has a life of 30 years. The original assessed base value in this district is \$28,080,265. The Town created the tax increment financing district to fund transportation-related projects for the Town's downtown. The amount of tax increment revenues retained by the Town for these purposes for the year ended June 30, 2014 was \$264,003.

Webster Point TIF - 100% Economic Development - This TIF was established on February 7, 2011 and is in effect until June 30th, 2027. The original assessed base value in this district is zero. Effective May 14, 2012 the Town agreed to a Credit Enhancement Agreement with Webster Point LLC. In that agreement the Town agreed to provide the developer 85% of the tax increment revenues. The Town will use the remaining 15% for approved development projects and mitigating impacts within the district. For the year ended June 30, 2014, \$21,444 was returned to the developer and \$3,788 was retained for the intended purpose of the district.

FUND BALANCE

As of June 30, 2014, fund balance components consisted of the following:

	General Fund	Katahdin Project	Other Governmental Funds
Nonspendable:			
Long-term note receivable	\$ 2,667,000	-	-
Restricted:			
Downtown TIF	370,804	-	-
SRD TIF	91,119	-	-
Webster Point TIF	3,788	-	-
OEDC Debt Service	66,654	-	-
MBNA Infrastructure	-	-	37,688
Cemetery	-	-	336,079
Public Library	-	-	54,962
Park Trust – Library Fund	-	-	2,640
Library Construction	-	-	55,628
Total restricted	532,365	-	486,997
Committed:			
Amount held in escrow for OEDC note receivable	617,928	-	-

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

FUND BALANCE, CONTINUED

	<u>General</u> <u>Fund</u>	<u>Katahdin</u> <u>Project</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>
Assigned:			
Assigned for subsequent year's budget	\$ 300,000	-	-
Police criminal forfeiture funds	4,274	-	-
Helen Park Charitable Trust: Nurse	2,939	-	-
Heating assistance donations	3,170	-	-
Helen Park Charitable Trust: Library	968	-	-
Recreation Scholarship Fund	4,297	-	-
Skate Park	5,308	-	-
Nadeau-Savoy Memorial Stone	329	-	-
Public works	326,208	-	-
Facilities	11,133	-	-
Planning and code	3,278	-	-
Police	12,049	-	-
Fire	25,000	-	-
Orono Economic Development Corporation	440,972	-	-
Communications replacement	1,520	-	-
Unemployment	36,266	-	-
Landfill closure	10,325	-	-
Hazardous materials	127,837	-	-
Wood chipper	6,861	-	-
Capital equipment	853,754	-	-
Cable capital support	22	-	-
Office computer system	8,070	-	-
Council reserve projects	4,444	-	-
Emergency medical services	7,348	-	-
Major maintenance	17,520	-	-
Safety equipment	14,432	-	-
Public works garage	213,736	-	-
Skate park	12,797	-	-
Bennoch Road reconstruction	4	-	-
Recreation reserve	1,483	-	-
Voting machine	31,733	-	-
Employee benefits	73,813	-	-
Library maintenance	20,040	-	-
Total assigned	2,581,930	-	-
Total unassigned	2,498,002	(1,557,177)	(2,344)
Total fund balance	\$ 8,897,225	(1,557,177)	484,653

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

PRIOR PERIOD ADJUSTMENT

During FY 2014, the Town discovered an error previously reported in net position. Net position has been adjusted for prior year construction in progress related to the Katahdin Project.

Governmental activities net position as of July 1, 2013 has been restated as follows:

	Governmental <u>Activities</u>
Net position as previously reported	\$ 12,530,360
<u>Construction in progress - Katahdin Project</u>	<u>705,100</u>
<u>Net position, as restated</u>	<u>\$ 13,235,460</u>

SUBSEQUENT EVENT

On July 1, 2014, the Town issued general obligation bonds through Gorham Savings Bank in the amount of \$16,850,000 at an interest rate of 3.00-4.00%. The bond issuance was, in part, to refinance five existing USDA bonds with a principal balance outstanding at June 30, 2014 of \$11,045,745, as well as to fund future projects the Town has planned. The bonds are payable November 1, 2014 through November 1, 2038.

TOWN OF ORONO, MAINE
Required Supplementary Information

Retiree Healthcare Plan
Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
2009	1/1/2009	\$ -	788,227	788,227	-	3,425,000	23.01%
2010	1/1/2009	-	788,227	788,227	-	2,899,016	27.19%
2011	1/1/2011	-	687,417	687,417	-	2,795,000	24.59%
2012	1/1/2011	-	687,417	687,417	-	2,994,000	22.96%
2013	1/1/2011	-	687,417	687,417	-	3,434,751	20.01%
2014	1/1/2014	-	568,375	568,375	-	3,622,238	15.69%

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2014

ASSETS		
Cash and cash equivalents	\$	4,866,062
Receivables:		
Accounts receivable		169,854
Rescue receivable (net of allowance of \$176,559)		100,235
Taxes receivable - current year		406,426
Taxes receivable - prior years		276,796
Note receivable		2,667,000
Interfund loans receivable		1,555,427
Receivable - RSU #26 debt service payments		265,000
Total assets	\$	10,306,800
LIABILITIES		
Accounts payable and other liabilities		185,033
Accrued payroll and benefits		195,980
Performance bond liability		160,562
Total liabilities		541,575
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		603,000
Unavailable revenue - RSU #26 debt service payments		265,000
Total deferred inflows of resources		868,000
FUND BALANCE		
Nonspendable		2,667,000
Restricted		532,365
Committed		617,928
Assigned		2,581,930
Unassigned		2,498,002
Total fund balance		8,897,225
Total liabilities, deferred inflows of resources, and fund balance	\$	10,306,800

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2014

	Budget	Actual	Variance positive (negative)
Revenues:			
Taxes:			
Property taxes	\$ 10,264,998	10,264,998	-
Village Center District taxes	8,081	8,081	-
Supplemental taxes	-	4,241	4,241
Change in unavailable property tax revenue	-	(177,000)	(177,000)
Excise taxes	594,100	643,021	48,921
Interest and costs on taxes	52,000	44,699	(7,301)
Total taxes	10,919,179	10,788,040	(131,139)
Intergovernmental:			
State revenue sharing	865,000	875,983	10,983
State road subsidy	84,250	98,254	14,004
General assistance reimbursement	10,000	8,413	(1,587)
BETE reimbursement	22,506	22,604	98
Homestead tax exemption	120,563	120,563	-
Other State grants and reimbursements	17,050	63,317	46,267
UMO reimbursements	662,931	662,931	-
Other grants	24,000	26,280	2,280
Total intergovernmental	1,806,300	1,878,345	72,045
Licenses and permits:			
Motor vehicle agent fee	11,000	12,961	1,961
Recreational vehicle registration fees	450	453	3
Town licenses and permits	6,700	5,820	(880)
Building permits	12,500	27,008	14,508
Plumbing fees	2,500	2,614	114
Electrical permits	6,500	8,622	2,122
Land use ordinance fees	2,200	31,580	29,380
Road opening permits	6,000	4,400	(1,600)
Rental unit registration fee	35,000	31,875	(3,125)
Burning permits	500	560	60
Parking permits	750	2,000	1,250
Fish and wildlife license fees	800	552	(248)
Dog license fees	475	448	(27)
Birth, death and marriage records	6,700	7,242	542
Total licenses and permits	92,075	136,135	44,060
Interest income	6,000	6,373	373

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

	Budget	Actual	Variance positive (negative)
Revenues, continued:			
Charges for services:			
Ambulance fees	\$ 307,000	279,931	(27,069)
Advertising	-	5,095	5,095
Police fees	400	751	351
Police accident reports	2,500	3,097	597
Police special detail	500	24,678	24,178
Court fees	750	3,185	2,435
UMO fire marshal program	5,000	5,010	10
Fire Department fines	2,500	2,260	(240)
Air bottle refill	600	440	(160)
Recreation	117,341	124,971	7,630
Community theater	-	7,924	7,924
Haz mat reimbursement fees	-	3,041	3,041
Public works fees	7,500	16,356	8,856
Disposal site fees	10,000	9,170	(830)
PERC administrative fee	4,800	4,993	193
Rental income	4,000	7,889	3,889
Total charges for services	462,891	498,791	35,900
Other revenues:			
Orono Health Association	30,000	-	(30,000)
Housing Foundation PILOT	35,000	35,000	-
Freeman Forest PILOT	17,600	17,600	-
Cemetery revenue	4,400	10,199	5,799
Parking fines	21,000	35,093	14,093
Library income	3,500	3,857	357
Senior Citizen Center	4,000	6,423	2,423
Sale of surplus property	3,000	10,163	7,163
Cable franchise fees	68,000	63,571	(4,429)
PERC performance credit	100,000	96,680	(3,320)
Recycling revenue	7,500	3,018	(4,482)
School Resource Officer	27,000	27,000	-
School Crossing Guard reimbursement	9,000	9,000	-
Miscellaneous revenue	9,550	54,104	44,554
Total other revenues	339,550	371,708	32,158
Total revenues	13,625,995	13,679,392	53,397

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

	Budget	Actual	Variance positive (negative)
Expenditures:			
Current:			
General government:			
Town Council	\$ 41,000	40,040	960
Town Manager	220,167	243,497	(23,330)
Finance and administration	457,661	442,158	15,503
Assessor	98,951	92,120	6,831
Elections and voter registration	7,050	5,525	1,525
Insurance	75,500	75,257	243
Municipal and public safety buildings	69,700	65,624	4,076
Planning and code enforcement	209,390	194,706	14,684
Employee benefits	7,500	5,149	2,351
Contracted services	147,360	71,877	75,483
Tax increment financing - Dirigo Pines	102,853	102,853	-
Miscellaneous	23,082	28,065	(4,983)
Total general government	1,460,214	1,366,871	93,343
Public services:			
General assistance	21,200	6,069	15,131
Library	298,336	282,815	15,521
Recreation	295,969	275,012	20,957
Facilities	98,457	93,842	4,615
Senior Citizen Center	18,590	18,883	(293)
Anderson Community House	18,775	13,852	4,923
Total public services	751,327	690,473	60,854
Public safety:			
Public safety administration	68,658	61,851	6,807
Police Department	1,161,514	1,168,665	(7,151)
Fire Department	1,340,734	1,349,697	(8,963)
Fire protection	228,000	228,807	(807)
Street lights	71,000	68,006	2,994
Haz-Mat	31,500	18,818	12,682
Total public safety	2,901,406	2,895,844	5,562
Public works:			
General maintenance	416,732	371,438	45,294
Winter maintenance	443,437	469,484	(26,047)
Cemetery	73,490	67,926	5,564
Solid waste disposal	273,809	299,060	(25,251)
Town garage	202,130	208,440	(6,310)
Total public works	1,409,598	1,416,348	(6,750)

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

	Budget	Actual	Variance positive (negative)
Expenditures, continued			
Current, continued:			
Educational assessment	\$ 5,714,080	5,714,080	-
County tax	477,242	477,242	-
Debt service:			
Principal	259,507	259,507	-
Interest	155,956	155,956	-
Total debt service	415,463	415,463	-
Capital expenditures:			
Capital equipment	60,000	47,789	12,211
Capital infrastructure	1,275,014	326,019	948,995
Capital facilities	87,600	31,428	56,172
Total capital expenditures	1,422,614	405,236	1,017,378
Total expenditures	14,551,944	13,381,557	1,170,387
Excess (deficiency) of revenues over (under) expenditures	(925,949)	297,835	1,223,784
Other financing sources (uses):			
Issuance of bonds	545,000	-	(545,000)
Transfers-in	193,500	120,000	(73,500)
Transfers-out	(524,788)	(450,127)	74,661
Utilization of assigned balance	412,237	-	(412,237)
Utilization of unassigned balance	300,000	-	(300,000)
Total other financing sources (uses)	925,949	(330,127)	(1,256,076)
Net change in fund balances, budgetary basis	-	(32,292)	(32,292)
Fund balance, beginning of year-budgetary basis		6,514,175	
Fund balance, end of year-budgetary basis		6,481,883	
Amounts held in reserves		2,415,342	
Fund balance, end of year		\$ 8,897,225	

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2014

Fund	Fund balances beginning of year	Interest income	Other Revenues	Expenditures	Transfers in (out)	Fund balances end of year
008 Orono Economic Development Corporation	\$ 769,384	1,588	158,564	488,564	-	440,972
010 Communications replacement	10,007	13	-	8,500	-	1,520
011 Unemployment	36,203	63	-	-	-	36,266
012 Landfill closure	6,850	32	3,443	-	-	10,325
013 Hazardous materials	127,614	223	-	-	-	127,837
014 Wood chipper	16,101	18	-	9,258	-	6,861
016 Capital equipment	867,147	1,450	52,200	137,043	70,000	853,754
017 Cable capital support	21	1	-	-	-	22
018 Downtown TIF	313,559	645	44,386	251,789	264,003	370,804
019 Office computer system	8,055	15	-	-	-	8,070
020 Council reserve projects	4,437	7	-	-	-	4,444
021 Emergency medical services	7,336	12	-	-	-	7,348
022 Major maintenance	17,491	29	-	-	-	17,520
024 Safety equipment	14,408	24	-	-	-	14,432
025 Public works garage	537,463	666	-	324,393	-	213,736
026 SRD TIF	55,074	141	-	7,104	43,008	91,119
027 Skate park	10,797	18	1,982	-	-	12,797
028 Bennoch Road reconstruction	4	-	-	-	-	4
029 Recreation reserve	1,480	3	-	-	-	1,483
032 Voting machine	31,680	53	-	-	-	31,733
034 Employee benefits	73,690	123	-	-	-	73,813
036 Library maintenance	15,015	25	-	-	5,000	20,040
037 Webster Point TIF	-	4	-	21,444	25,228	3,788
060 Orono Economic Development Corporation debt service	119,063	162	-	95,459	42,888	66,654
Total General Fund reserves	\$ 3,042,879	5,315	260,575	1,343,554	450,127	2,415,342

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds					Capital Project Fund	Totals
	Grant Fund	MBNA Infrastructure	Cemetery	Public Library	Park Trust - Library Fund	Library Construction	
ASSETS							
Cash and cash equivalents	\$ -	37,688	68,452	34,137	2,640	57,004	199,921
Investments	-	-	265,377	20,825	-	-	286,202
Accounts receivable	22,602	-	-	-	-	-	22,602
Interfund loans receivable	11,904	-	2,250	-	-	-	14,154
Total assets	\$ 34,506	37,688	336,079	54,962	2,640	57,004	522,879
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	36,850	-	-	-	-	-	36,850
Interfund loans payable	-	-	-	-	-	1,376	1,376
Total liabilities	36,850	-	-	-	-	1,376	38,226
Fund balances (deficit):							
Restricted	-	37,688	336,079	54,962	2,640	55,628	486,997
Unassigned	(2,344)	-	-	-	-	-	(2,344)
Total fund balance (deficit)	(2,344)	37,688	336,079	54,962	2,640	55,628	484,653
Total liabilities and fund balances	\$ 34,506	37,688	336,079	54,962	2,640	57,004	522,879

TOWN OF ORONO, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds					Capital Project Fund	Totals
	Grant Fund	MBNA Infrastructure	Cemetery	Public Library	Park Trust - Library Fund	Library Construction	
Revenues:							
Intergovernmental	\$ 110,040	-	-	-	-	-	110,040
Interest income	-	63	5,310	440	4	98	5,915
Other	57,641	-	8,863	3,300	-	-	69,804
Total revenues	167,681	63	14,173	3,740	4	98	185,759
Expenditures:							
Current:							
Program expenditures	170,025	-	10,205	2,922	-	-	183,152
Capital outlay	-	-	-	-	-	3,978	3,978
Total expenditures	170,025	-	10,205	2,922	-	3,978	187,130
Net change in fund balances	(2,344)	63	3,968	818	4	(3,880)	(1,371)
Fund balances, beginning of year	-	37,625	332,111	54,144	2,636	59,508	486,024
Fund balances (deficit), end of year	\$ (2,344)	37,688	336,079	54,962	2,640	55,628	484,653