

CITY OF ORONO, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2015

**PREPARED BY THE FINANCE DEPARTMENT
OF THE CITY OF ORONO, MINNESOTA**

**RON OLSON
DIRECTOR OF FINANCE**

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INTRODUCTORY SECTION



CITY OF ORONO

MUNICIPAL OFFICES

STREET ADDRESS
2750 Kelley Parkway
Orono, MN 55356

MAILING ADDRESS:
P.O. Box 66
Crystal Bay, MN 55323-0066

June 21, 2016

To the City Council and Citizens of the City of Orono:

The comprehensive annual financial report (CAFR) of the City of Orono, Minnesota (the City) for the fiscal year ended December 31, 2015 is hereby submitted. Management assumes full responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Minnesota Statutes require that the City have an annual audit performed by a certified public accountant or the State Auditor. The City appointed the certified public accounting firm of CliftonLarsonAllen LLP to perform the audit for the year ended December 31, 2015. The independent auditor's report on the basic financial statements is unqualified, and is included in the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the auditors.

PROFILE OF THE CITY

The City was incorporated effective January 1, 1955. The City is located on the northern shore of Lake Minnetonka about 15 miles west of the City of Minneapolis. Of the City's 24.5 square miles of area, 50% is open water or marshland (with a total of 12.3 square miles of land area). Of Lake Minnetonka, 40% of the shoreline and 33% of the lake area is in the City.

The City is a third ring suburb in the seven-county metropolitan Twin Cities area of Minneapolis/St. Paul, and is located on Lake Minnetonka, the tenth largest and most heavily used recreational lake in Minnesota. This heavy use is a result of the quality of the lake's aesthetic appeal, together with its proximity to the metropolitan urban core. The City developed primarily because of this aesthetic amenity.

(1)

PROFILE OF THE CITY (CONTINUED)

The City is a residential community with primarily single-family housing, and includes a small commercial district. The City totally surrounds two communities, which are part of the original township, and substantially surrounds a third community. The City cooperates with these cities for the most cost effective provision of city services.

The City is home to many of the metropolitan area's top executives who appreciate the community's natural amenities. It is anticipated that the positive appeal of the community, together with the extent of available land, will see the community experiencing continued development for the next ten years.

The City operates under the "Optional Plan A" form of government as defined in Minnesota Statutes. Under this plan, the City Council, composed of an elected mayor and four elected trustees or council members, exercises legislative authority and determines all matters of policy. The City Administrator, appointed by the City Council, is responsible for the proper administering of all affairs relating to the City.

The City provides a variety of municipal services which include: police protection, fire protection, street maintenance, building inspection, planning and zoning, public improvements, general administrative services, public water and sewer utilities, and a municipal golf course.

The City adopts an annual budget for the General Fund and certain Special Revenue Funds. The City has established budgetary control at the department level.

LOCAL ECONOMY

The City is in a strong financial position. Because of its strong residential tax base, and conservative fiscal philosophy, the City continued in 2015 to have a tax capacity rate that is one of the lowest in the county, ranking second lowest of 45 communities. The strength of the City's financial condition is reflected in its bond rating of Aaa since 2006 for all bond issues.

LONG-TERM FINANCIAL PLANNING

The Metropolitan Council requires all cities in the seven-county metropolitan area to have a Comprehensive Plan. The Metropolitan Council and state statutes require cities to update their plans every 10 years. The Orono Comprehensive Plan serves as a guide for orderly and economic private and public improvement. The scope of the plan is intended to include almost every factor that influences investments or improvements in the City. The City of Orono's Comprehensive Plan has been updated and approved by the City Council in 2010.

In 2011, the City analyzed the condition of its street infrastructure. This information was used to develop a pavement management plan, which provides the basis for planning and funding street improvements. In 2012, this plan was incorporated into a comprehensive Capital Improvement Plan (CIP). The CIP is intended to be updated annually as part of the budgeting process. This was done during 2015.

RELEVANT FINANCIAL POLICIES

The City is in the process of reviewing and formalizing its financial policies. The City recently updated its investment policy. In 2011, the City amended its fund balance policy to reflect the requirements of fund balance reporting addressed by GASB Statement No. 54. The policy also sets a fund balance minimum and maximum for the General Fund. The CIP that was adopted in 2012 is the basis for long range capital planning and budgeting for the City.

MAJOR INITIATIVES

Cooperative Efforts with Other Jurisdictions

The City is involved in cooperative arrangements for fire services with the cities of Long Lake and Wayzata. A small portion of the City is served by Wayzata with Long Lake providing service to the majority of the City. The cities of Long Lake and Orono jointly own a fire station and have a long-term fire service agreement.

The City provides police protection to the cities of Spring Park, Minnetonka Beach, and Mound. The Mound Service contract was new effective 1/1/2013. The efficiencies provided by one department serving four communities provide all of the cities enhanced services. For example, one larger department allows for dedicated investigators, school resource officers, and participation in a regional drug task force.

The City continues to be involved with a group of fourteen cities located adjacent to Lake Minnetonka in an effort to identify new opportunities for cooperative service delivery to enable improved services and increased efficiency.

Water and Sewer Infrastructure

The City operates and maintains both a water distribution and sanitary sewer collection system. The City's sanitary sewer collection system discharges into several Metropolitan Council Environmental Services (MCES) interceptor sewers for treatment by MCES at the Blue Lake treatment plant. The City pays MCES for sanitary sewer treatment charges on a quarterly basis, and these MCES treatment costs are included in the City's sewer billing to residents.

The City is continuing a proactive infiltration and inflow reduction program to eliminate significant sources of inflow and infiltration of ground water into the City's sanitary sewer system. In 2015, the City invested \$250,000 in a sewer lining project to promote this effort. Because the MCES charges are based on measured flow, any reduction of inflow and infiltration results in lower charges.

The City has two water towers to serve the needs of the urban portion of the City. The two water towers have become significant revenue generators through leases to telecommunications providers to meet their antenna needs. The antenna revenue generated by the two water towers in 2015 was \$90,016.

In 2015 the City began the process of developing a new well in the northern section of the City. When completed, this well will provide firm capacity for fire protection. In addition, it will provide the additional capacity needed for future development along the highway 112 corridor.

In 2015, the City continued the process of using GPS to capture the location of the City's entire utility infrastructure. This information is being added to the City's existing GIS system to improve efficiency in dealing with emergencies. In 2015 the City also moved forward with the purchase of an asset management system that interfaces with the GIS system and will be used to track detailed information on City Infrastructure.

AWARDS AND ACKNOWLEDGEMENTS

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principle and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to the entire city staff for their individual contributions in assisting with the preparation of this report and to the outside agencies that assisted with essential information for this report. We also would like to express appreciation to the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. J. Olson', followed by a long horizontal line extending to the right.

Ronald J. Olson
Finance Director

**CITY OF ORONO
OFFICIAL DIRECTORY
YEAR ENDED DECEMBER 31, 2015**

CITY COUNCIL AND OTHER OFFICIALS

Lili McMillan
Lizz Levang
Aaron H. Printup
Dennis Walsh
Jim Cornick

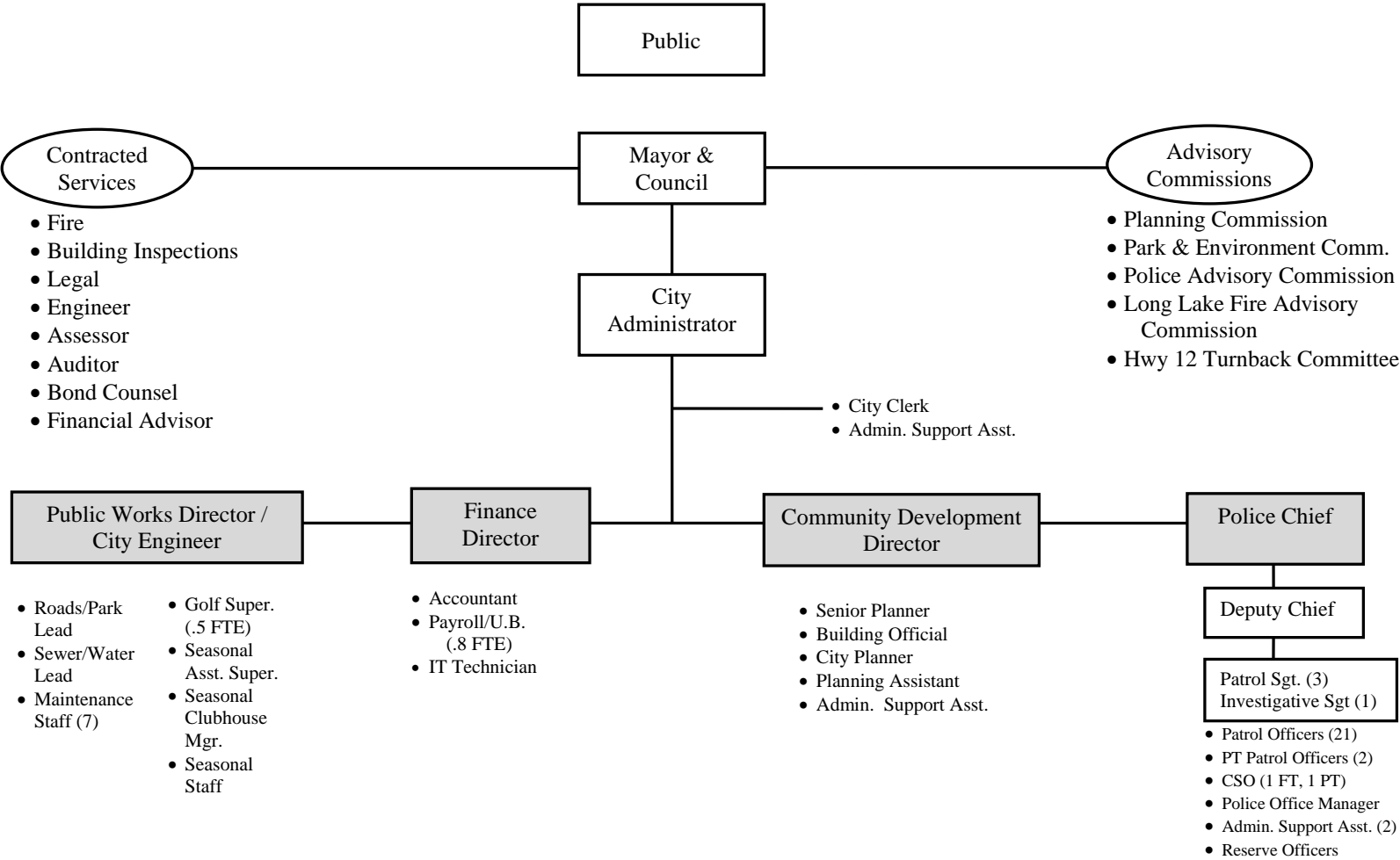
Mayor
Council Member
Council Member
Council Member
Council Member

CITY OFFICIALS

Jessica Loftus
Ronald Olson

City Administrator
Finance Director - Treasurer

**CITY OF ORONO
ORGANIZATIONAL CHART
YEAR ENDED DECEMBER 31, 2015**



CITY OF ORONO
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
DECEMBER 31, 2015



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Orono
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council
City of Orono, Minnesota

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 City of Orono, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Orono'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.

Auditors' 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 auditors' 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 City of Orono as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended December 31, 2015, the City of Orono adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and 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 City of Orono's basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules 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 other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

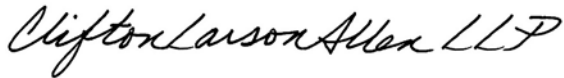
Honorable Mayor and the City Council
City of Orono, Minnesota

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the City of Orono'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 result 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 City of Orono's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 21, 2016

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

As management of the City of Orono, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The net position of the City's governmental activities increased by \$1,477,851 during the year excluding the effects of the prior period restatement. With the prior period restatement the net position of the City's governmental activities decreased by \$2,022,249 to \$21,850,466 at year-end.
- The net position of the City's business-type activities increased by \$224,619 during the year excluding the effects of the prior period restatement. With the prior period restatement the net position of the City's business-type activities decreased by \$71,363 to \$21,917,703 at year-end.
- The fund balance of the General Fund increased by \$381,827 during the year to \$4,308,487 at year-end.
- The Water, Sewer, and Recycling Funds reported operating losses of \$39,435, \$43,750, and \$18,445 respectively.
- The Storm Water and Cable Television Funds reported operating incomes of \$91,840 and \$67,830 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector businesses.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the assets and deferred outflows and liabilities and deferred inflows reported as net position. Over time, increases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes to 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 (e.g. delinquent taxes and special assessments).

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property 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 include general government, public safety, streets, and parks and recreation. The business-type activities of the City include enterprises for water operating, sewer operating, storm water, recycling, and cable television.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of the City are divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term, financing decisions. Both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The fund financial statements present information for each major governmental fund in separate columns. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the General Fund and special revenue funds (a budget was not prepared for the Affordable Housing, Golf Course Improvement, and Lurton Park Special Revenue Funds for 2015). Budget-to-actual comparisons are provided in this financial report for these funds.

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Internal Service Funds are used to accumulate and allocate insurance costs to the various city functions as well as to account for the accrual of sick and vacation days that are earned by the City's employees. The Internal Service Funds are predominantly used by governmental functions, however, they are included within the governmental activities and the business-type activities in the government-wide financial statements based on each respective share of activity.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Other Information – Combining statements and schedules for non-major funds are presented immediately following the notes to basic financial statements.

The following is a summary of the City's net position:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 14,241,599	\$ 14,718,260
Capital Assets	24,038,921	22,815,377
Total Assets	<u>38,280,520</u>	<u>37,533,637</u>
Deferred Outflows of Resources	783,881	-
Noncurrent Liabilities Outstanding	12,763,398	10,090,880
Other Liabilities	3,776,691	3,570,042
Total Liabilities	<u>16,540,089</u>	<u>13,660,922</u>
Deferred Inflows of Resources	677,729	-
Net Position:		
Net Investment in Capital Assets	14,269,848	10,720,258
Restricted	3,835,852	3,535,595
Unrestricted	3,740,883	9,616,862
Total Net Position	<u>\$ 21,846,583</u>	<u>\$ 23,872,715</u>
	<u>Business-Type Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 7,000,328	\$ 7,406,475
Capital Assets	16,720,927	16,042,333
Total Assets	<u>23,721,255</u>	<u>23,448,808</u>
Deferred Outflows of Resources	41,783	-
Noncurrent Liabilities Outstanding	1,173,742	1,240,141
Other Liabilities	627,034	219,601
Total Liabilities	<u>1,800,776</u>	<u>1,459,742</u>
Deferred Inflows of Resources	44,559	-
Net Position:		
Net Investment in Capital Assets	15,505,885	16,042,333
Unrestricted	6,411,818	5,946,733
Total Net Position	<u>\$ 21,917,703</u>	<u>\$ 21,989,066</u>

The City's financial position is the product of many factors. For example, the determination of the City's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

Net position decreased by \$2,093,612 (\$2,022,249 Governmental, \$71,363 Business-Type) this year, largely due to the effects of the implementation of GASB Statements 68 and 71.

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The City has historically been financially conservative, managing revenues and expenditures/expenses to assure operation of a balanced budget. The ongoing management of revenues and expenditures/expenses and the sound financial position the City has attained have resulted in the City's excellent bond ratings: Aaa for all general obligation bond issues.

The following is a summary of the City's change in Governmental net position:

	Governmental Activities			
	2015	2014	Annual Change	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 3,977,001	\$ 3,473,980	\$ 503,021	14.48 %
Operating Grants and Contributions	732,114	925,968	(193,854)	(21)
Capital Grants and Contributions	13,549	22,060	(8,511)	(39)
General Revenues:				
Property Taxes	4,819,345	4,809,875	9,470	-
Unrestricted Investment Earnings	144,252	215,606	(71,354)	(33)
Gain on Sale of Capital Assets	6,466	7,961	(1,495)	(19)
Other	44,051	17,337	26,714	154
Total Revenues	<u>9,736,778</u>	<u>9,472,787</u>	<u>263,991</u>	<u>2.79</u>
EXPENSES				
General Government	1,864,543	1,719,267	145,276	8
Public Safety	5,107,619	4,984,389	123,230	2
Streets	999,097	854,079	145,018	17
Parks and Recreation	324,731	254,177	70,554	28
Interest on Long-Term Debt	283,146	287,181	(4,035)	(1)
Total Expenses	<u>8,579,136</u>	<u>8,099,093</u>	<u>480,043</u>	<u>6</u>
CHANGE IN NET POSITION				
BEFORE TRANSFERS	1,157,642	1,373,694	(216,052)	(16)
Transfers	320,209	269,300	50,909	19
CHANGE IN NET POSITION	1,477,851	1,642,994	(165,143)	(10)
Net Position - Beginning of Year	23,872,715	22,229,721	1,642,994	7
Prior Period Restatement - See Note 11	(3,503,983)	-	(3,503,983)	-
Net Position - Beginning of Year, Restated	<u>20,368,732</u>	<u>22,229,721</u>	<u>(1,860,989)</u>	
NET POSITION - END OF YEAR	<u>\$ 21,846,583</u>	<u>\$ 23,872,715</u>	<u>\$ (2,026,132)</u>	<u>(8)%</u>

Overall revenues increased 2.8% between 2015 and 2016. Charges for service increased as a result of increased police service revenues and significant increase in construction activities. Net position increased by \$1,161,525 from 2015 operations. With the implementation of GASB Statement No. 68, a prior year restatement resulted in an 8% decrease in net position at year end.

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The following is a summary of the City's change in Business-type net position:

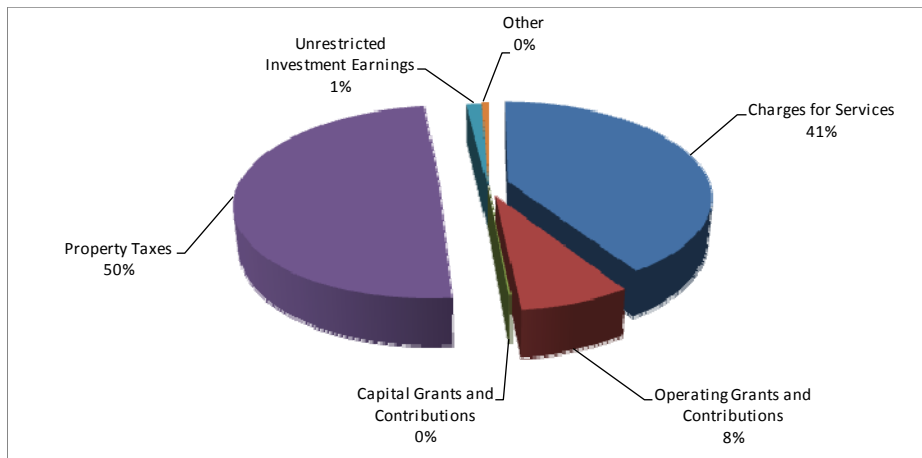
	Business-Type Activities			
	2015	2014	Annual Change	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 2,546,007	\$ 2,156,172	\$ 389,835	18 %
Capital Grants and Contributions	16,765	178,371	(161,606)	(91)
General Revenues:				
Unrestricted Interest Income on Special Assessments	2,714	10,860	(8,146)	(75)
Unrestricted Investment Earnings	64,362	113,238	(48,876)	(43)
Miscellaneous	141,546	163,719	(22,173)	(14)
Total Revenues	<u>2,771,394</u>	<u>2,622,360</u>	<u>149,034</u>	6
EXPENSES				
Water Operating	545,592	556,766	(11,174)	(2)
Sewer Operating	1,332,617	1,184,629	147,988	12
Storm Water	163,747	186,719	(22,972)	(12)
Recycling	116,642	114,983	1,659	1
Cable Television	31,802	12,675	19,127	151
Interest on Long-Term Debt	36,166	-	36,166	-
Total Expenses	<u>2,226,566</u>	<u>2,055,772</u>	<u>170,794</u>	8
CHANGE IN NET POSITION				
BEFORE TRANSFERS	544,828	566,588	(21,760)	(4)
Transfers	<u>(320,209)</u>	<u>(269,300)</u>	<u>(50,909)</u>	19
CHANGE IN NET POSITION	224,619	297,288	(72,669)	(24)
Net Position - Beginning of Year	21,989,066	21,691,778	297,288	1
Prior Period Restatement, See Note 11	(295,982)	-	(295,982)	-
Net Position - Beginning of Year, as Restated	<u>21,693,084</u>	<u>21,691,778</u>	<u>1,306</u>	
NET POSITION - END OF YEAR	<u>\$ 21,917,703</u>	<u>\$ 21,989,066</u>	<u>\$ (71,363)</u>	(0)%

The business-type activities, primarily the City's utility operations, showed a modest growth in net position. This is reflective of ongoing growth in the utilities system.

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

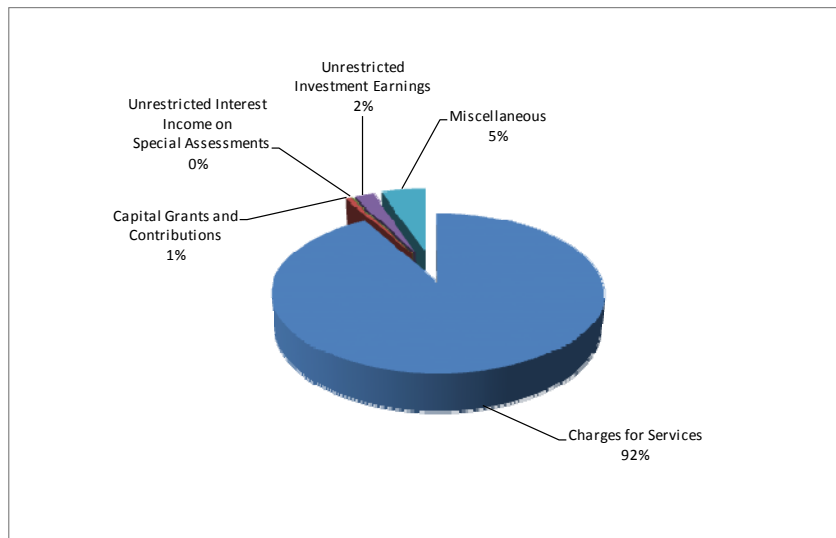
Governmental Activities

The graphs showing the governmental activities and their income clearly reflect the need for property taxes to supplement the activities of the City. Under the state's current local government aid formula the City will receive no local government aid.



Business-Type Activities

The Stormwater, Recycling, and Cable Television funds experienced operating profits in the current year. The Water and Sewer funds recorded operating losses. Water rates are continuing to be increased based on the updated utility rate study, with the goal of producing a positive operating income in the future. The Sewer funds operating loss is the result of a 22% increase in wastewater disposal charges from the previous year. This increase was a one year spike and was not used in calculating the rates for 2015. During 2015 the city was notified that our charges will be decreasing by 19% which is a level consistent with past charges. The fund will operate at a profit in the future. All of the enterprise funds experienced net profits when non-operating revenues are included. Utility rates continue to be set base on the utility rate study that was updated in 2013.



**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

General Fund

The General Fund is the main operating fund of the City. Its primary revenue source in 2015 was property taxes at 50.4% of the total revenue, followed by user fees at 36%. The total fund balance increased by \$385,710 during the current fiscal year. This increase is the result of higher than budgeted building related fees reflective of the improving housing market. Expenditures were under budget for the year. Savings in the Police Department related to fuel and personnel costs were the primary reason for the expenditures being under budget. The unassigned fund balance of \$4,312,370 at the end of 2015 represents 62% of total General Fund expenditures for the year.

Proprietary Funds

The City's enterprise funds had a combined net position balance of \$21,917,703 at December 31, 2015. The financial activities of these funds have been summarized in previous charts within this discussion.

Capital Assets

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2015 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,055,379	\$ 7,055,379	\$ 71,706	\$ 71,706	\$ 7,127,085	\$ 7,127,085
Construction in Progress	881,371	3,717,114	833,179	519,155	1,714,550	4,236,269
Buildings and Building Improvements	9,133,280	6,099,130	770,330	770,330	9,903,610	6,869,460
Improvements Other than Buildings	2,255,085	1,605,085	13,511	13,511	2,268,596	1,618,596
Streets and Infrastructure	7,054,565	6,323,487	-	-	7,054,565	6,323,487
Distribution/Collection Systems	-	-	23,393,849	22,632,685	23,393,849	22,632,685
Equipment and Furniture	3,476,352	3,276,323	828,821	785,683	4,305,173	4,062,006
Total Capital Assets	29,856,032	28,076,518	25,911,396	24,793,070	55,767,428	52,869,588
Less: Accumulated Depreciation	(5,817,111)	(5,261,141)	(9,190,469)	(8,750,737)	(15,007,580)	(14,011,878)
Total Capital Assets, Net	\$ 24,038,921	\$ 22,815,377	\$ 16,720,927	\$ 16,042,333	\$ 40,759,848	\$ 38,857,710

**CITY OF ORONO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The City has completed the development of a Capital Improvement Plan (CIP) that was formally adopted by the City Council. This plan will be reviewed annually as part of the budget process. The approved purchase of an asset management program will improve the City's ability to track useful and identify maintenance concerns involving the City's infrastructure and assets.

Additional details of capital asset activity for the year can be found in Note 4 of the notes to basic financial statements.

Long-Term Liabilities

The debt service funds account for the accumulation of resources to finance all of the City's general obligation bonds. The revenue sources for these funds include annual tax levies, special assessments, and transfers from other funds. At year-end, the total fund balance of these funds was \$2,209,951. The following table summarized the City's long-term liabilities

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 9,610,000	\$ 10,620,000	\$ 1,195,000	\$ -	\$ 10,805,000	\$ 10,620,000
Compensated Absences	444,350	427,923	32,824	25,270	477,174	453,193
Other Postemployment Benefits	273,616	229,446	27,361	24,088	300,977	253,534
Net Pension Liability	3,701,933	3,723,015	296,134	307,923	3,998,067	4,030,938
Capital Lease Payable	11,812	17,374	-	-	11,812	17,374
Bond Premium (Discount), Net	141,699	155,933	20,041	-	161,740	175,974
Total Outstanding Debt	<u>\$ 14,183,410</u>	<u>\$ 15,173,691</u>	<u>\$ 1,571,360</u>	<u>\$ 357,281</u>	<u>\$ 15,754,770</u>	<u>\$ 15,551,013</u>

Additional details of long-term debt activity for the year can be found in Note 5 of the notes to basic financial statements.

General Fund Budgetary Highlights

Detail of the General Fund original budget, final budget and actual revenues and expenditures can be found on page 55 of this report. While a few departments required budget adjustments, the City compensated for these increases with reductions in other departments. The Departments that needed budget adjustments were Assessing, Golf, and Special Services. The City contracts with Hennepin County for assessing services. One variable component of the contract rate is charges associated with assessing new construction. The City experienced a dramatic increase in building activity during the year and one result was a higher than budgeted assessing bill. Special Services is also related to building activity and as a result was over budget. Both of these departments have revenue lines associated with the services that they provide. These revenues were also well over budget. The Golf Course had its highest annual revenue in years. The expenditure overage was the result of purchasing more items for resale than budgeted. The overage was offset by the revenue associated with the sale of the merchandise. The overall General Fund net budget amount did not change and ended the year with a favorable budget variance of \$727,907 before other financing sources and uses.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed by writing to the City of Orono, 2750 Kelley Parkway, P.O. Box 66, Crystal Bay, Minnesota 55323 or by calling (952) 249-4600.

BASIC FINANCIAL STATEMENTS

CITY OF ORONO
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 14,136,914	\$ 5,760,484	\$ 19,897,398
Accounts Receivable	13,679	536,547	550,226
Property Taxes Receivable	36,601	-	36,601
Special Assessments Receivable	17,167	460,177	477,344
Accrued Interest Receivable	24,522	-	24,522
Internal Balances	(178,930)	178,930	-
Due from Other Governments	101,715	17,828	119,543
Inventories	7,474	7,071	14,545
Prepaid Items	67,326	39,291	106,617
Other Assets	15,131	-	15,131
Capital Assets:			
Non-Depreciable:			
Land	7,055,379	71,706	7,127,085
Construction in Progress	881,371	833,179	1,714,550
Depreciable:			
Buildings and Building Improvements	9,133,280	770,330	9,903,610
Improvements Other than Buildings	2,255,085	13,511	2,268,596
Streets and Infrastructure	7,054,565	-	7,054,565
Distribution/Collection Systems	-	23,393,849	23,393,849
Equipment and Furniture	3,476,352	828,821	4,305,173
Total Capital Assets	<u>29,856,032</u>	<u>25,911,396</u>	<u>55,767,428</u>
Less: Accumulated Depreciation	<u>(5,817,111)</u>	<u>(9,190,469)</u>	<u>(15,007,580)</u>
Total Capital Assets, Net	<u>24,038,921</u>	<u>16,720,927</u>	<u>40,759,848</u>
Total Assets	<u>38,280,520</u>	<u>23,721,255</u>	<u>62,001,775</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources	783,881	41,783	825,664
LIABILITIES			
Accounts and Contracts Payable	212,340	130,203	342,543
Accrued Salaries and Fringes	123,132	15,595	138,727
Accrued Interest Payable	120,556	11,430	131,986
Deposits	1,790,572	7,000	1,797,572
Unearned Revenue	-	43,096	43,096
Due to Other Governmental Units	110,079	22,091	132,170
Long-Term Liabilities:			
Net Pension Liability	3,701,933	296,134	3,998,067
Due Within One Year	1,420,012	101,485	1,521,497
Due in More Than One Year	9,061,465	1,173,742	10,235,207
Total Liabilities	<u>16,540,089</u>	<u>1,800,776</u>	<u>18,340,865</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources	677,729	44,559	722,288
NET POSITION			
Net Investment in Capital Assets	14,269,848	15,505,885	29,775,733
Restricted for:			
Debt Service	2,094,029	-	2,094,029
Construction Activities	261,171	-	261,171
Park Improvements	983,630	-	983,630
Drug and Alcohol Law Enforcement	235,552	-	235,552
Home Buyer Purchase Assistance Program	129,705	-	129,705
Lurton Park Development and Maintenance	65,652	-	65,652
Senior Housing TIF	66,113	-	66,113
Unrestricted	<u>3,740,883</u>	<u>6,411,818</u>	<u>10,152,701</u>
Total Net Position	<u>\$ 21,846,583</u>	<u>\$ 21,917,703</u>	<u>\$ 43,764,286</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

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		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 1,864,543	\$ 736,643	\$ 97,586	\$ 13,549	\$ (1,016,765)	\$ -	\$ (1,016,765)
Public Safety	5,107,619	2,737,342	404,273	-	(1,966,004)	-	(1,966,004)
Streets	999,097	3,933	230,255	-	(764,909)	-	(764,909)
Parks and Recreation	324,731	499,083	-	-	174,352	-	174,352
Interest and Fiscal Charges	283,146	-	-	-	(283,146)	-	(283,146)
Total Governmental Activities	8,579,136	3,977,001	732,114	13,549	(3,856,472)	-	(3,856,472)
Business-Type Activities:							
Water Operating	545,592	492,947	-	-	-	(52,645)	(52,645)
Sewer Operating	1,332,617	1,297,786	-	16,765	-	(18,066)	(18,066)
Storm Water	163,747	527,255	-	-	-	363,508	363,508
Recycling	116,642	128,387	-	-	-	11,745	11,745
Cable Television	31,802	99,632	-	-	-	67,830	67,830
Interest and Fiscal Charges	36,166	-	-	-	-	(36,166)	(36,166)
Total Business-Type Activities	2,226,566	2,546,007	-	16,765	-	336,206	336,206
Total Primary Government	\$ 10,805,702	\$ 6,523,008	\$ 732,114	\$ 30,314	(3,856,472)	336,206	(3,520,266)
General Revenues:							
Property Taxes, Levied for General Purposes					4,819,345	-	4,819,345
Unrestricted Investment Earnings					144,252	64,362	208,614
Unrestricted Interest Income on Special Assessments					-	2,714	2,714
Miscellaneous					44,051	141,546	185,597
Gain on Sale of Capital Assets					6,466	-	6,466
Transfers					320,209	(320,209)	-
Total General Revenues and Transfers					5,334,323	(111,587)	5,222,736
Change in Net Position					1,477,851	224,619	1,702,470
Net Position - Beginning					23,872,715	21,989,066	45,861,781
Prior Period Restatement - See Note 11					(3,503,983)	(295,982)	(3,799,965)
Net Position - Beginning, as Restated					20,368,732	21,693,084	42,061,816
Net Position - Ending					\$ 21,846,583	\$ 21,917,703	\$ 43,764,286

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash and Investments	\$ 6,108,667	\$ 6,922,771	\$ 13,031,438
Receivables:			
Miscellaneous Receivables	13,679	-	13,679
Accrued Interest	24,516	6	24,522
Delinquent Taxes	31,967	4,634	36,601
Deferred Special Assessments	-	17,167	17,167
Prepays	67,326	-	67,326
Inventory	7,474	-	7,474
Due from Other Funds	110,278	-	110,278
Due from Other Governmental Units	95,548	6,167	101,715
Other Assets	15,131	-	15,131
	\$ 6,474,586	\$ 6,950,745	\$ 13,425,331
LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts and Contracts Payable	\$ 110,349	\$ 101,991	\$ 212,340
Accrued Salaries Payable	123,132	-	123,132
Due to Other Funds	-	96,564	96,564
Due to Other Governmental Units	110,079	-	110,079
Deposits	1,790,572	-	1,790,572
Total Liabilities	2,134,132	198,555	2,332,687
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	31,967	4,634	36,601
Unavailable Revenue - Special Assessments	-	17,167	17,167
Total Deferred Inflows of Resources	31,967	21,801	53,768
FUND BALANCE			
Nonspendable:			
Prepays	67,326	-	67,326
Inventory	7,474	-	7,474
Restricted:			
Debt Service	-	2,209,951	2,209,951
Parkland Acquisitions and Improvement	-	983,630	983,630
Drug and Alcohol Law Enforcement	-	235,552	235,552
Home Buyer Purchase Assistance	-	129,705	129,705
Lurton Park Development and Maintenance	-	65,652	65,652
Senior Housing	-	66,113	66,113
Road Construction Projects	-	261,171	261,171
Golf Course Improvements	-	5,572	5,572
Assigned:			
Long Lake Fire Equipment	-	566,379	566,379
Capital Equipment Purchases	-	554,813	554,813
Police Equipment Purchases	-	208,106	208,106
Future Construction Projects	-	744,820	744,820
Community-Wide Projects	-	876,273	876,273
Debt Service	-	1,225	1,225
Unassigned	4,233,687	(178,573)	4,055,114
Total Fund Balance	4,308,487	6,730,389	11,038,876
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,474,586	\$ 6,950,745	\$ 13,425,331

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Total Fund Balances for Governmental Funds \$ 11,038,876

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 7,055,379	
Construction in Progress	881,371	
Buildings and Building Improvements	9,133,280	
Improvements Other than Buildings	2,255,085	
Streets and Infrastructure	7,054,565	
Equipment and Furniture	3,476,352	
Total Capital Assets	29,856,032	
Less: Accumulated Depreciation	(5,817,111)	24,038,921

Some of the City's receivables, including property taxes and special assessments, will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

53,768

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.

(120,556)

The City's net pension liability and related deferred inflows and deferred outflows are recorded only on the Statement of Net Position. Balances at year end are:

-

Net Pension Liability	(3,701,933)	
Deferred Inflows of Resources - Pensions	(677,729)	
Deferred Outflows of Resources - Pensions	783,881	(3,595,781)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long term - are reported in the statement of net position.

Bonds Payable	(9,610,000)	
Unamortized Premiums	(141,699)	
Capital Lease Payable	(11,812)	
Other Postemployment Benefits	(273,616)	
Compensated Absence Payable	(444,350)	(10,481,477)

Internal service funds are used by management to charge the costs of employee benefits and vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

912,832

Total Net Position of Governmental Activities

\$ 21,846,583

See accompanying Notes to Basic Financial Statements.

CITY OF ORONO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	General Fund	Other Governmental Funds	Totals
REVENUE			
Property Taxes	\$ 4,004,168	\$ 835,554	\$ 4,839,722
Special Assessments	-	70,349	70,349
Licenses and Permits	535,543	310,800	846,343
Intergovernmental Revenue	277,794	267,442	545,236
Fines and Forfeitures	102,627	32,127	134,754
Other Revenue:			
Investment Earnings	69,288	63,916	133,204
User Fees	2,892,013	4,445	2,896,458
Rents and Refunds	4,950	-	4,950
Miscellaneous Revenue	50,496	9,421	59,917
Total Revenue	<u>7,936,879</u>	<u>1,594,054</u>	<u>9,530,933</u>
EXPENDITURES			
Current:			
General Government	1,224,264	60,800	1,285,064
Public Safety	4,904,328	1,789	4,906,117
Streets	496,239	-	496,239
Parks and Recreation	268,831	-	268,831
Capital Outlay	-	2,114,343	2,114,343
Debt Service:			
Principal Retirement	-	1,010,000	1,010,000
Interest and Fiscal Charges	-	331,317	331,317
Total Expenditures	<u>6,893,662</u>	<u>3,518,249</u>	<u>10,411,911</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	1,043,217	(1,924,195)	(880,978)
OTHER FINANCE SOURCES (USES)			
Transfers In	-	1,451,397	1,451,397
Transfers Out	(679,000)	(452,188)	(1,131,188)
Proceeds from Sale of Capital Assets	17,610	-	17,610
Total Other Finance Sources (Uses)	<u>(661,390)</u>	<u>999,209</u>	<u>337,819</u>
NET CHANGE IN FUND BALANCES	381,827	(924,986)	(543,159)
FUND BALANCES			
Beginning of Year	3,926,660	7,655,375	11,582,035
End of Year	<u>\$ 4,308,487</u>	<u>\$ 6,730,389</u>	<u>\$ 11,038,876</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ORONO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances-Total Governmental Funds \$ (543,159)

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

Governmental funds report capital outlays as expenditures and proceeds from sale of capital assets as revenues. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays - Improvement Costs (Net of Proceeds)	\$ 1,937,277	
Gain (Loss) on Disposal of Capital Assets	6,466	
Proceeds from the Sale of Capital Assets	(17,610)	
Depreciation Expense	<u>(702,589)</u>	1,223,544

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.

Principal Payments for Capital Leases	<u>5,562</u>	5,562
---------------------------------------	--------------	-------

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Amortization of Bond Premium	14,234	
Repayment of Bond Principal	1,010,000	
Change in Accrued Interest Expense	<u>21,837</u>	1,046,071

Delinquent and certain other property taxes and special assessments receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources and excluded from revenues in the governmental funds.

Deferred Inflows of Resources - December 31, 2014	130,945	
Deferred Inflows of Resources - December 31, 2015	<u>53,768</u>	(77,177)

In the statement of activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During fiscal year 2015, compensated absence payable and other post employment benefits payable changed.

(60,597)

Pension expenses in the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

(91,798)

Internal service funds are used by the City to charge the costs of insurance to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.

(24,595)

Change in Net Position of Governmental Activities	<u>\$ 1,477,851</u>	
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See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Business-Type Activities				Totals	Governmental
	Water Operating	Sewer Operating	Storm Water	Other Business-Type Activities		Internal Service
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,361,909	\$ 2,853,564	\$ 1,477,623	\$ 67,388	\$ 5,760,484	\$ 1,105,476
Receivables:						
Accounts Receivables (Net of Allowance)	111,628	338,161	48,501	38,257	536,547	-
Delinquent Special Assessments	175	28,626	-	-	28,801	-
Special Assessments	73,906	357,470	-	-	431,376	-
Prepays	250	37,349	-	1,692	39,291	-
Inventory	7,071	-	-	-	7,071	-
Due from Other Governmental Units	98	2,635	-	15,095	17,828	-
Total Current Assets	<u>1,555,037</u>	<u>3,617,805</u>	<u>1,526,124</u>	<u>122,432</u>	<u>6,821,398</u>	<u>1,105,476</u>
CAPITAL ASSETS						
Land and Land Improvements	62,195	16,654	6,368	-	85,217	-
Construction in Progress	736,298	13,949	82,932	-	833,179	-
Buildings and Improvements	737,362	32,968	-	-	770,330	-
Equipment	91,092	517,514	177,077	43,138	828,821	-
Distribution/Collection System	4,949,918	17,255,678	1,188,253	-	23,393,849	-
Total	6,576,865	17,836,763	1,454,630	43,138	25,911,396	-
Less: Accumulated Depreciation	(2,237,442)	(6,718,812)	(229,901)	(4,314)	(9,190,469)	-
Net Capital Assets	<u>4,339,423</u>	<u>11,117,951</u>	<u>1,224,729</u>	<u>38,824</u>	<u>16,720,927</u>	<u>-</u>
Total Assets	5,894,460	14,735,756	2,750,853	161,256	23,542,325	1,105,476
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - Pensions	13,741	21,727	4,702	1,613	41,783	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts and Contracts Payable	45,269	16,165	68,769	-	130,203	-
Accrued Salaries Payable	5,434	8,444	1,717	-	15,595	-
Due to Other Funds	-	-	-	13,714	13,714	-
Due to Other Governmental Units	11,037	11,054	-	-	22,091	-
Deposits	7,000	-	-	-	7,000	-
Compensated Absences Payable	10,747	16,600	-	-	27,347	-
Unearned Revenue	27,326	15,770	-	-	43,096	-
Accrued Interest Payable	11,430	-	-	-	11,430	-
Current Maturities of Long-Term Debt	76,485	-	-	-	76,485	-
Total Current Liabilities	<u>194,728</u>	<u>68,033</u>	<u>70,486</u>	<u>13,714</u>	<u>346,961</u>	<u>-</u>
NONCURRENT LIABILITIES						
Bonds Payable	1,138,557	-	-	-	1,138,557	-
Other Postemployment Benefits	9,671	14,425	3,265	-	27,361	-
Net Pension Liability	97,390	153,989	33,325	11,430	296,134	-
Compensated Absences Payable	1,323	4,154	-	-	5,477	-
Total Noncurrent Liabilities	<u>1,246,941</u>	<u>172,568</u>	<u>36,590</u>	<u>11,430</u>	<u>1,467,529</u>	<u>-</u>
Total Liabilities	1,441,669	240,601	107,076	25,144	1,814,490	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - Pensions	14,654	23,171	5,014	1,720	44,559	-
NET POSITION						
Net Investment in Capital Assets	3,124,381	11,117,951	1,224,729	38,824	15,505,885	-
Unrestricted	1,327,497	3,375,760	1,418,736	97,181	6,219,174	1,105,476
Total Net Position	<u>\$ 4,451,878</u>	<u>\$ 14,493,711</u>	<u>\$ 2,643,465</u>	<u>\$ 136,005</u>	<u>21,725,059</u>	<u>\$ 1,105,476</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities

192,644
\$ 21,917,703

See accompanying Notes to Basic Financial Statements.

CITY OF ORONO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities				Totals	Governmental Activities
	Water Operating	Sewer Operating	Storm Water	Other Business-Type Activities		Internal Service
OPERATING REVENUE						
Sales and User Fees	\$ 492,947	\$ 1,258,081	\$ 252,042	\$ 196,292	\$ 2,199,362	\$ 243,569
Other	10,998	26,440	3,545	1,537	42,520	21,939
Total Operating Revenue	<u>503,945</u>	<u>1,284,521</u>	<u>255,587</u>	<u>197,829</u>	<u>2,241,882</u>	<u>265,508</u>
OPERATING EXPENSES						
Personnel Services	167,221	276,127	54,743	17,317	515,408	-
Professional Services	33,199	19,116	38,746	117,708	208,769	-
Operating and Maintenance Supplies	21,383	11,663	1,569	47	34,662	-
Utilities	69,161	30,539	-	-	99,700	-
Depreciation	98,516	304,437	32,465	4,314	439,732	-
Maintenance and Repairs	85,709	98,222	19,095	4,032	207,058	-
Administrative Charges from the General Fund	15,923	32,000	16,000	-	63,923	-
Insurance	10,280	18,930	720	-	29,930	309,935
Other Expenses	41,988	537,237	409	5,026	584,660	-
Total Operating Expenses	<u>543,380</u>	<u>1,328,271</u>	<u>163,747</u>	<u>148,444</u>	<u>2,183,842</u>	<u>309,935</u>
OPERATING INCOME (LOSS)	(39,435)	(43,750)	91,840	49,385	58,040	(44,427)
NONOPERATING REVENUE (EXPENSES)						
Water Tower Rental Fee	92,916	-	-	-	92,916	-
Connection Fee	-	39,705	275,213	-	314,918	-
Special Assessments for Capital Purposes	-	-	-	-	-	-
Investment Earnings	18,632	30,984	14,154	592	64,362	11,048
Interest Expense	(33,940)	-	-	-	(33,940)	-
State Grant	-	-	-	30,190	30,190	-
Miscellaneous Revenue	76	7,130	-	3,153	10,359	-
Total Nonoperating Revenue (Expenses)	<u>77,684</u>	<u>77,819</u>	<u>289,367</u>	<u>33,935</u>	<u>478,805</u>	<u>11,048</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	38,249	34,069	381,207	83,320	536,845	(33,379)
Capital Contributions	-	16,767	-	-	16,767	-
Transfers Out	(158,000)	(113,575)	(48,634)	-	(320,209)	-
CHANGES IN NET POSITION	(119,751)	(62,739)	332,573	83,320	233,403	(33,379)
NET POSITION						
Beginning of Year	4,668,970	14,710,360	2,344,199	64,109		1,138,855
Prior Period Restatement, See Note 11	(97,341)	(153,910)	(33,307)	(11,424)		-
Beginning of Year, as Restated	<u>4,571,629</u>	<u>14,556,450</u>	<u>2,310,892</u>	<u>52,685</u>		<u>1,138,855</u>
End of Year	<u>\$ 4,451,878</u>	<u>\$ 14,493,711</u>	<u>\$ 2,643,465</u>	<u>\$ 136,005</u>		<u>\$ 1,105,476</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(8,783)	
Change in Net Position of Business-Type Activities (page 20)					<u>\$ 224,620</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Storm Water	Other	Total	Activities
				Enterprise Funds		Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Receipts from Customers	\$ 540,642	\$ 1,303,940	\$ 246,842	\$ 160,159	\$ 2,251,583	\$ 243,569
Cash Paid to Suppliers	(245,397)	(737,414)	(31,414)	(127,529)	(1,141,754)	(199,903)
Cash Paid to Employees	(160,671)	(266,138)	(54,454)	(17,204)	(498,467)	-
Other Receipts	11,074	33,570	3,545	4,690	52,879	21,939
Net Cash Provided by Operating Activities	145,648	333,958	164,519	20,116	664,241	65,605
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Water Tower Rental Fees	92,916	-	-	-	92,916	-
Connection Fees Received	-	39,705	275,213	-	314,918	-
Special Assessments for Capital Purposes	-	16,767	-	-	16,767	-
Acquisition of Capital Assets	(701,333)	(337,432)	(79,561)	-	(1,118,326)	-
Interest Paid on Bonds	(24,736)	-	-	-	(24,736)	-
Principal Payments on Bonds	(85,000)	-	-	-	(85,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(718,153)	(280,960)	195,652	-	(803,461)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	18,632	30,984	14,154	592	64,362	11,048
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers Out	(158,000)	(113,575)	(48,634)	-	(320,209)	-
Cash Advance Received from Other Funds	-	-	-	1,812	1,812	-
State Grant Received	-	-	-	30,190	30,190	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(158,000)	(113,575)	(48,634)	32,002	(288,207)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(711,873)	(29,593)	325,691	52,710	(363,065)	76,653
Cash and Cash Equivalents - Beginning of Year	2,073,782	2,883,157	1,151,932	14,678	6,123,549	1,028,823
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,361,909</u>	<u>\$ 2,853,564</u>	<u>\$ 1,477,623</u>	<u>\$ 67,388</u>	<u>\$ 5,760,484</u>	<u>\$ 1,105,476</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (39,435)	\$ (43,750)	\$ 91,840	\$ 49,385	\$ 58,040	\$ (44,427)
Miscellaneous Other Receipts Added to Operating Income	76	7,130	-	3,153	10,359	-
Non-Cash Expenses Included in Net Income:						
Depreciation	98,516	304,437	32,465	4,314	439,732	-
Change in Assets and Liabilities:						
(Increase) Decrease in:						
Accounts Receivable	20,348	43,283	(5,200)	(21,038)	37,393	-
Prepaid Items	900	5,535	-	(594)	5,841	110,032
Inventory	1,750	-	-	-	1,750	-
Due from Other Governmental Units	21	2,576	-	(15,095)	(12,498)	-
Deferred Outflows of Resources	(9,814)	(15,517)	(3,358)	(1,152)	(29,841)	-
Increase (Decrease) in:						
Accounts Payable	29,188	8,129	45,125	(122)	82,320	-
Accrued Salaries Payable	1,517	2,120	(451)	-	3,186	-
Due to Other Governmental Units	408	(3,371)	-	-	(2,963)	-
Compensated Absences Payable	2,843	4,711	-	-	7,554	-
Unearned Revenue	27,326	-	-	-	27,326	-
Other Postemployment Benefits	1,228	1,635	410	-	3,273	-
Net Pension Liability	(3,878)	(6,131)	(1,326)	(455)	(11,790)	-
Deferred Inflows of Resources	14,654	23,171	5,014	1,720	44,559	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 145,648</u>	<u>\$ 333,958</u>	<u>\$ 164,519</u>	<u>\$ 20,116</u>	<u>\$ 664,241</u>	<u>\$ 65,605</u>

See accompanying Notes to Basic Financial Statements.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Orono, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota Statutes. Under this plan, the City Council, composed of an elected mayor and four elected trustees or council members, exercises legislative authority and determines all matters of policy. The City Administrator, appointed by the City Council, is responsible for the proper administering of all affairs relating to the City.

The financial statements and the accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

The Orono Housing and Redevelopment Authority (Orono HRA) is a legally separate organization created in accordance with Minnesota Statute § 469.003. Its purpose is to clear and redevelop blighted areas within the City and to provide adequate housing for low and moderate income residents. The Orono HRA is fiscally dependent upon the City, and its governing board consists of the City's mayor and council members. Therefore, the Orono HRA has been reported as a blended component unit of the City, with its funds reported as though they are funds of the City. The financial activity at this time is limited to debt payments within the Orono HRA debt service funds, namely the public facilities and project revenue bonds.

There are no other organizations that, when considered, would be included in the financial statements as a component unit.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. 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 sales, fees, and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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 and special assessments are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense can be specifically identified by function (see Note 4). Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Change in Accounting Principle

During the fiscal year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. See Note 11 for more detail of the effect of this change in accounting principle on the financial statements.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days after year-end.

Major revenue that is susceptible to accrual includes property taxes, intergovernmental revenue, charges for services, and interest earned on investments. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's enterprise funds and the Internal Service Funds are charges to customers for sales and services. The operating expenses for the enterprise funds and Internal Service Funds 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 non-operating revenues and expenses.

The Internal Service Funds are reported in the proprietary fund financial statements. Because the principal user of internal services is the City's governmental activities, the financial statements of the Internal Service Funds are consolidated into both the governmental activities and business-type activities columns when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Financial Statement Presentation (Continued)

Description of Funds

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Water Operating Fund – This fund is used to account for the provision of water services to the residents of the City who have water service available.

Sewer Operating Fund – This fund is used to account for the provision of sewer services to the residents of the City who have sanitary sewer service available.

Storm Water Fund – This fund is used to account for the charges for and the costs of maintaining the City's storm water system.

The City's proprietary funds also include the following:

Internal Service Funds – Insurance and Compensated Absences – These funds are used to account for the insurance costs incurred by the City for general liability, property, vehicle, workers' compensation, and other insurance and deductibles as well as to account for the accrual of sick and vacation days that are earned by the City's employees. These funds are reimbursed through charges to the various participating departments of the City.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in short-term investments. Earnings from the pooled investments are allocated to the individual funds based on the average monthly cash and investment balances of the respective funds. The City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

Cash and investments held by trustee reflect balances held in segregated accounts for specific purposes. Interest earned on these investments is allocated directly to those accounts.

Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

All miscellaneous accounts receivable are shown at net of an allowance for doubtful accounts. Since the City is generally able to certify delinquent utility bills to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on those receivables. The only receivables not expected to be fully collected within one year are property taxes and special assessments receivable.

H. Property Taxes

Property tax levies are set by the City Council by December of each year, and certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

A portion of the property taxes levied may be paid by the State of Minnesota through various tax credits, which are included in intergovernmental revenue in the financial statements.

The county spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts several times a year. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable.

I. Special Assessments

Special assessments represent the financing for public improvements paid for by the benefiting property owners. These assessments are recorded as delinquent (levied but unremitted) or deferred (certified but not yet levied) special assessments receivable.

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City utilizes the consumption method when recording prepaid items.

K. Inventories

The City's governmental funds utilize the consumption method for accounting for inventory and all inventories of the City are stated at the lower of cost or market on the first-in, first-out basis.

L. Interfund Receivables and Payables

Activity between funds that is representative of lending or borrowing arrangements is reported as either "due to/from other funds" (current portion) or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more for government-wide and \$5,000 for proprietary funds with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. As allowed by accounting principles generally accepted in the United States of America, the City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. Useful lives vary from 15 to 50 years for land improvements, buildings, and other improvements; 5 to 10 years for equipment; and 20 to 50 years for collection and distribution systems and other infrastructure.

N. Compensated Absences Payable

Certain city employees earn personal time off, vacation, compensation time, and sick leave at various rates based on longevity. These compensated absences are paid to an employee leaving in good standing, at their current rate of pay, with the exception of sick leave in which one-half is paid to the departing employee. Compensated absences payable are accounted for as long-term liabilities as described in the following section.

O. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

In the governmental fund financial statements, long-term debt and other long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of item, deferred outflows related to pensions, which qualifies for reporting in this category. See Note 8 for additional detail.

In addition to liabilities, the statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items which qualify for reporting in this category. The first, unavailable revenue, arises under a modified accrual basis of accounting and is therefore reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and amounts due from other governments not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The City also reports deferred inflows related to pensions on its statements of net position. See Note 8 for additional detail.

Q. Net Position/Fund Balance

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Portions of net position are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In the fund financial statements, governmental funds report fund balances in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – portion of fund balances related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the City Council.

Assigned – consists of internally imposed constraints approved by the City Finance Director. The City adopted a formal fund balance policy which gives authority to assign fund balances to the Finance Director.

Unassigned – is the residual classification for the General Fund and also reflects the negative residual amounts in other funds.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position/Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

The City formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target unassigned fund balance of 45% of the fund's annual operating budget. Unassigned fund balance in excess of 50% will be transferred to the Community Investment Construction Fund pursuant to Council approval.

R. Cash and Investments Held by Trustee

Cash and investments held by trustee represents restricted assets including cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Interest receivable is included within "accounts and interest receivable."

S. Budgets and Budgetary Accounting

Each fall, after holding a meeting to obtain public comments, the City Council legally adopts the General Fund and all of the special revenue funds' budgets, except the Affordable Housing Fund, Lurton Park Fund, and Golf Course Improvements Fund, for the following fiscal year beginning January 1. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City has established budgetary control at the department level. City management must request City Council approval before exceeding the budget at that level. City management may transfer appropriations within the department level without City Council approval. Appropriations lapse at year-end; however, the City Council may approve the carryover of specific amounts. Encumbrance accounting is not used.

T. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The City also carries commercial insurance for certain other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in 2015.

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consisted of the following:

Deposits	\$ (135,214)
Investments	20,031,452
Cash on Hand	1,160
Total	<u>\$ 19,897,398</u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position:	
Cash and Investments	<u>\$ 19,897,398</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits (Continued)

Custodial Credit Risk (Continued)

The City's investment policies further limit depositories to those located in the State of Minnesota, and must have a minimum capital and surplus of \$10,000,000 and a net worth to asset ratio minimum of 5%, except for the City's main checking account at the First National Bank of the Lakes, Navarre.

At year-end, the carrying amount of the City's deposits was (\$135,214) while the balance on the bank records was \$145,752. At December 31, 2015, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

C. Investments

The City has the following investments at year-end:

	Total Fair Value	Interest - Risk: Maturity in Years			Credit Risk	
		Less than 1	1-5	More than 5	Rating	Agency
US Agencies:						
Federal Home Loan	\$ 1,871,250	\$ -	\$ 1,122,525	\$ 748,725	Aaa/AA+	Moody's/S&P
Federal National Mortgage	1,249,921	-	996,400	253,521	Aaa/AA+	Moody's/S&P
Negotiable Certificates of Deposit	10,831,079	2,731,557	7,112,297	987,225	N/R	N/A
Municipal Bonds	554,040	-	554,040	-	AA/BBB	Moody's/S&P
Money Market	1,020,312	-	-	-	Aa2/AA-	Moody's/S&P
Federal Farm Credit Bank	694,600	-	-	694,600	Aa2/AA-	Moody's/S&P
MN Municipal Money Market (4M)	3,810,250	3,810,250	-	-	N/R	N/A
	<u>\$ 20,031,452</u>	<u>\$ 6,541,807</u>	<u>\$ 9,785,262</u>	<u>\$ 2,684,071</u>		

N/R indicates "not rated"

N/A indicates "not applicable"

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities. City investment policies require that security/broker/dealers be restricted to those regulated by the Securities and Exchange Commission, have a minimum capital of \$40,000,000 and may include "primary" dealers or regional dealers, and are located in Minnesota. The City limits the amount of investments with a specific dealer to 30% of the investment portfolio.

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City's investment policies do not allow investing in the following instruments:

1. Reverse repurchase agreements
2. Mortgage-backed securities, as defined in Minnesota Statute § 118A.04, Subd. 6
3. Future contracts
4. Options
5. Guaranteed investment contracts

Concentration Risk – This is the risk associated with investing a significant portion of the City's investment (considered 5% or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies provide a guideline of limiting investments to 35% of a specific type.

At December 31, 2015, the following is a list of investments which individually comprise more than 5% of the City's total investments:

		Percent of Total Fair Value
Federal Home Loan	\$ 1,871,250	9.3%
Federal National Mortgage	1,249,921	6.2%

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy also provides a guideline that generally limits the duration of investments to a maturity of eight years, and 20% of the portfolio to a specific maturity.

NOTE 3 INTERFUND TRANSFERS

A. Interfund Transfers

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Improvement and Equipment Capital Outlay	\$ 240,000	Budgeted operating transfer for capital equipment purchases
General Fund	2014 Improvement Bonds	150,000	Budgeted transfer for debt service support
General Fund	Pavement Management Plan	95,000	Budgeted transfer to fund the Baldur Park Road reconstruction
General Fund	Municipal State Aid	194,000	Budgeted transfer to fund the Stubbs Bay Road (non-MSA) portion of the Watertown Road Project
Community Investment	2010 GO Refunding Bond Debt Fund	130,000	Budgeted transfer for debt service support
Permanent Improvement Revolving	2014 Improvement Bonds	321,000	Budgeted transfer for debt service support
HRA 2003 Public Facility Lease Revenue Bonds	2009 Refunding Bonds	1,188	Transfer to close out residual fund equity to the 2009 refunding bonds
Water Operating	2008 Street Reconstruction Bond	55,000	Budgeted transfer for debt service support of the water fund portion of the Casco Point Project
Water Operating	2014 Improvement Bonds	103,000	Budgeted transfer for debt service support
Sewer Operating	2008 Street Reconstruction Bond	100,000	Budgeted transfer for debt service support of the sewer fund portion of the Casco Point Project
Sewer Operating	Pavement Management Plan	13,575	Budgeted transfer to fund sewer work done in conjunction with the Baldur Park Road project
Stormwater Operating	Municipal State Aid	34,037	Budgeted transfer to fund stormwater improvements of the Watertown Road Project
Stormwater Operating	Pavement Management Plan	14,597	Budgeted transfer to fund stormwater work done in conjunction with the Baldur Park Road project
		<u>\$ 1,451,397</u>	

Transfers are used to move resources from the funds in which they are collected to the funds where they are to be spent in accordance with statutory, budgetary, or contractual requirements. Transfers to the non-major governmental funds include funding for debt service, capital acquisitions, and improvements.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 CAPITAL ASSETS

A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,055,379	\$ -	\$ -	\$ 7,055,379
Construction in progress	3,717,114	1,570,771	4,406,514	881,371
Total Capital Assets, Not Being Depreciated	10,772,493	1,570,771	4,406,514	7,936,750
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,099,130	3,034,150	-	9,133,280
Improvements Other than Buildings	1,605,085	650,000	-	2,255,085
Equipment and Furniture	3,276,323	357,792	157,763	3,476,352
Streets and Infrastructure	6,323,487	731,078	-	7,054,565
Total Capital Assets, Being Depreciated	17,304,025	4,773,020	157,763	21,919,282
Accumulated Depreciation for:				
Buildings and Building Improvements	2,047,248	185,778	-	2,233,026
Improvements Other than Buildings	1,009,828	69,443	-	1,079,271
Equipment and Furniture	1,748,795	271,133	146,619	1,873,309
Streets and Infrastructure	455,270	176,235	-	631,505
Total Accumulated Depreciation	5,261,141	702,589	146,619	5,817,111
Total Capital Assets, Being Depreciated, Net	12,042,884	4,070,431	11,144	16,102,171
Governmental Activities Capital Assets, Net	<u>\$ 22,815,377</u>	<u>\$ 5,641,202</u>	<u>\$ 4,417,658</u>	<u>\$ 24,038,921</u>

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 71,706	\$ -	\$ -	\$ 71,706
Construction in Progress	519,155	1,118,325	804,301	833,179
Total Capital Assets, Not Being Depreciated	590,861	1,118,325	804,301	904,885
Capital Assets, Being Depreciated:				
Land Improvements	13,511	-	-	13,511
Buildings and Building Improvements	770,330	-	-	770,330
Equipment and Furniture	785,683	43,138	-	828,821
Distribution/Collection System	22,632,685	761,164	-	23,393,849
Total Capital Assets, Being Depreciated	24,202,209	804,302	-	25,006,511
Accumulated Depreciation for:				
Land Improvements	4,863	253	-	5,116
Buildings and Building Improvements	298,719	34,741	-	333,460
Equipment and Furniture	442,723	42,031	-	484,754
Distribution/Collection System	8,004,432	362,707	-	8,367,139
Total Accumulated Depreciation	8,750,737	439,732	-	9,190,469
Total Capital Assets, Being Depreciated, Net	15,451,472	364,570	-	15,816,042
Business-Type Activities Capital Assets, Net	<u>\$ 16,042,333</u>	<u>\$ 1,482,895</u>	<u>\$ 804,301</u>	<u>\$ 16,720,927</u>

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Governmental Activities:

General Government	\$ 179,675
Public Safety	220,918
Streets	256,286
Parks and Recreation	<u>45,710</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 702,589</u>

Business-Type Activities:

Water Operating	\$ 98,516
Sewer Operating	304,437
Storm Water	32,465
Cable Television	<u>4,314</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 439,732</u>

NOTE 5 LONG-TERM LIABILITIES

A. Components of, and Changes in Long-Term Liabilities

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 10,620,000	\$ -	\$ (1,010,000)	\$ 9,610,000	\$ 1,080,000
Less Unamortized Amounts:					
For Issuance Premiums	155,933	-	(14,234)	141,699	14,234
Total Bonds Payable	<u>10,775,933</u>	-	<u>(1,024,234)</u>	<u>9,751,699</u>	<u>1,094,234</u>
Capital Lease	17,374	-	(5,562)	11,812	5,778
Compensated Absences	427,923	324,896	(308,469)	444,350	320,000
Net Pension Liability	3,723,015	675,226	(696,308)	3,701,933	-
Other Postemployment Benefits	<u>229,446</u>	<u>105,692</u>	<u>(61,522)</u>	<u>273,616</u>	<u>-</u>
Total Governmental Activities	<u>11,450,676</u>	<u>430,588</u>	<u>(1,399,787)</u>	<u>14,183,410</u>	<u>1,420,012</u>
Business-Type Activities:					
General Obligation Bonds	1,280,000	-	(85,000)	1,195,000	75,000
Less Unamortized Amounts:					
For Issuance Premium	22,268	-	(2,227)	20,041	1,485
Compensated Absences	25,270	26,756	(19,202)	32,824	25,000
Net Pension Liability	307,923	52,577	(64,366)	296,134	-
Other Postemployment Benefits	<u>24,088</u>	<u>7,829</u>	<u>(4,556)</u>	<u>27,361</u>	<u>-</u>
Total Business-Type Activities	<u>1,351,626</u>	<u>87,162</u>	<u>(175,351)</u>	<u>1,571,360</u>	<u>101,485</u>
Total Debt	<u>\$ 12,802,302</u>	<u>\$ 517,750</u>	<u>\$ (1,575,138)</u>	<u>\$ 15,754,770</u>	<u>\$ 1,521,497</u>

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Bonds Payable

Description	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance - End of Year
Governmental Activities:					
General Obligation Bonds Payable:					
Street Reconstruction Bonds of 2008A	\$ 4,500,000	3.00-3.80%	03/27/08	02/01/23	\$ 3,320,000
Improvement Refunding Bonds of 2009A	1,120,000	2.00-3.00%	03/19/09	02/01/16	75,000
Government Obligation Bonds of 2010A	4,315,000	3.00-3.75%	12/30/10	02/01/26	2,430,000
General Obligation Bonds of 2014A	5,275,000	2.00-3.00%	06/19/14	02/01/29	3,785,000
Total General Obligation Bonds Payable					<u>9,610,000</u>
Unamortized Bond Premium					<u>141,699</u>
Total Governmental Activities Bonds Payable					<u>\$ 9,751,699</u>
Business-Type Activities:					
G.O. Revenue Bonds:					
General Obligation Bonds of 2014A	\$ 5,275,000	2.00-3.00%	06/19/14	02/01/29	\$ 1,195,000
Unamortized Bond Premium					<u>20,041</u>
Total Business-Type Activities Bonds Payable					<u>\$ 1,215,041</u>

General Obligation Bonds – These bonds were issued to finance various improvements and will be repaid from taxes and special assessments.

Minimum annual principal and interest payments required to retire general obligation bonds are as follows:

Years	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2016	\$ 1,080,000	\$ 274,153
2017	825,000	248,341
2018	660,000	228,388
2019	885,000	205,548
2020	925,000	177,609
2021-2025	3,920,000	458,987
2026-2029	1,315,000	65,881
Totals	<u>\$ 9,610,000</u>	<u>\$ 1,658,907</u>

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Bonds Payable (Continued)

Business-Type Activities		
Years	Bonds Payable	
	Principal	Interest
2016	\$ 75,000	\$ 26,681
2017	75,000	25,181
2018	80,000	23,631
2019	80,000	22,031
2020	80,000	20,431
2021-2025	425,000	76,553
2026-2029	380,000	22,075
Totals	\$ 1,195,000	\$ 216,583

C. Capital Leases

In November 2014, the City entered into a capital lease to lease two copy machines from Advanced Imaging Solutions. The term of the lease is 36 months and extends to the end of fiscal year 2017. The leased assets were capitalized in the City's fixed assets for \$17,374 and accumulated depreciation as of December 31, 2015 was \$6,274. The City's future minimum payments on the capital lease are as follows:

Years	Payments
2016	\$ 6,155
2017	6,155
Total Lease Payments	12,310
Less: Interest Portion	(498)
Present Value of Lease Payments	\$ 11,812

D. Compensated Absences

Liabilities for personal time off, vacation, compensation time and sick leave will be paid by the General Fund and proprietary funds as appropriate.

E. Ultimate Responsibility for Debt

Long-term liability is backed by the full faith and credit of the City except the project revenue bonds.

F. Conduit Debt Obligations

At times, the City has issued various types of revenue bonds to provide financial assistance to private sector, nonprofit, or governmental entities to finance the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements. Original obligations totaled \$800,000. It is not practical to determine the outstanding balance of the conduit debt at year-end.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

At December 31, 2009, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of January 1, 2014.

A. Plan Description

The City provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. Active employees, who retire from the City when over age 50 and with 20 years of service, may continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program until age 65. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. As of December 31, 2015 there were approximately 53 active participants and 9 retired participants receiving benefits from the City's health plans.

B. Funding Policy

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2015, the City contributed \$66,078 to the plan. For governmental activities, other postemployment benefits are generally liquidated through the General Fund.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 111,432
Interest on Net OPEB Obligation	12,972
Adjustment to Annual Required Contribution	<u>(10,883)</u>
Annual OPEB Cost (Expense)	113,521
Contributions Made	<u>(66,078)</u>
Increase in Net OPEB Obligation	47,443
Net OPEB Obligation - Beginning of Year	<u>253,534</u>
Net OPEB Obligation - End of Year	<u><u>\$ 300,977</u></u>

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 113,521	58.2%	\$ 300,977
12/31/2014	68,725	63.7%	253,534
12/31/2013	68,841	44.8%	228,591

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$831,138. The annual payroll for active employees covered by the plan in the actuarial valuation was \$3,445,420 for a ratio of UAAL to covered payroll of 24.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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 with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which the rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9%, reduced by decrements to an ultimate rate of 5% after twelve years. The rate includes a 3% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2015 was not to exceed 30 years.

NOTE 7 FLEXIBLE BENEFIT PLAN

The City offers a flexible benefit plan (the Plan). The Plan is a "cafeteria plan" under §125 of the Internal Revenue Code. All employees who meet the eligibility requirements may participate in the Plan. To be eligible, an employee must be at least 20 years of age and be regularly scheduled to work more than 20 hours per week.

Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

All assets of the Plan are held and administered by an independent contract administrator for child care and medical expense reimbursements, and by the City for health insurance premiums. All activity of the Plan is included in the financial statements as part of the General Fund and enterprise funds as employee benefits.

All property of the Plan and income attributable to that property is solely the property of the City, subject to the claims of the City's general creditors. Participants' rights under the Plan are equal to those of general creditors of the City in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The City believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

The City of Orono participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined-benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined-benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERF for the year ended December 31, 2015, were \$123,284. The City contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015, were \$342,006. The City contributions were equal to the required contributions as set by state statute.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$1,373,368 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0265%

For the year ended December 31, 2015, the City recognized pension expense of \$137,266 for its proportionate share of the GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 69,241
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	130,010	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	137,402
City Contributions Subsequent to the Measurement Date	63,772	-
Total	<u>\$ 193,782</u>	<u>\$ 206,643</u>

A total of \$63,772 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expenses Amount
2016	\$ (36,378)
2017	(36,378)
2018	(36,378)
2019	32,501
2020	-
Thereafter	-

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$2,624,701 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .231%.

For the year ended December 31, 2015, the City recognized pension expense of \$434,297 for its proportionate share of the PEPFF's pension expense. The City also recognized \$20,790 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 425,641
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	457,311	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	90,003
City Contributions Subsequent to the Measurement Date	174,573	-
Total	<u>\$ 631,884</u>	<u>\$ 515,644</u>

A total of \$174,573 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 30	Pension Expenses Amount
2016	\$ 11,199
2017	11,199
2018	11,199
2019	11,199
2020	(103,129)
Thereafter	-

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GEF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	100%	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Pension Liability Sensitivity

The following presents the Town's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate (6.90%)	Current Discount Rate (7.90%)	1% Increase in Discount Rate (8.90%)
City's Proportionate Share of the GERF Net Pension Liability	\$ 2,159,422	\$ 1,373,368	\$ 724,207
City's Proportionate Share of the PEPFF Net Pension Liability	5,115,569	2,624,701	566,809

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 9 FUND BALANCES

Certain portions of fund balance are restricted to provide for funding on certain long-term liabilities or as required by other outside parties. Restricted, Committed and Assigned fund balances at December 31, 2015 are as follows:

- A. Restricted for Debt Service** – This represents amounts which are restricted for future debt payments.
- B. Restricted for Parkland Acquisitions and Improvements** – Represents amounts which are received through park dedication fees and are restricted for parkland acquisitions and improvements.
- C. Restricted for Drug and Alcohol Law Enforcement** – Represents amounts received from the State of Minnesota's Drug and Alcohol Task Force which are restricted for drug and alcohol related law enforcement.
- D. restricted for Home Buyer Purchase Assistance** – Represents amounts assigned for various home buyer assistance programs.
- E. Restricted for Lurton Park Development and Maintenance** – Represents amounts restricted for the development and maintenance of Lurton Park as a stipulation of the land donation to the City.
- F. Restricted for Senior Housing** – Represents amounts related to Tax Increment Financing District 1-1 and which are restricted to provide housing opportunities for seniors within the City. Its funding source is the property taxes on the captured value.

CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9 FUND BALANCES (CONTINUED)

- G. Restricted for Road Construction Projects** – Represents amounts which are restricted for road construction projects per the related bond issuance agreement.
- H. Restricted for Golf Course Improvements** – Represents amounts which are restricted for future golf course improvements.
- I. Assigned for Long Lake Fire Equipment** – Represents amounts which are assigned by the City for the purchase of fire equipment.
- J. Assigned for Capital Equipment Purchases** – Represents amounts which are assigned by the City to finance future capital equipment purchases.
- K. Assigned for Police Equipment Purchases** – Represents amounts which are assigned by the City to finance future police equipment purchases.
- L. Assigned for Future Construction Projects** – Represents amounts which are assigned by the City to finance future construction projects.
- M. Assigned for Community-wide Projects** – Represents amounts which are assigned by the City for community-wide projects.
- N. Assigned for Debt Service** – Represents amounts which are assigned by the City for future debt service payments.

NOTE 10 COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenue

Amounts recorded or receivable from state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

B. Conditional State Grant

In 2005, as a part of the City's acquisition of Big Island Park, the City was awarded a grant from the State of Minnesota in the amount of \$2,000,000. This grant is repayable to the state if the property is not maintained for low-impact recreation and conservation use.

C. Litigation

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

**CITY OF ORONO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Police Services Contracts

As of December 31, 2015, the City of Orono had several contracts to provide police services to neighboring cities. The most significant of those was a contract with the City of Mound, which the City entered into as of January 1, 2013 and which extends ten years to December 31, 2022. The contract also included annual payments from the City of Mound starting at \$1,545,000 in 2013 and increasing between 1%-5% each year through the end of the contract. The contract also called for the City of Orono to hire previous Mound police officers as Orono employees to provide for the additional staffing needed and to recognize their years of service with Mound in determining compensation and benefits.

The City also has a contract with the cities of Minnetonka Beach and Spring Park to furnish law enforcement services to each respective city. The original contract term ended December 31, 2012 and includes the option to verbally extend it each year for an additional one-year period. The contract has been extended each year through 2016.

E. Fire Services Contract

As of year-end, the City had committed to purchasing fire protection services from the City of Wayzata for fiscal year 2016. The annual fee is determined by the percentage of total calls which are in the Orono service area for the preceding three years and is expected to be similar to the 2015 fee of \$383,856.

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related Statement No. 71. As a result, the City's net position as of December 31, 2014 has been restated to reflect the recognition of the city's proportionate share of the Public Employees' Retirement Association of Minnesota General Employees' Retirement Fund's (GERF) and Public Employees' Police and Fire Fund's (PEPFF) net pension liability.

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2014, as Previously Reported	\$ 23,872,715	\$ 21,989,066
Cumulative Effect of Application of GASB 68, Net Pension Liability	(3,723,015)	(307,923)
Cumulative Effect of Application of GASB 71, Deferred Outflow of Resources for City Contributions Made to the Plan From July 1, 2014 to December 31, 2014	219,032	11,941
Net Position, December 31, 2014, as Restated	<u>\$ 20,368,732</u>	<u>\$ 21,693,084</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORONO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND – BUDGET TO ACTUAL (GAAP BASIS)
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUE				
Property Taxes	\$ 4,016,500	\$ 4,016,500	\$ 4,004,168	\$ (12,332)
Licenses and Permits	415,950	415,950	535,543	119,593
Intergovernmental Revenue	217,220	217,220	277,794	60,574
Fines and Forfeits	145,500	145,500	102,627	(42,873)
Other Revenue:				
Investment Earnings	35,500	35,500	69,288	33,788
User Fees	2,707,800	2,707,800	2,892,013	184,213
Rents and Refunds	5,400	5,400	4,950	(450)
Miscellaneous Revenue	16,000	16,000	50,496	34,496
Total Revenue	<u>7,559,870</u>	<u>7,559,870</u>	<u>7,936,879</u>	<u>377,009</u>
EXPENDITURES				
General Government:				
Administration	452,052	452,440	400,847	(51,593)
Elections	23,175	23,175	316	(22,859)
Assessing	160,000	160,000	166,074	6,074
Finance	318,615	318,620	307,892	(10,728)
Legal	97,500	97,500	96,582	(918)
Human Services	9,500	12,400	11,997	(403)
Central Services	239,050	239,050	240,556	1,506
Total General Government	<u>1,299,892</u>	<u>1,303,185</u>	<u>1,224,264</u>	<u>(78,921)</u>
Public Safety:				
Police	4,042,099	4,042,105	3,849,538	(192,567)
Fire	390,000	387,000	383,856	(3,144)
Inspection and Zoning	688,990	689,000	670,934	(18,066)
Total Public Safety	<u>5,121,089</u>	<u>5,118,105</u>	<u>4,904,328</u>	<u>(213,777)</u>
Streets:				
Other	501,002	554,412	496,239	(58,173)
Parks and Recreation:				
Golf Course	159,377	159,375	159,456	81
Other	108,506	105,600	109,375	3,775
Total Parks and Recreation	<u>267,883</u>	<u>264,975</u>	<u>268,831</u>	<u>3,856</u>
Total Expenditures	<u>7,189,866</u>	<u>7,240,677</u>	<u>6,893,662</u>	<u>(347,015)</u>
EXCESS OF REVENUE OVER EXPENDITURES	370,004	319,193	1,043,217	724,024
OTHER FINANCE SOURCES (USES)				
Transfers Out	(390,000)	(390,000)	(679,000)	(289,000)
Proceeds from Sale of Capital Assets	20,000	20,000	17,610	(2,390)
Total Other Finance Sources (Uses)	<u>(370,000)</u>	<u>(370,000)</u>	<u>(661,390)</u>	<u>(291,390)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 4</u>	<u>\$ (50,807)</u>	381,827	<u>\$ 432,634</u>
FUND BALANCES				
Beginning of Year			3,926,660	
End of Year			<u>\$ 4,308,487</u>	

See accompanying Note to Required Supplementary Information.

CITY OF ORONO
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

	Final Budget	Actual	Actual in Excess of Budget
General Fund:			
General Government:			
Assessing	\$ 160,000	\$ 166,074	\$ 6,074
Central Services	239,050	240,556	1,506
Parks and Recreation:			
Golf Course	159,375	159,456	81
Other	105,600	109,375	3,775

The amounts above required minor budget adjustments during the year. Once the final bills for the year were accounted for the adjustments were slightly less than required. The overall expenditure budget was under budget for the year.

CITY OF ORONO
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 831,138	\$ 831,138	-	\$ 3,445,420	24.1%
1/1/2012	-	682,483	682,483	-	2,700,013	25.3%
1/1/2010	-	721,386	721,386	-	2,697,675	26.7%

**CITY OF ORONO
PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DECEMBER 31, 2015**

**GERF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years***

	<u>Measurement Date 6/30/2015</u>
City's Proportion of the Net Pension Liability	0.0265%
City's Proportionate Share of the Net Pension Liability	\$ 1,373,368
City's Covered-Employee Payroll	\$ 1,643,787
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	83.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**PEPFF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years***

	<u>Measurement Date 6/30/2015</u>
City's Proportion of the Net Pension Liability	0.2310%
City's Proportionate Share of the Net Pension Liability	\$ 2,624,701
City's Covered-Employee Payroll	\$ 2,111,148
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	124.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.61%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**CITY OF ORONO
PERA SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2015**

**GERF Schedule of City Contributions
Last Two Fiscal Years**

	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 123,284	\$ 112,270
Contributions in Relation to the Statutorily Required Contribution	<u>(123,284)</u>	<u>(112,270)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 1,643,787	 \$ 1,548,552
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%

**PEPFF Schedule of City Contributions
Last Two Fiscal Years**

	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 342,006	\$ 324,565
Contributions in Relation to the Statutorily Required Contribution	<u>(342,006)</u>	<u>(324,565)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 2,111,148	 \$ 2,003,488
Contributions as a Percentage of Covered Employee Payroll	16.20%	16.20%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**CITY OF ORONO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

ASSETS	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Totals</u>
Cash and Investments	\$ 1,486,312	\$ 2,206,895	\$ 3,229,564	\$ 6,922,771
Receivables:				
Accrued Interest	-	-	6	6
Delinquent Taxes	-	4,634	-	4,634
Deferred Special Assessments	-	-	17,167	17,167
Due from Other Governmental Units	-	6,132	35	6,167
	<u>-</u>	<u>6,132</u>	<u>35</u>	<u>6,167</u>
Total Assets	<u>\$ 1,486,312</u>	<u>\$ 2,217,661</u>	<u>\$ 3,246,772</u>	<u>\$ 6,950,745</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts and Contracts Payable	\$ 88	\$ 3,076	\$ 98,827	\$ 101,991
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	-	4,634	-	4,634
Unavailable Revenue - Special Assessments	-	-	17,167	17,167
Total Deferred Inflows of Resources	<u>-</u>	<u>4,634</u>	<u>17,167</u>	<u>21,801</u>
 FUND BALANCE				
Restricted:				
Debt Service	-	2,209,951	-	2,209,951
Parkland Acquisitions and Improvement	983,630	-	-	983,630
Drug and Alcohol Law Enforcement	235,552	-	-	235,552
Home Buyer Purchase Assistance	129,705	-	-	129,705
Lurton Park Development and Maintenance	65,652	-	-	65,652
Senior Housing	66,113	-	-	66,113
Golf Course Improvements	5,572	-	-	5,572
Road Construction Projects	-	-	261,171	261,171
Assigned:				
Long Lake Fire Equipment	-	-	566,379	566,379
Capital Equipment Purchases	-	-	554,813	554,813
Police Equipment Purchases	-	-	208,106	208,106
Future Construction Projects	-	-	744,820	744,820
Community-Wide Projects	-	-	876,273	876,273
Debt Service	-	-	1,225	1,225
Unassigned	-	-	(178,573)	(178,573)
Total Fund Balance	<u>1,486,224</u>	<u>2,209,951</u>	<u>3,034,214</u>	<u>6,730,389</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,486,312</u>	<u>\$ 2,217,661</u>	<u>\$ 3,246,772</u>	<u>\$ 6,950,745</u>

CITY OF ORONO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Totals</u>
REVENUE				
Property Taxes	\$ 57,729	\$ 777,719	\$ 106	\$ 835,554
Special Assessments	-	40,112	30,237	70,349
Licenses and Permits	310,800	-	-	310,800
Intergovernmental Revenue	-	142,438	125,004	267,442
Fines and Forfeitures	32,127	-	-	32,127
Other Revenue:				
Interest Income	14,620	10,260	39,036	63,916
User Fees	4,445	-	-	4,445
Miscellaneous Revenue	-	-	9,421	9,421
Total Revenue	<u>419,721</u>	<u>970,529</u>	<u>203,804</u>	<u>1,594,054</u>
EXPENDITURES				
Current:				
General Government:				
Administration	52,881	-	-	52,881
Legal	7,919	-	-	7,919
Total General Government	<u>60,800</u>	<u>-</u>	<u>-</u>	<u>60,800</u>
Public Safety:				
Police	1,789	-	-	1,789
Capital Outlay:				
Other	99,068	-	2,015,275	2,114,343
Debt Service:				
Principal Retirement	-	1,010,000	-	1,010,000
Interest and Fiscal Charges	-	331,317	-	331,317
Total Debt Service	<u>-</u>	<u>1,341,317</u>	<u>-</u>	<u>1,341,317</u>
Total Expenditures	<u>161,657</u>	<u>1,341,317</u>	<u>2,015,275</u>	<u>3,518,249</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	258,064	(370,788)	(1,811,471)	(1,924,195)
OTHER FINANCE SOURCES (USES)				
Transfers In	-	860,188	591,209	1,451,397
Transfers Out	-	(1,188)	(451,000)	(452,188)
Total Other Finance Sources	<u>-</u>	<u>859,000</u>	<u>140,209</u>	<u>999,209</u>
NET CHANGE IN FUND BALANCES	258,064	488,212	(1,671,262)	(924,986)
FUND BALANCES				
Beginning of Year	<u>1,228,160</u>	<u>1,721,739</u>	<u>4,705,476</u>	<u>7,655,375</u>
End of Year	<u>\$ 1,486,224</u>	<u>\$ 2,209,951</u>	<u>\$ 3,034,214</u>	<u>\$ 6,730,389</u>

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds are used to account for revenue derived from specific revenue sources that are legally restricted to expenditures for specific purposes.

Park Fund – Used to account for received park dedication fees to be used for land acquisition and park development.

Drug and Felony Forfeiture Fund – Used to account for proceeds received from seizures relating to drug and felony criminal activity, donations received for the police department, other appropriate revenues authorized by the City Council, and all authorized related expenditures.

Affordable Housing Fund – Used to account for revenues and expenditures related to financial assistance packages provided to several low income households to make new town home units affordable.

Lurton Park Fund – Used to account for revenues and expenditures related to the maintenance and trails within Lurton Park property.

Senior Housing TIF Fund – Used to account for revenues and expenditures related to the senior housing property.

Golf Course Improvement Fund – Used to account for revenues and expenditures related to the improvement of the City's golf course.

**CITY OF ORONO
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

ASSETS	<u>Park</u>	<u>Drug and Felony Forfeiture</u>	<u>Affordable Housing</u>	<u>Lurton Park</u>	<u>Senior Housing TIF</u>	<u>Golf Course Improvement</u>	<u>Totals</u>
Cash and Investments	<u>\$ 983,718</u>	<u>\$ 235,552</u>	<u>\$ 129,705</u>	<u>\$ 65,652</u>	<u>\$ 66,113</u>	<u>\$ 5,572</u>	<u>\$ 1,486,312</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts and Contracts Payable	\$ 88	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88
FUND BALANCE							
Restricted:							
Parkland Acquisitions and Improvement	983,630	-	-	-	-	-	983,630
Drug and Alcohol Law Enforcement	-	235,552	-	-	-	-	235,552
Home Buyer Purchase Assistance	-	-	129,705	-	-	-	129,705
Lurton Park Development and Maintenance	-	-	-	65,652	-	-	65,652
Senior Housing	-	-	-	-	66,113	-	66,113
Golf Course Improvements	-	-	-	-	-	5,572	5,572
Total Fund Balance	<u>983,630</u>	<u>235,552</u>	<u>129,705</u>	<u>65,652</u>	<u>66,113</u>	<u>5,572</u>	<u>1,486,224</u>
Total Liabilities and Fund Balance	<u>\$ 983,718</u>	<u>\$ 235,552</u>	<u>\$ 129,705</u>	<u>\$ 65,652</u>	<u>\$ 66,113</u>	<u>\$ 5,572</u>	<u>\$ 1,486,312</u>

**CITY OF ORONO
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015**

	Park	Drug and Felony Forfeiture	Affordable Housing	Lurton Park	Senior Housing TIF	Golf Course Improvement	Totals
REVENUE							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 57,729	\$ -	\$ 57,729
Licenses and Permits	310,800	-	-	-	-	-	310,800
Fines and Forfeitures	-	32,127	-	-	-	-	32,127
Other Revenue:							
Investment Earnings	8,960	2,880	1,379	769	571	61	14,620
User Fees	4,445	-	-	-	-	-	4,445
Total Revenue	<u>324,205</u>	<u>35,007</u>	<u>1,379</u>	<u>769</u>	<u>58,300</u>	<u>61</u>	<u>419,721</u>
EXPENDITURES							
Current:							
General Government:							
Administration	-	-	-	-	52,881	-	52,881
Legal	-	7,919	-	-	-	-	7,919
Total General Government	<u>-</u>	<u>7,919</u>	<u>-</u>	<u>-</u>	<u>52,881</u>	<u>-</u>	<u>60,800</u>
Public Safety:							
Police	-	1,789	-	-	-	-	1,789
Capital Outlay	<u>39,028</u>	<u>50,000</u>	<u>-</u>	<u>9,936</u>	<u>104</u>	<u>-</u>	<u>99,068</u>
Total Expenditures	<u>39,028</u>	<u>59,708</u>	<u>-</u>	<u>9,936</u>	<u>52,985</u>	<u>-</u>	<u>161,657</u>
NET CHANGE IN FUND BALANCES	285,177	(24,701)	1,379	(9,167)	5,315	61	258,064
FUND BALANCES							
Beginning of Year	<u>698,453</u>	<u>260,253</u>	<u>128,326</u>	<u>74,819</u>	<u>60,798</u>	<u>5,511</u>	<u>1,228,160</u>
End of Year	<u>\$ 983,630</u>	<u>\$ 235,552</u>	<u>\$ 129,705</u>	<u>\$ 65,652</u>	<u>\$ 66,113</u>	<u>\$ 5,572</u>	<u>\$ 1,486,224</u>

**CITY OF ORONO
PARK FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BASIS)
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts <u>Final</u>	<u>Actual</u>	Over (Under) Final Budget
REVENUE			
Special Assessments	\$ 550	\$ 310,800	\$ 310,250
User Fees	-	4,445	4,445
Other Revenue	-	8,960	8,960
Total Revenue	<u>550</u>	<u>324,205</u>	<u>323,655</u>
EXPENDITURES			
Capital Outlay:			
Other	<u>1,500</u>	<u>39,028</u>	<u>37,528</u>
NET CHANGE IN FUND BALANCES	<u>\$ (950)</u>	285,177	<u>\$ 286,127</u>
FUND BALANCES			
Beginning of Year		<u>698,453</u>	
End of Year		<u>\$ 983,630</u>	

**CITY OF ORONO
DRUG AND FELONY FORFEITURE FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BASIS)
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUE			
Fines and Forfeitures	\$ 25,000	\$ 32,127	\$ 7,127
Investment Earnings	1,000	2,880	1,880
Total Revenue	<u>26,000</u>	<u>35,007</u>	<u>9,007</u>
EXPENDITURES			
General Government:			
Legal	-	7,919	7,919
Public Safety:			
Police	-	1,789	1,789
Capital Outlay:			
Other	<u>20,000</u>	<u>50,000</u>	<u>30,000</u>
Total Expenditures	<u>20,000</u>	<u>59,708</u>	<u>39,708</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ 6,000</u></u>	<u>(24,701)</u>	<u><u>\$ (30,701)</u></u>
FUND BALANCES			
Beginning of Year		<u>260,253</u>	
End of Year		<u><u>\$ 235,552</u></u>	

CITY OF ORONO
SENIOR HOUSING TIF FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BASIS)
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Over (Under)
	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUE			
Property Taxes	\$ 52,000	\$ 57,729	\$ 5,729
Other Revenue:			
Investment Earnings	5,000	571	(4,429)
Total Revenue	<u>57,000</u>	<u>58,300</u>	<u>1,300</u>
EXPENDITURES			
General Government:			
Administration	51,000	52,881	1,881
Capital Outlay:			
Professional Services	<u>-</u>	<u>104</u>	<u>104</u>
Total Expenditures	<u>51,000</u>	<u>52,985</u>	<u>1,985</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ 6,000</u></u>	5,315	<u><u>\$ (685)</u></u>
FUND BALANCES			
Beginning of Year		<u>60,798</u>	
End of Year		<u><u>\$ 66,113</u></u>	

NONMAJOR DEBT SERVICE FUNDS

Nonmajor debt service funds are used to account for the accumulation of resources used for the payment of principal, interest, and fiscal charges on various City bond issues.

**CITY OF ORONO
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

	HRA 2003 Public Facility Lease Revenue Bonds	2004 Improvement Refunding Bonds	HRA 2005 Public Project Revenue Bonds	2008 Street Reconstruction	2009 Refunding Bonds	2010 General Obligation Bonds	2000 Improvement Bonds	Totals
ASSETS								
Cash and Investments	\$ -	\$ 102,586	\$ 244,193	\$ 430,115	\$ 159,570	\$ 740,225	\$ 530,206	\$ 2,206,895
Receivables:								
Delinquent Taxes	-	-	925	1,324	664	1,721	-	4,634
Due from Other Governmental Units	-	-	1,694	1,645	24	2,769	-	6,132
Total Assets	<u>\$ -</u>	<u>\$ 102,586</u>	<u>\$ 246,812</u>	<u>\$ 433,084</u>	<u>\$ 160,258</u>	<u>\$ 744,715</u>	<u>\$ 530,206</u>	<u>\$ 2,217,661</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
LIABILITIES								
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,538	\$ 1,538	\$ 3,076
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Delinquent Taxes	-	-	925	1,324	664	1,721	-	4,634
FUND BALANCE								
Restricted:								
Debt Service	-	102,586	245,887	431,760	159,594	741,456	528,668	2,209,951
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ -</u>	<u>\$ 102,586</u>	<u>\$ 246,812</u>	<u>\$ 433,084</u>	<u>\$ 160,258</u>	<u>\$ 744,715</u>	<u>\$ 530,206</u>	<u>\$ 2,217,661</u>

CITY OF ORONO
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015

	HRA 2003 Public Facility Lease Revenue Bonds	2004 Improvement Refunding Bonds	HRA 2005 Public Project Revenue Bonds	2008 Street Reconstruction	2009 Refunding Bonds	2010 General Obligation Bonds	2000 Improvement Bonds	Totals
REVENUE								
Property Taxes	\$ -	\$ -	\$ 217,666	\$ 207,172	\$ 4,480	\$ 348,401	\$ -	\$ 777,719
Special Assessments	-	-	-	-	40,112	-	-	40,112
Intergovernmental Revenue	-	-	-	-	-	142,438	-	142,438
Other Revenue:								
Investment Earnings	-	1,091	1,252	2,428	1,490	3,773	226	10,260
Total Revenue	-	1,091	218,918	209,600	46,082	494,612	226	970,529
EXPENDITURES								
Debt Service:								
Principal Retirement	-	-	-	190,000	175,000	435,000	210,000	1,010,000
Interest and Fiscal Charges	-	-	-	127,928	9,886	93,457	100,046	331,317
Total Debt Service	-	-	-	317,928	184,886	528,457	310,046	1,341,317
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	1,091	218,918	(108,328)	(138,804)	(33,845)	(309,820)	(370,788)
OTHER FINANCE SOURCES								
Transfers In	-	-	-	155,000	1,188	130,000	574,000	860,188
Transfers Out	(1,188)	-	-	-	-	-	-	(1,188)
Total Other Finance Sources	(1,188)	-	-	155,000	1,188	130,000	574,000	859,000
NET CHANGE IN FUND BALANCES	(1,188)	1,091	218,918	46,672	(137,616)	96,155	264,180	488,212
FUND BALANCES								
Beginning of Year	1,188	101,495	26,969	385,088	297,210	645,301	264,488	1,721,739
End of Year	\$ -	\$ 102,586	\$ 245,887	\$ 431,760	\$ 159,594	\$ 741,456	\$ 528,668	\$ 2,209,951

NONMAJOR CAPITAL PROJECT FUNDS

Nonmajor capital project funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Municipal State Aid Street – Used to collect and spend resources on the various projects related to state aid streets and highways.

Improvement Equipment Outlay Fund – Used to account for the capital outlay costs of obtaining new equipment for various functions.

Permanent Revolving Improvement Fund – Used to account for the construction costs prior to obtaining permanent financing.

Community Investment Construction – This fund is used to collect and spend resources on the various community assets of the City.

Navarre Fire Station Construction Fund – Used to account for the construction costs of a new fire station in the Navarre area of the City.

Big Island Public Project Fund – Used to account for the funding, acquisition, and improvement costs of the Big Island Project.

Pavement Management Plan – This fund is used to collect and spend resources on the various road construction projects of the City.

Police Garage Fund – This fund is used to collect and spend resources for the City's police garage project.

**CITY OF ORONO
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

	Municipal State Aid Street	Improvement Equipment Outlay	Permanent Revolving Improvement	Community Investment Construction	Navarre Fire Station Construction	Big Island Public Project	Pavement Management Plan	Police Garage	Totals
ASSETS									
Cash and Investments	\$ 1,412	\$ 1,121,192	\$ 952,891	\$ 876,273	\$ 872	\$ 347	\$ 261,171	\$ 15,406	\$ 3,229,564
Receivables:									
Accrued Interest	-	-	-	-	6	-	-	-	6
Deferred Special Assessments	-	-	17,167	-	-	-	-	-	17,167
Due from Other Governmental Units	-	-	35	-	-	-	-	-	35
Total Assets	\$ 1,412	\$ 1,121,192	\$ 970,093	\$ 876,273	\$ 878	\$ 347	\$ 261,171	\$ 15,406	\$ 3,246,772
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE									
LIABILITIES									
Accounts and Contracts Payable	\$ 54,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,694	\$ 98,827
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Special Assessments	-	-	17,167	-	-	-	-	-	17,167
FUND BALANCE									
Restricted:									
Road Construction Projects	-	-	-	-	-	-	261,171	-	261,171
Assigned:									
Long Lake Fire Equipment	-	566,379	-	-	-	-	-	-	566,379
Capital Equipment Purchases	-	554,813	-	-	-	-	-	-	554,813
Police Equipment Purchases	-	-	208,106	-	-	-	-	-	208,106
Future Construction Projects	-	-	744,820	-	-	-	-	-	744,820
Community-Wide Projects	-	-	-	876,273	-	-	-	-	876,273
Debt Service	-	-	-	-	878	347	-	-	1,225
Unassigned	(149,285)	-	-	-	-	-	-	(29,288)	(178,573)
Total Fund Balance	(149,285)	1,121,192	952,926	876,273	878	347	261,171	(29,288)	3,034,214
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,412	\$ 1,121,192	\$ 970,093	\$ 876,273	\$ 878	\$ 347	\$ 261,171	\$ 15,406	\$ 3,246,772

CITY OF ORONO
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015

	Municipal State Aid Street	Improvement Equipment Outlay	Permanent Revolving Improvement	Community Investment Construction	Navarre Fire Station Construction	Big Island Public Project	Pavement Management Plan	Police Garage	Totals
REVENUE									
Property Taxes	\$ -	\$ -	\$ 106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106
Special Assessments	-	-	30,237	-	-	-	-	-	30,237
Intergovernmental Revenue	81,396	-	40,000	-	-	-	3,608	-	125,004
Other Revenue:									
Investment Earnings	1,412	11,582	12,272	10,454	8	3	3,305	-	39,036
Miscellaneous Revenue	-	-	6,421	-	-	-	3,000	-	9,421
Total Revenue	<u>82,808</u>	<u>11,582</u>	<u>89,036</u>	<u>10,454</u>	<u>8</u>	<u>3</u>	<u>9,913</u>	<u>-</u>	<u>203,804</u>
EXPENDITURES									
Capital Outlay:									
Other	<u>835,071</u>	<u>233,490</u>	<u>27,997</u>	<u>7,929</u>	<u>-</u>	<u>-</u>	<u>178,184</u>	<u>732,604</u>	<u>2,015,275</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(752,263)	(221,908)	61,039	2,525	8	3	(168,271)	(732,604)	(1,811,471)
OTHER FINANCE SOURCES (USES)									
Transfers In	228,037	240,000	-	-	-	-	123,172	-	591,209
Transfers Out	-	-	(321,000)	(130,000)	-	-	-	-	(451,000)
Total Other Finance Sources (Uses)	<u>228,037</u>	<u>240,000</u>	<u>(321,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>-</u>	<u>123,172</u>	<u>-</u>	<u>140,209</u>
NET CHANGE IN FUND BALANCES	(524,226)	18,092	(259,961)	(127,475)	8	3	(45,099)	(732,604)	(1,671,262)
FUND BALANCES									
Beginning of Year	<u>374,941</u>	<u>1,103,100</u>	<u>1,212,887</u>	<u>1,003,748</u>	<u>870</u>	<u>344</u>	<u>306,270</u>	<u>703,316</u>	<u>4,705,476</u>
End of Year	<u>\$ (149,285)</u>	<u>\$ 1,121,192</u>	<u>\$ 952,926</u>	<u>\$ 876,273</u>	<u>\$ 878</u>	<u>\$ 347</u>	<u>\$ 261,171</u>	<u>\$ (29,288)</u>	<u>\$ 3,034,214</u>

INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods or services by one department to other departments of the City, or to other governmental units, on a cost-reimbursement basis.

Insurance Fund – Used to account for the insurance costs incurred by the City for general liability, property, vehicle, workers' compensation, and other insurance and deductibles.

Compensated Absences Fund – Used to account for the accrual of sick and vacation days that are earned by the City's employees.

**CITY OF ORONO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Insurance Fund	Compensated Absences	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 678,006	\$ 427,470	\$ 1,105,476
LIABILITIES AND NET POSITION			
NET POSITION			
Unrestricted	\$ 678,006	\$ 427,470	\$ 1,105,476

**CITY OF ORONO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015**

	<u>Insurance Fund</u>	<u>Compensated Absences</u>	<u>Total</u>
OPERATING REVENUE			
Sales and User Fees	\$ 243,569	\$ -	\$ 243,569
Other	21,939	-	21,939
Total Operating Revenue	<u>265,508</u>	<u>-</u>	<u>265,508</u>
OPERATING EXPENSES			
Insurance	<u>309,935</u>	<u>-</u>	<u>309,935</u>
OPERATING LOSS	(44,427)	-	(44,427)
NONOPERATING REVENUE			
Investment Earnings	<u>6,505</u>	<u>4,543</u>	<u>11,048</u>
CHANGES IN NET POSITION	(37,922)	4,543	(33,379)
NET POSITION			
Beginning of Year	<u>715,928</u>	<u>422,927</u>	<u>1,138,855</u>
End of Year	<u>\$ 678,006</u>	<u>\$ 427,470</u>	<u>\$ 1,105,476</u>

**CITY OF ORONO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015**

	<u>Insurance Fund</u>	<u>Compensated Absences</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 243,569	\$ -	\$ 243,569
Cash Paid to Suppliers	(199,903)	-	(199,903)
Other Receipts	21,939	-	21,939
Net Cash Provided by Operating Activities	<u>65,605</u>	<u>-</u>	<u>65,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received on Investment	<u>6,505</u>	<u>4,543</u>	<u>11,048</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,110	4,543	76,653
Cash and Cash Equivalents - Beginning of Year	<u>605,896</u>	<u>422,927</u>	<u>1,028,823</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 678,006</u>	<u>\$ 427,470</u>	<u>\$ 1,105,476</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Loss	\$ (44,427)	\$ -	\$ (44,427)
(Increase) Decrease in:			
Prepaid Items	110,032	-	110,032
Net Cash Provided (Used) by Operating Activities	<u>\$ 65,605</u>	<u>\$ -</u>	<u>\$ 65,605</u>

STATISTICAL SECTION (UNAUDITED)

This part of Orono's Minnesota's Comprehensive Annual Financial Report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the city which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to services the Township provides and activities it performs.

**CITY OF ORONO
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Net Investment in Capital Assets	\$ 6,905,044	\$ 8,509,472	\$ 5,171,100	\$ 7,456,522	\$ 11,535,032	\$ 12,059,075	\$ 11,373,668	\$ 10,855,727	\$ 10,720,258	\$ 14,269,848
Restricted	2,639,421	3,232,344	2,724,688	2,724,688	2,118,273	3,283,445	3,279,963	3,596,762	3,535,595	3,835,852
Unrestricted	7,724,548	7,686,491	12,103,304	10,321,261	6,207,780	5,995,237	7,159,290	7,777,232	9,616,862	3,740,883
Total Governmental Activities Net Position	\$ 17,269,013	\$ 19,428,307	\$ 19,999,092	\$ 20,502,471	\$ 19,861,085	\$ 21,337,757	\$ 21,812,921	\$ 22,229,721	\$ 23,872,715	\$ 21,846,583
Business-Type Activities:										
Net Investment in Capital Assets	\$ 13,665,655	\$ 13,604,317	\$ 13,507,734	\$ 15,251,329	\$ 15,144,730	\$ 15,027,930	\$ 15,393,009	\$ 15,586,266	\$ 16,042,333	\$ 15,505,885
Unrestricted	4,328,202	5,183,545	5,347,318	4,072,009	5,885,807	6,375,719	6,196,614	6,105,512	5,946,733	6,411,818
Total Business-Type Activities Net Position	\$ 17,993,857	\$ 18,787,862	\$ 18,855,052	\$ 19,323,338	\$ 21,030,537	\$ 21,403,649	\$ 21,589,623	\$ 21,691,778	\$ 21,989,066	\$ 21,917,703
Primary Government:										
Net Investment in Capital Assets	\$ 20,570,699	\$ 22,113,789	\$ 18,678,834	\$ 22,707,851	\$ 26,679,762	\$ 27,087,005	\$ 26,766,677	\$ 26,441,993	\$ 26,762,591	\$ 29,775,733
Restricted	2,639,421	3,232,344	2,724,688	2,724,688	2,118,273	3,283,445	3,279,963	3,596,762	3,535,595	3,835,852
Unrestricted	12,052,750	12,870,036	17,450,622	14,393,270	12,093,587	12,370,956	13,355,904	13,882,744	15,563,595	10,152,701
Total Primary Government Net Position	\$ 35,262,870	\$ 38,216,169	\$ 38,854,144	\$ 39,825,809	\$ 40,891,622	\$ 42,741,406	\$ 43,402,544	\$ 43,921,499	\$ 45,861,781	\$ 43,764,286

**CITY OF ORONO
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
General Government	\$ 1,179,582	\$ 1,103,474	\$ 1,969,866	\$ 1,941,927	\$ 1,899,808	\$ 1,951,621	\$ 1,836,682	\$ 1,931,772	\$ 1,719,267	\$ 1,864,543
Public Safety	3,396,709	4,306,256	4,257,336	3,840,633	3,557,976	3,382,389	3,317,261	4,526,574	4,984,389	5,107,619
Streets	823,884	743,822	796,863	605,719	579,551	1,060,426	1,194,986	1,610,302	854,079	999,097
Parks and Recreation	87,769	82,375	188,083	106,379	100,731	285,897	270,356	279,796	254,177	324,731
Recycling	90,408	83,594	100,385	97,920	100,352	106,649	104,046	-	-	-
Miscellaneous	453,948	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	293,821	262,757	274,278	350,111	317,525	341,008	324,633	413,935	287,181	283,146
Total Governmental Activities Expenses	6,326,121	6,582,278	7,586,811	6,942,689	6,555,943	7,127,990	7,047,964	8,762,379	8,099,093	8,579,136
Business-Type Activities:										
Water	501,964	480,919	561,200	468,540	480,513	417,843	473,191	514,522	556,766	545,592
Sewer	988,014	1,017,428	1,038,790	1,084,959	1,046,396	1,088,467	1,161,273	1,136,040	1,184,629	1,332,617
Storm Water	89,254	80,288	92,985	136,527	94,247	108,399	126,294	145,907	186,719	163,747
Recycling	210,740	211,973	213,261	215,343	206,702	-	-	114,837	114,983	116,642
Cable Television	-	-	-	-	-	-	-	-	12,675	31,802
Interest and Fiscal Charges	-	-	-	-	7,604	5,705	1,900	899	-	36,166
Total Business-Type Activities Expenses	1,789,972	1,790,608	1,906,236	1,905,369	1,835,462	1,620,414	1,762,658	1,912,205	2,055,772	2,226,566
Total Primary Government Expenses	\$ 8,116,093	\$ 8,372,886	\$ 9,493,047	\$ 8,848,058	\$ 8,391,405	\$ 8,748,404	\$ 8,810,622	\$ 10,674,584	\$ 10,154,865	\$ 10,805,702
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	\$ 364,054	\$ 712,061	\$ 566,117	\$ 349,569	\$ 549,384	\$ 551,026	\$ 482,883	\$ 646,284	\$ 692,254	\$ 736,643
Public Safety	1,170,851	1,115,622	1,255,648	1,253,416	1,183,879	1,035,105	909,170	2,544,587	2,570,751	2,737,342
Streets	-	-	-	2,368	3,495	18,149	165,503	128,402	2,998	3,933
Parks and Recreation	-	-	-	-	38,850	258,250	129,918	149,994	207,977	499,083
Recycling	68,634	68,805	70,955	75,073	75,272	77,455	81,224	-	-	-
Operating Grants and Contributions	232,602	272,208	380,034	451,329	486,881	715,225	586,891	627,650	925,968	732,114
Capital Grants and Contributions	441,109	1,183,526	505,300	-	77,478	721,962	18,806	11,187	22,060	13,549
Total Governmental Activities Program Revenues	2,277,250	3,352,222	2,778,054	2,131,755	2,415,239	3,377,172	2,374,395	4,108,104	4,422,008	4,722,664
Business-Type Activities:										
Charges for Services:										
Water	452,148	510,281	464,382	420,963	382,864	401,765	502,864	436,770	452,429	492,947
Sewer	917,743	960,871	944,892	980,619	1,055,620	1,085,540	1,107,357	1,206,926	1,200,043	1,297,786
Storm Water	162,230	495,497	159,242	143,621	240,258	250,197	242,563	314,415	318,787	527,255
Recycling	149,729	152,653	145,266	166,084	140,891	-	-	110,912	113,501	128,387
Cable Television	-	-	-	-	-	-	-	-	71,412	99,632
Operating Grants and Contributions	-	-	42,986	-	-	-	-	-	-	-
Capital Grants and Contributions	175,135	150,243	-	-	60,000	165,316	19,133	495	178,371	16,765
Total Business-Type Activities Program Revenues	1,856,985	2,269,545	1,756,768	1,711,287	1,879,633	1,902,818	1,871,917	2,069,518	2,334,543	2,562,772
Total Primary Government Program Revenues	\$ 4,134,235	\$ 5,621,767	\$ 4,534,822	\$ 3,843,042	\$ 4,294,872	\$ 5,279,990	\$ 4,246,312	\$ 6,177,622	\$ 6,756,551	\$ 7,285,436

**CITY OF ORONO
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Revenue (Expense):										
Governmental Activities	\$ (4,048,871)	\$ (3,230,046)	\$ (4,808,757)	\$ (4,810,934)	\$ (4,140,704)	\$ (3,750,818)	\$ (4,673,569)	\$ (4,654,275)	\$ (3,677,085)	\$ (3,856,472)
Business-Type Activities	67,013	478,973	(149,468)	228,492	44,171	282,404	109,259	157,313	278,771	336,206
Total Primary Government Net Expense	\$ (3,981,858)	\$ (2,751,073)	\$ (4,958,225)	\$ (4,582,442)	\$ (4,096,533)	\$ (3,468,414)	\$ (4,564,310)	\$ (4,496,962)	\$ (3,398,314)	\$ (3,520,266)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes	\$ 3,823,183	\$ 4,117,167	\$ 4,384,333	\$ 4,546,038	\$ 4,364,416	\$ 4,728,470	\$ 4,716,941	\$ 4,746,856	\$ 4,809,875	\$ 4,819,345
Unrestricted Grants and Contributions	8,869	28,147	-	-	-	-	-	-	-	-
Other General Revenues	514,071	497,081	570,846	526,115	293,916	186,397	139,494	214,876	17,337	44,051
Investment Earnings	427,178	543,625	396,321	219,268	215,289	121,403	126,298	(81,067)	215,606	144,252
Gain (Loss) on Sale of Capital Assets	147,742	192,030	16,742	11,592	22,369	20,813	-	24,410	7,961	6,466
Transfers	11,310	11,300	11,300	11,300	(1,396,672)	170,407	166,000	166,000	269,300	320,209
Total Governmental Activities	4,932,353	5,389,350	5,379,542	5,314,313	3,499,318	5,227,490	5,148,733	5,071,075	5,320,079	5,334,323
Business-Type Activities:										
Other General Revenues	33,212	91,263	39,078	85,531	203,874	201,462	183,619	130,550	163,719	141,546
Investment Earnings	156,832	235,105	188,880	165,563	62,482	59,653	59,096	(19,708)	124,098	67,076
Transfers	(11,310)	(11,300)	(11,300)	(11,300)	1,396,672	(170,407)	(166,000)	(166,000)	(269,300)	(320,209)
Total Business-Type Activities	178,734	315,068	216,658	239,794	1,663,028	90,708	76,715	(55,158)	18,517	(111,587)
Total Primary Government	\$ 5,111,087	\$ 5,704,418	\$ 5,596,200	\$ 5,554,107	\$ 5,162,346	\$ 5,318,198	\$ 5,225,448	\$ 5,015,917	\$ 5,338,596	\$ 5,222,736
Change in Net Position:										
Governmental Activities	\$ 883,482	\$ 2,159,304	\$ 570,785	\$ 503,379	\$ (641,386)	\$ 1,476,672	\$ 475,164	\$ 416,800	\$ 1,642,994	\$ 1,477,851
Business-Type Activities	245,747	794,041	67,190	468,286	1,707,199	373,112	185,974	102,155	297,288	224,619
Total Primary Government	\$ 1,129,229	\$ 2,953,345	\$ 637,975	\$ 971,665	\$ 1,065,813	\$ 1,849,784	\$ 661,138	\$ 518,955	\$ 1,940,282	\$ 1,702,470

**CITY OF ORONO
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$ -	\$ -	\$ 11,000	\$ 29,134	\$ 19,586	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,604,575	3,218,529	3,223,370	3,288,032	3,250,931	-	-	-	-	-
Nonspendable	-	-	-	-	-	31,213	66,296	30,909	74,800	74,800
Unassigned	-	-	-	-	-	3,509,254	3,133,691	3,354,809	4,233,687	4,233,687
Total General Fund	<u>\$ 2,604,575</u>	<u>\$ 3,218,529</u>	<u>\$ 3,234,370</u>	<u>\$ 3,317,166</u>	<u>\$ 3,270,517</u>	<u>\$ 3,540,467</u>	<u>\$ 3,199,987</u>	<u>\$ 3,385,718</u>	<u>\$ 4,308,487</u>	<u>\$ 4,308,487</u>
All Other Governmental Funds:										
Reserved	\$ 974,700	\$ 881,023	\$ 2,518,515	\$ 2,193,401	\$ 3,362,303	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:										
Special Revenue Funds	3,187,645	3,455,836	3,322,546	3,444,473	989,749	-	-	-	-	-
Capital Projects Funds	782,448	542,912	4,709,312	2,946,403	6,682,480	-	-	-	-	-
Debt Service Funds	1,907,422	1,928,556	(4,431)	-	(4,407)	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,189	-	-	-
Restricted	-	-	-	-	-	5,924,524	4,912,412	3,455,223	3,951,774	3,951,774
Assigned	-	-	-	-	-	3,646,933	3,888,083	4,133,893	2,951,616	2,951,616
Unassigned	-	-	-	-	-	-	-	-	-	(178,573)
Total All Other Governmental Funds	<u>\$ 6,852,215</u>	<u>\$ 6,808,327</u>	<u>\$ 10,545,942</u>	<u>\$ 8,584,277</u>	<u>\$ 11,030,125</u>	<u>\$ 9,571,457</u>	<u>\$ 8,801,684</u>	<u>\$ 7,589,116</u>	<u>\$ 6,903,390</u>	<u>\$ 6,724,817</u>

Source: City's financial records.

Note: The City began to use new categories when it implemented GASB 54 in fiscal year 2011. Prior years were not retroactively reclassified.

CITY OF ORONO
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 3,795,308	\$ 4,082,076	\$ 4,378,299	\$ 4,557,765	\$ 4,742,169	\$ 4,761,488	\$ 4,724,264	\$ 4,785,052	\$ 4,840,777	\$ 4,839,722
Licenses and Permits	369,848	376,373	502,916	394,069	411,155	592,111	509,300	613,184	675,204	846,343
Intergovernmental	579,754	1,107,584	317,303	260,254	472,366	542,711	393,148	421,485	745,062	545,236
Charges for Services	1,447,176	1,768,746	1,392,452	1,349,988	1,212,527	1,029,515	979,122	2,474,211	2,569,831	2,896,458
Fines	156,363	127,742	117,291	140,621	182,719	141,304	159,673	175,321	153,821	134,754
Investment Earnings	414,989	523,710	396,321	219,268	199,131	110,215	114,624	61,335	195,862	133,204
Special Assessments	254,151	270,167	185,150	160,615	193,865	272,772	115,518	68,413	62,632	70,349
Miscellaneous	190,851	295,267	452,510	84,143	66,063	74,676	255,633	205,078	58,012	64,867
Total Revenues	7,208,440	8,551,665	7,742,242	7,166,723	7,479,995	7,524,792	7,251,282	8,804,079	9,301,201	9,530,933
Expenditures:										
General Government	1,059,879	1,113,324	1,507,892	1,456,632	1,441,065	1,294,803	1,263,916	1,242,028	1,282,487	1,285,064
Public Safety	3,339,299	3,276,233	3,680,049	3,548,678	3,501,180	3,402,270	3,248,071	4,734,635	4,906,572	4,906,117
Streets	461,178	655,267	539,372	496,787	450,403	458,040	425,192	508,544	454,964	496,239
Parks and Recreation	58,803	50,722	54,731	65,991	58,498	241,789	238,424	255,395	231,356	268,831
Recycling	90,408	83,594	100,385	97,920	100,352	106,649	104,046	-	4,572	-
Other	453,948	581,429	-	-	-	-	-	-	-	-
Capital Outlay	6,570,271	1,359,848	1,314,956	2,225,166	810,071	758,654	1,795,760	1,683,159	3,973,460	2,114,343
Debt Service:										
Principal	770,000	790,000	1,075,000	801,953	925,000	2,285,000	1,110,000	1,145,000	1,900,000	1,010,000
Interest	274,463	274,512	242,339	413,303	321,682	357,525	362,629	328,633	302,728	331,317
Total Expenditures	13,078,249	8,184,929	8,514,724	9,106,430	7,608,251	8,904,730	8,548,038	9,897,394	13,056,139	10,411,911
Excess of Revenues										
Over (Under) Expenditures	(5,869,809)	366,736	(772,482)	(1,939,707)	(128,256)	(1,379,938)	(1,296,756)	(1,093,315)	(3,754,938)	(880,978)
Other Financing Sources (Uses):										
Transfers In	1,771,310	241,300	11,300	1,299,776	3,063,840	530,407	1,752,437	866,000	905,848	1,451,397
Transfers Out	(1,760,000)	(230,000)	-	(1,288,476)	(4,998,351)	(360,000)	(1,586,437)	(700,000)	(636,548)	(1,131,188)
Refunding Bonds Issued	-	-	-	-	1,195,000	-	-	-	-	-
Bonds Issued	1,900,000	-	4,500,000	1,120,000	3,120,000	-	-	-	4,070,177	-
Premium on Bonds Issued	-	-	-	12,946	110,597	-	-	-	-	-
Discount on Issued Debt	-	-	(6,258)	-	-	-	-	-	-	-
Payment of Refunded Bonds	-	-	-	(1,095,000)	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	14,000	-	-	-	-	-
Sales of Capital Assets	997,742	192,030	20,906	11,592	22,369	20,813	20,503	30,110	22,662	17,610
Total Other Financing Sources (Uses)	2,909,052	203,330	4,525,948	60,838	2,527,455	191,220	186,503	196,110	4,362,139	337,819
Net Change in Fund Balances	\$ (2,960,757)	\$ 570,066	\$ 3,753,466	\$ (1,878,869)	\$ 2,399,199	\$ (1,188,718)	\$ (1,110,253)	\$ (897,205)	\$ 607,201	\$ (543,159)
Debt Service as a Percentage of Noncapital Expenditures	16.0%	15.6%	18.3%	17.0%	18.3%	31.2%	20.1%	16.5%	24.2%	15.8%

CITY OF ORONO
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Market Value	Taxable Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2006	\$ 2,740,312,100	\$ 59,646,100	\$ 7,157,800	\$ 2,807,116,000	\$ 24,817,899	15.316	0.88
2007	2,764,600,200	61,277,700	6,834,100	2,832,712,000	28,383,366	14.269	1.00
2008	2,946,361,400	65,490,300	6,738,200	3,018,589,900	34,764,419	13.576	1.15
2009	2,917,611,900	66,468,700	8,308,300	2,992,388,900	34,342,939	13.183	1.15
2010	2,694,887,700	60,108,100	7,692,800	2,762,688,600	31,561,399	13.677	1.14
2011	2,504,169,400	56,939,100	7,672,400	2,568,780,900	29,065,900	14.991	1.14
2012	2,319,999,400	54,284,700	7,771,200	2,382,055,300	26,790,406	16.283	1.12
2013	2,353,751,300	53,032,100	9,618,500	2,416,401,900	26,531,505	17.667	1.10
2014	2,367,078,691	52,385,700	11,937,300	2,431,401,691	27,566,309	17.815	1.13
2015	2,468,589,098	50,003,300	12,831,100	2,531,423,498	28,749,183	17.387	1.14

**CITY OF ORONO
DIRECT AND OVERLAPPING TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	City of Orono			Overlapping Rates			Total Direct and Overlapping Rates
	Operating	Debt Service	Total City	ISD No. 278	Hennepin County	Special Districts	
2006	13.726	1.590	15.316	11.584	41.016	8.070	75.986
2007	12.474	1.795	14.269	11.729	39.110	8.431	73.539
2008	11.454	2.122	13.576	12.041	38.571	8.805	72.993
2009	11.153	2.030	13.183	17.492	40.413	8.643	79.731
2010	11.415	2.262	13.677	17.013	42.640	9.649	82.979
2011	12.552	2.439	14.991	19.380	45.840	10.841	91.052
2012	13.634	2.649	16.283	19.939	48.231	11.228	95.681
2013	14.826	2.841	17.667	22.325	49.461	11.858	101.311
2014	14.951	2.864	17.815	22.802	49.959	12.367	102.943
2015	14.633	2.754	17.387	22.601	46.398	9.785	96.171

Source: Hennepin County Assessing Department

**CITY OF ORONO
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2015			2006		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Private Residence	\$328,239	1	1.05 %	\$ 110,263	1	0.52 %
Private Residence	285,075	2	0.91	102,376	2	0.48
Private Residence	260,139	3	0.83	90,269	4	0.42
Private Residence	211,113	4	0.67	82,376	7	0.39
Wayzata Country Club	142,028	5	0.45	82,026	8	0.39
Engelsma Limited-Trails of Orono	133,750	6	0.43			
Private Residence	122,400	7	0.39	75,474	9	0.35
Woodhill Country Club	121,520	8	0.39	70,550	10	0.33
Private Residence	117,032	9	0.37			
Northern States Power Co	114,340	10	0.36			
Private Residence	104,176	11	0.33	82,510	6	0.39
Private Residence	101,413	12	0.32	92,670	3	0.44
Private Residence	101,400	13	0.32	86,760	5	0.41
Total	<u>\$ 2,142,625</u>		<u>6.83 %</u>	<u>\$ 875,274</u>		<u>4.12 %</u>

Source: Hennepin County Assessor's Office

**CITY OF ORONO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 3,803,152	\$ 3,719,548	97.80 %	\$ 83,605	\$ 3,803,152	100.00 %
2007	4,083,230	3,985,699	97.61	97,531	4,083,230	100.00
2008	4,391,160	4,259,205	96.99	131,955	4,391,160	100.00
2009	4,564,687	4,415,151	96.72	149,536	4,564,687	100.00
2010	4,665,880	4,518,619	96.84	145,553	4,664,172	99.96
2011	4,702,558	4,599,372	97.81	100,817	4,700,189	99.95
2012	4,702,558	4,632,847	98.52	64,833	4,697,680	99.90
2013	4,701,760	4,677,698	99.49	18,517	4,696,215	99.88
2014	4,743,144	4,701,760	99.13	36,576	4,738,336	99.90
2015	4,772,000	4,748,327	99.50	-	4,748,327	99.50

CITY OF ORONO
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Public Facility Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds			
2006	\$ 2,670,000	\$ 5,115,000	\$ -	\$ -	\$ -	\$ 7,785,000	2.05	1,017
2007	2,255,000	4,740,000	-	-	-	6,995,000	1.36	892
2008	6,330,000	4,090,000	-	-	-	10,420,000	2.13	1,296
2009	6,015,000	3,660,000	-	-	-	9,675,000	1.87	1,204
2010	9,850,000	3,215,000	13,398	-	-	13,078,398	2.52	1,759
2011	9,365,000	1,415,000	10,928	-	-	10,790,928	2.32	1,451
2012	8,430,000	1,240,000	8,357	-	-	9,678,357	2.08	1,303
2013	7,470,000	1,055,000	5,682	-	-	8,530,682	1.46	1,125
2014	10,620,000	-	17,374	-	1,280,000	11,917,374	1.99	1,566
2015	9,610,000	-	11,812	-	1,195,000	10,816,812	2.14	1,389

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

CITY OF ORONO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2006	\$ 7,785,000	\$ -	\$ 2,540,083	\$ 5,244,917	0.24	685
2007	6,995,000	-	2,651,179	4,343,821	0.15	554
2008	10,420,000	-	2,360,115	8,059,885	0.28	1,021
2009	9,675,000	-	2,193,401	7,481,599	0.25	938
2010	13,065,000	-	3,262,816	9,802,184	0.36	1,318
2011	10,780,000	-	1,972,796	8,807,204	0.34	1,184
2012	8,430,000	-	1,898,787	6,531,213	0.28	879
2013	7,470,000	-	1,571,736	5,898,264	0.24	778
2014	10,620,000	1,280,000	1,189,565	10,710,435	0.44	1,407
2015	9,610,000	1,195,000	2,209,951	8,595,049	0.34	1,104

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

**CITY OF ORONO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2015**

Governmental Unit	Gross Bonded Debt	Sinking Funds	Net Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct Debt:					
City of Orono	\$ 10,805,000	\$ 699,783	\$ 10,105,217	100.00 %	\$ 10,105,217
Overlapping Debt:					
School Districts:					
ISD No. 278 (Orono)	49,315,000	1,844,304	47,470,696	51.73	24,556,591
ISD No. 276 (Minnetonka)	108,315,169	16,444,590	91,870,579	0.20	183,741
ISD No. 277 (Westonka)	27,720,000	713,542	27,006,458	26.70	7,210,724
ISD No. 284 (Wayzata)	175,909,756	16,366,724	159,543,032	0.99	1,579,476
Hennepin County	706,625,000	17,108,816	689,516,184	2.09	14,410,888
Hennepin Suburban Park	63,510,000	13,913,503	49,596,497	2.85	1,413,500
Hennepin Regional RR Authority	34,695,000	305,502	34,389,498	2.85	980,101
Metropolitan Council	206,020,000	138,855,520	67,164,480	0.97	651,495
Total Overlapping Debt					<u>50,986,517</u>
Total Direct and Overlapping Deb					<u>\$ 61,091,734</u>

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

Source 1: Hennepin County

Source 2: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

**CITY OF ORONO
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 44,320,288	\$ 50,777,838	\$ 90,557,697	\$ 90,720,357	\$ 82,824,237	\$ 77,063,427	\$ 71,461,659	\$ 72,492,057	\$ 72,942,051	\$ 75,942,705
Total Net Debt Applicable to Limit	<u>3,837,218</u>	<u>3,717,716</u>	<u>9,496,914</u>	<u>7,481,599</u>	<u>9,802,184</u>	<u>9,014,895</u>	<u>6,898,136</u>	<u>6,319,308</u>	<u>10,660,892</u>	<u>8,714,780</u>
Legal Debt Margin	<u>\$ 40,483,070</u>	<u>\$ 47,060,122</u>	<u>\$ 81,060,783</u>	<u>\$ 83,238,758</u>	<u>\$ 73,022,053</u>	<u>\$ 68,048,532</u>	<u>\$ 64,563,523</u>	<u>\$ 66,172,749</u>	<u>\$ 62,281,159</u>	<u>\$ 67,227,925</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.66%	7.32%	10.49%	8.25%	11.83%	11.70%	9.65%	8.72%	14.62%	11.48%

Legal Debt Margin Calculation for Fiscal Year 2015

Market Value	\$ 2,531,423,498
Debt Limit (3% of Market Value) ⁽¹⁾	75,942,705
Debt Applicable to Limit:	
General Obligation Bonds	10,805,000
Less Amount Set Aside for Repayment of General Obligation Debt	<u>2,090,220</u>
Total Net Debt Applicable to Limit	<u>8,714,780</u>
Legal Debt Margin	<u>\$ 67,227,925</u>

(1) The debt limit percentage increased in 2008 from 2% to 3%.

Note: Under the City's finance law, the City's outstanding general obligation debt should not exceed 3% of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**CITY OF ORONO
 PLEDGED REVENUE
 LAST TEN FISCAL YEARS**

Fiscal Year	Water Revenue Bonds					
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	615,569	577,320	38,249	85,000	31,680	0.33

**CITY OF ORONO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Estimated Personal Income	Per Capita Personal Income	Median Age (2)	Education Level in Years of Formal Schooling	School Enrollment (3)	Unemployment Rate (4)
2006	7,653	\$ 379,328,598	\$ 49,566	-	-	2,594	4.6
2007	7,841	516,133,825	65,825	41	-	2,589	4.2
2008	7,896	481,355,952	60,962	38	-	2,644	5.9
2009	7,980	516,313,980	64,701	41	-	2,708	6.7
2010	7,437	518,009,361	69,653	45	15	2,765	2.9
2011	7,437	464,396,028	62,444	35	-	2,706	5.3
2012	7,428	572,416,536	77,062	45	-	2,711	4.8
2013	7,584	584,726,400	77,100	46	-	2,760	4.6
2014	7,611	597,463,500	78,500	46	-	2,757	2.9
2015	7,785	506,281,905	65,033	46	-	2,808	2.8

Note: Information on education level was only available in 2010 census data.

Data sources

- (1) Metropolitan Council Estimate in non census years. 2010 based on census data.
- (2) Hennepin County average/median for non-census years. 2010 based on census data.
- (3) Minnesota Department of Education, as reported by ISD No. 278 (Orono).
- (4) Minnesota Department of Economic Security; Hennepin County average for non-census years. 2010 based on census data.

**CITY OF ORONO
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD No. 278 (Orono)	493	1	26.29 %	335	1	22.33 %
Wayzata Country Club	190	2	13.14	225	2	15.00
Woodhill Country Club	144	3	8.23	102	4	6.80
Jem Technical	108	4	6.57	–	–	–
Otten Brothers	98	5	5.60	126	3	8.40
Springhill Country Club	45	6	4.57	45	8	3.00
Lunds	64	7	4.29	55	7	4.00
City of Orono	63	8	2.86	45	8	3.67
Culvers	45	9	2.46	35	9	2.33
Service 800	30	10	1.71	32	10	2
Morries' Automotive	30	10	1.71	64	5	4.27
Total	1,310		77.43 %	1,064		71.93 %

Source: City of Orono and State Department of Commerce

**CITY OF ORONO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function:										
General Government	6.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.8	7.8
Public Safety:										
Police:										
Officers	20.5	20.5	19.5	18.5	18.0	16.5	16.5	30.0	28.0	27.0
Civilians	4.0	3.7	3.7	3.7	3.7	3.0	3.0	4.0	4.0	4.0
Code Enforcement	7.6	7.6	6.6	6.6	6.6	5.6	5.6	5.6	6.0	6.0
Public Works	5.3	4.1	4.1	3.5	3.5	3.5	4.5	4.5	4.5	4.5
Water	1.6	1.7	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Sewer	3.0	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Storm Water	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Golf	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0
Total	<u>51.9</u>	<u>50.8</u>	<u>48.8</u>	<u>46.8</u>	<u>46.3</u>	<u>43.1</u>	<u>44.1</u>	<u>58.6</u>	<u>58.8</u>	<u>58.8</u>

Source: City Budget Office

**CITY OF ORONO
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function:	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety:										
Police:										
Initial Reports	6,899	6,702	7,281	6,217	6,573	5,728	6,688	12,128	10,990	10,056
Citations	2,628	2,117	2,752	2,572	2,543	2,086	1,982	3,228	2,437	1,495
Building/Zoning										
Building Permits Issued	383	336	348	343	549	858	441	449	485	470
Land Use Applications	79	90	52	40	38	35	48	24	56	63
Water:										
Connections	974	976	978	984	1,005	998	1,003	1,036	1,036	1,023
Radio Read Meters – Start 2004	195	275	441	573	720	808	927	1,001	1,036	1,010
Annual Water Pumped (Thousands of Gallons)	123,638	131,613	112,642	129,277	107,831	116,370	125,005	108,486	96,066	95,701
Wastewater:										
Connections	2,123	2,125	2,141	2,189	2,173	2,215	2,231	2,225	2,218	2,238
Annual Sewer Flow (Thousands of Gallons)	186,500	179,000	195,000	172,300	172,780	173,649	177,360	186,310	190,710	201,000
Storm Water:										
Sweeping (Centerline Miles)	46	46	46	46	46	46	46	46	46	46
Drainage Projects	6	-	-	1	-	2	1	1	1	1
Golf:										
Rounds Played	10,318	10,270	10,300	14,771	13,927	12,041	10,607	6,990	10,890	14,334
N/A: Not Available										

Sources: Various City departments

**CITY OF ORONO
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function:										
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	11	11	11	11	11	14	14	14
Fire Stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Streets (Miles)	46	46	46	46	46	46	46	46	46	46
Streetlights	195	195	195	195	195	195	195	195	195	195
Parks:										
Parks Acreage (1)	197	197	197	197	197	228	228	228	228	228
Parks	21	21	21	21	21	22	22	22	22	22
Beaches	4	4	4	4	4	4	4	4	4	4
Water:										
Water Mains (Miles)	18	18	18	18	18	18	18	18	18	18
Water Plants	2	2	2	2	2	2	2	2	2	2
Wells	3	3	3	3	3	3	3	3	3	3
Maximum Daily Capacity (Thousands of Gallons)	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160
Sewer:										
Sanitary Sewers (Miles)	47	47	47	47	47	47	47	47	47	47
Pumping Stations	45	45	45	45	46	46	46	46	46	46
Golf:										
Clubhouse	1	1	1	1	1	1	1	1	1	1
Holes	9	9	9	9	9	9	9	9	9	9

(1) Historical park acreage was adjusted to reflect updated information

Note: No capital asset indicators are available for the general government functions.

Sources: Various City departments