

**CITY OF ORONO, MINNESOTA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2016**

**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

September 13, 2017

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, 2016 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, 2016. 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 2016 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 2016.

## **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 updated annually and 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 started the process of extending the fire services agreement.

The City provides police protection to the cities of Spring Park, Minnetonka Beach, and Mound. 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 2016 was \$95,549.

In 2016 the City completed the development of a new well in the northern section of the City. In addition to providing firm capacity for fire protection, this well provides the capacity needed for future development along the highway 112 corridor.

In 2016, the City completed the process of using GPS to capture the location of the City's entire utility infrastructure. This information is being used with the City's existing GIS system to improve efficiency in dealing with emergencies. In 2016 the City implemented its new asset management system that interfaces with the GIS system. The asset management system is being used to track equipment and infrastructure life cycles in conjunction with the City's CIP.



## 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, 2015. 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, 2016**

**CITY COUNCIL AND OTHER OFFICIALS**

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

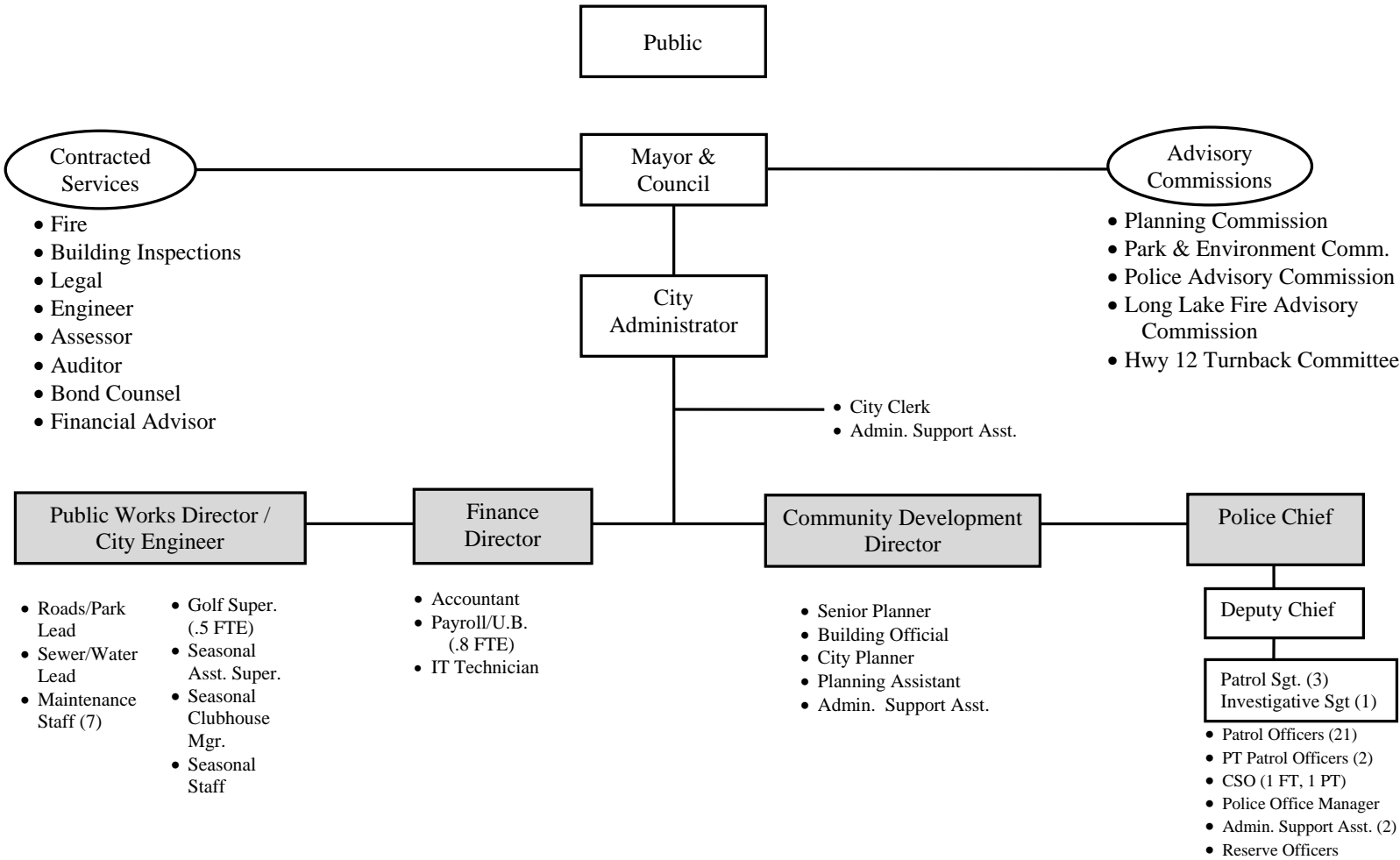
Mayor  
Council Member  
Council Member  
Council Member  
Council Member

**CITY OFFICIALS**

Jessica Loftus  
Ronald Olson

City Administrator  
Finance Director - Treasurer

**CITY OF ORONO  
ORGANIZATIONAL CHART  
YEAR ENDED DECEMBER 31, 2016**



CITY OF ORONO  
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING  
DECEMBER 31, 2016



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, 2015**

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, 2016, 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, 2016, 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.

***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.

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.

Honorable Mayor and the City Council  
City of Orono, Minnesota

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017, 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  
September 13, 2017



**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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, 2016.

**FINANCIAL HIGHLIGHTS**

- The net position of the City's governmental activities increased by \$66,434 during the year, ending at \$21,913,017.
- The net position of the City's business-type activities increased by \$511,071 during the year, ending at \$22,428,774.
- The fund balance of the General Fund increased by \$117,111 during the year to \$4,425,598 at year-end.
- The Water and Recycling Funds reported operating losses of \$99,447 and \$8,512 respectively.
- The Sewer, Storm Water, and Cable Television Funds reported operating incomes of \$10,146, \$99,107, and \$45,824 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, 2016**

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 nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 2016). 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, 2016**

**Other Information** – Combining statements and schedules for nonmajor 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>2016</u>	<u>2015</u>
Current and Other Assets	\$ 15,985,121	\$ 14,241,599
Capital Assets	24,880,357	24,038,921
Total Assets	<u>40,865,478</u>	<u>38,280,520</u>
 Deferred Outflows of Resources	 6,999,964	 783,881
 Noncurrent Liabilities Outstanding	 21,473,054	 12,763,398
Other Liabilities	12,788,054	3,776,691
Total Liabilities	<u>24,537,331</u>	<u>16,540,089</u>
 Deferred Inflows of Resources	 1,415,094	 677,729
 Net Position:		
Net Investment in Capital Assets	16,660,990	14,269,848
Restricted	9,046,977	3,835,852
Unrestricted	(3,794,950)	3,740,883
Total Net Position	<u>\$ 21,913,017</u>	<u>\$ 21,846,583</u>
	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 7,089,909	\$ 7,000,328
Capital Assets	17,566,024	16,720,927
Total Assets	<u>24,655,933</u>	<u>23,721,255</u>
 Deferred Outflows of Resources	 204,881	 41,783
 Noncurrent Liabilities Outstanding	 1,062,072	 1,173,742
Other Liabilities	1,303,084	627,034
Total Liabilities	<u>2,365,156</u>	<u>1,800,776</u>
 Deferred Inflows of Resources	 66,884	 44,559
 Net Position:		
Net Investment in Capital Assets	16,427,467	15,505,885
Unrestricted	6,001,307	6,411,818
Total Net Position	<u>\$ 22,428,774</u>	<u>\$ 21,917,703</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 increased by \$577,505 (\$66,434 Governmental, \$511,071 Business-Type) this year, largely due to an increase in utility rates as well as an increase in utility connection fees received in the current year from several area developments.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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			
	2016	2015	Annual Change	Percent Change
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 3,916,626	\$ 3,977,001	\$ (60,375)	(1.52)%
Operating Grants and Contributions	671,059	732,114	(61,055)	(8)
Capital Grants and Contributions	1,070	13,549	(12,479)	(92)
General Revenues:				
Property Taxes	5,021,340	4,819,345	201,995	4
Unrestricted Investment Earnings	109,752	144,252	(34,500)	(24)
Gain on Sale of Capital Assets	45,518	6,466	39,052	604
Other	149,388	44,051	105,337	239
Total Revenues	<u>9,914,753</u>	<u>9,736,778</u>	<u>177,975</u>	1.83
<b>EXPENSES</b>				
General Government	2,314,539	1,864,543	449,996	24
Public Safety	6,263,133	5,107,619	1,155,514	23
Streets	752,976	999,097	(246,121)	(25)
Parks and Recreation	413,797	324,731	89,066	27
Interest on Long-Term Debt	258,874	283,146	(24,272)	(9)
Total Expenses	<u>10,003,319</u>	<u>8,579,136</u>	<u>1,424,183</u>	17
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	(88,566)	1,157,642	(1,246,208)	(108)
Transfers	<u>155,000</u>	<u>320,209</u>	<u>(165,209)</u>	(52)
<b>CHANGE IN NET POSITION</b>	66,434	1,477,851	(1,411,417)	(96)
Net Position - Beginning of Year	<u>21,846,583</u>	<u>20,368,732</u>	<u>1,477,851</u>	7
<b>NET POSITION - END OF YEAR</b>	<u>\$ 21,913,017</u>	<u>\$ 21,846,583</u>	<u>\$ 66,434</u>	0 %

Overall revenues increased 1.83% between 2015 and 2016. The largest increase was property taxes, which increased as a result of a 4.0% increase in the adopted tax levy from 2015 to 2016. In addition, there was an unbudgeted sale of land in 2016.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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

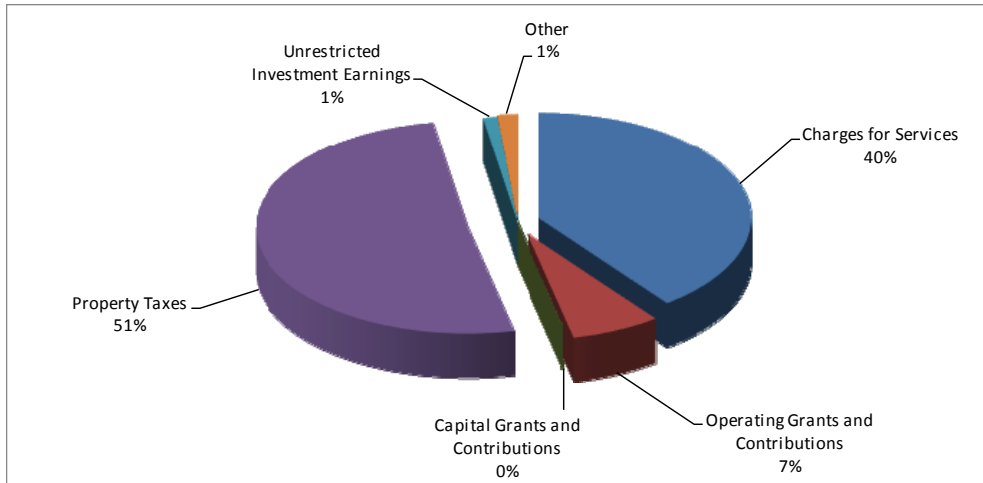
	Business-Type Activities			
	2016	2015	Annual Change	Percent Change
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 2,858,516	\$ 2,546,007	\$ 312,509	12 %
Capital Grants and Contributions	-	16,765	(16,765)	(100)
General Revenues:				
Unrestricted Interest Income on Special Assessments	27,901	2,714	25,187	928
Unrestricted Investment Earnings	57,319	64,362	(7,043)	(11)
Miscellaneous	133,066	141,546	(8,480)	(6)
Total Revenues	<u>3,076,802</u>	<u>2,771,394</u>	<u>305,408</u>	11
<b>EXPENSES</b>				
Water Operating	634,562	545,592	88,970	16
Sewer Operating	1,401,278	1,332,617	68,661	5
Storm Water	225,113	163,747	61,366	37
Recycling	118,054	116,642	1,412	1
Cable Television	31,724	31,802	(78)	(0)
Interest on Long-Term Debt	-	36,166	(36,166)	(100)
Total Expenses	<u>2,410,731</u>	<u>2,226,566</u>	<u>184,165</u>	8
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	666,071	544,828	121,243	22
Transfers	<u>(155,000)</u>	<u>(320,209)</u>	<u>165,209</u>	(52)
<b>CHANGE IN NET POSITION</b>	511,071	224,619	286,452	128
Net Position - Beginning of Year	<u>21,917,703</u>	<u>21,693,084</u>	<u>224,619</u>	1
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 22,428,774</u></u>	<u><u>\$ 21,917,703</u></u>	<u><u>\$ 511,071</u></u>	2 %

The business-type activities showed an increase in revenues of 11%, mainly due to an increase in charges for services revenue. Water, sewer, recycling, and storm water services all had increases in rates and usage, which contributed to the increase. Expenses also increased 8%, largely as a result of the increased usage and related expenses.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

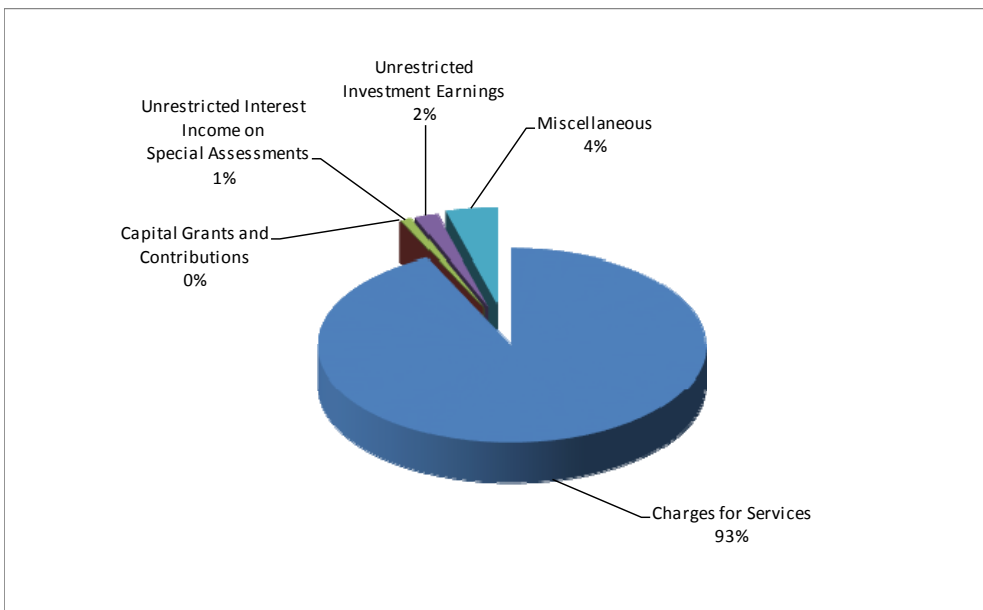
**Governmental Activities**

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 Sewer, Stormwater, and Cable Television funds experienced operating profits in the current year. The Water and Recycling 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. All of the enterprise funds experienced net profits when nonoperating 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, 2016**

**General Fund**

The General Fund is the main operating fund of the City. Its primary revenue source in 2016 was property taxes at 50.3% of the total revenue, followed by user fees at 37.0%. The total fund balance increased by \$117,111 during the current fiscal year. This increase is the result of higher than budgeted building related fees reflective of the buildout of several new subdivisions. 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 \$4,400,222 at the end of 2016 represents 62% of total General Fund expenditures for the year.

**Proprietary Funds**

The City's enterprise funds had a combined net position balance of \$22,428,774 at December 31, 2016. 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, 2016 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,337,435	\$ 7,055,379	\$ 79,706	\$ 71,706	\$ 7,417,141	\$ 7,127,085
Construction in Progress	1,649,110	881,371	1,869,944	833,179	3,519,054	1,714,550
Buildings and Building Improvements	9,160,345	9,133,280	770,330	770,330	9,930,675	9,903,610
Improvements Other than Buildings	2,373,988	2,255,085	13,511	13,511	2,387,499	2,268,596
Streets and Infrastructure	7,164,359	7,054,565	-	-	7,164,359	7,054,565
Distribution/Collection Systems	-	-	23,489,131	23,393,849	23,489,131	23,393,849
Equipment and Furniture	3,614,633	3,476,352	918,404	828,821	4,533,037	4,305,173
Total Capital Assets	31,299,870	29,856,032	27,141,026	25,911,396	58,440,896	55,767,428
Less: Accumulated Depreciation	(6,419,513)	(5,817,111)	(9,575,002)	(9,190,469)	(15,994,515)	(15,007,580)
Total Capital Assets, Net	\$ 24,880,357	\$ 24,038,921	\$ 17,566,024	\$ 16,720,927	\$ 42,446,381	\$ 40,759,848

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.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**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 \$4,887,127. The following table summarized the City's long-term liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 11,210,000	\$ 9,610,000	\$ 1,120,000	\$ -	\$ 12,330,000	\$ 9,610,000
Compensated Absences	504,016	444,350	36,268	32,824	540,284	477,174
Capital Lease Payable	6,024	11,812	-	-	6,024	11,812
Bond Premium (Discount), Net	221,701	141,699	18,557	-	240,258	160,256
Total Outstanding Debt	<u>\$ 11,941,741</u>	<u>\$ 10,207,861</u>	<u>\$ 1,174,825</u>	<u>\$ 32,824</u>	<u>\$ 13,116,566</u>	<u>\$ 10,259,242</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 Law & Legal Services, Central Services, Parks, Golf and Special Services. Law and Legal Services was over budget due to the need to use a conflict attorney for prosecution. The Central Services budget was over budget due to higher than anticipated software licensing fees. The Parks budget was slightly over budget increase focus on Park beatification and maintenance as directed by Council. The Golf Course continued a trend of increasing activity and as a result of the increased public usage expenditures increased. Special Services is also related to building activity and as a result was over budget. Both the golf course and special services departments have revenue lines associated with the services that they provide. These revenues were also well over budget. The overall General Fund net budget amount did not change and ended the year with a favorable budget variance of \$597,861 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, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 15,976,437	\$ 5,891,517	\$ 21,867,954
Accounts Receivable	18,047	570,252	588,299
Special Assessments Receivable	9,700	391,724	401,424
Accrued Interest Receivable	32,861	-	32,861
Internal Balances	(182,335)	182,335	-
Due from Other Governments	100,578	6,824	107,402
Inventories	3,468	9,968	13,436
Prepaid Items	21,908	37,289	59,197
Other Assets	4,457	-	4,457
Capital Assets:			
Nondepreciable:			
Land	7,337,435	79,706	7,417,141
Construction in Progress	1,649,110	1,869,944	3,519,054
Depreciable:			
Buildings and Building Improvements	9,160,345	770,330	9,930,675
Improvements Other than Buildings	2,373,988	13,511	2,387,499
Streets and Infrastructure	7,164,359	-	7,164,359
Distribution/Collection Systems	-	23,489,131	23,489,131
Equipment and Furniture	3,614,633	918,404	4,533,037
Total Capital Assets	<u>31,299,870</u>	<u>27,141,026</u>	<u>58,440,896</u>
Less: Accumulated Depreciation	<u>(6,419,513)</u>	<u>(9,575,002)</u>	<u>(15,994,515)</u>
Total Capital Assets, Net	<u>24,880,357</u>	<u>17,566,024</u>	<u>42,446,381</u>
Total Assets	<u>40,865,478</u>	<u>24,655,933</u>	<u>65,521,411</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources	6,999,964	204,881	7,204,845
<b>LIABILITIES</b>			
Accounts and Contracts Payable	420,249	552,531	972,780
Accrued Salaries and Fringes	162,606	16,782	179,388
Accrued Interest Payable	111,128	10,805	121,933
Deposits	1,041,553	7,000	1,048,553
Unearned Revenue	-	52,153	52,153
Due to Other Governmental Units	171,767	25,202	196,969
Compensated Absences - Due Within One Year	300,000	15,000	315,000
Bonds and Capital Leases Payable - Due Within One Year	856,974	76,485	933,459
Long-Term Liabilities:			
Other Postemployment Benefits Payable	330,872	31,602	362,474
Net Pension Liability	10,357,415	494,256	10,851,671
Compensated Absences - Due in More Than One Year	204,016	21,268	225,284
Bonds and Capital Leases Payable - Due in More Than One Year	<u>10,580,751</u>	<u>1,062,072</u>	<u>11,642,823</u>
Total Liabilities	<u>24,537,331</u>	<u>2,365,156</u>	<u>26,902,487</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources	1,415,094	66,884	1,481,978
<b>NET POSITION</b>			
Net Investment in Capital Assets	16,660,990	16,427,467	33,088,457
Restricted for:			
Debt Service	7,550,955	-	7,550,955
Gold Course Improvements	2,389	-	2,389
Construction Activities	213,209	-	213,209
Park Improvements	790,678	-	790,678
Drug and Alcohol Law Enforcement	269,362	-	269,362
Home Buyer Purchase Assistance Program	131,224	-	131,224
Lurton Park Development and Maintenance	43,702	-	43,702
Senior Housing TIF	45,458	-	45,458
Unrestricted	<u>(3,794,950)</u>	<u>6,001,307</u>	<u>2,206,357</u>
Total Net Position	<u>\$ 21,913,017</u>	<u>\$ 22,428,774</u>	<u>\$ 44,341,791</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 2,314,539	\$ 770,750	\$ 82,760	\$ -	\$ (1,461,029)	\$ -	\$ (1,461,029)
Public Safety	6,263,133	2,720,584	357,212	-	(3,185,337)	-	(3,185,337)
Streets	752,976	5,108	231,087	1,070	(515,711)	-	(515,711)
Parks and Recreation	413,797	420,184	-	-	6,387	-	6,387
Interest and Fiscal Charges	258,874	-	-	-	(258,874)	-	(258,874)
Total Governmental Activities	10,003,319	3,916,626	671,059	1,070	(5,414,564)	-	(5,414,564)
Business-Type Activities:							
Water Operating	634,562	594,198	-	-	-	(40,364)	(40,364)
Sewer Operating	1,401,278	1,505,467	-	-	-	104,189	104,189
Storm Water	225,113	538,870	-	-	-	313,757	313,757
Recycling	118,054	142,470	-	-	-	24,416	24,416
Cable Television	31,724	77,511	-	-	-	45,787	45,787
Total Business-Type Activities	2,410,731	2,858,516	-	-	-	447,785	447,785
Total Primary Government	\$ 12,414,050	\$ 6,775,142	\$ 671,059	\$ 1,070	(5,414,564)	447,785	(4,966,779)
General Revenues:							
Property Taxes, Levied for General Purposes					5,021,340	-	5,021,340
Unrestricted Investment Earnings					109,752	57,319	167,071
Unrestricted Interest Income on Special Assessments					-	27,901	27,901
Miscellaneous					149,388	133,066	282,454
Gain on Sale of Capital Assets					45,518	-	45,518
Transfers					155,000	(155,000)	-
Total General Revenues and Transfers					5,480,998	63,286	5,544,284
Change in Net Position					66,434	511,071	577,505
Net Position - Beginning					21,846,583	21,917,703	43,764,286
Net Position - Ending					\$ 21,913,017	\$ 22,428,774	\$ 44,341,791

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	General Fund	Debt Service	Other	Totals
		2008 Improvement Bonds	Governmental Funds	
<b>ASSETS</b>				
Cash and Investments	\$ 5,744,342	\$ 3,061,497	\$ 6,102,032	\$ 14,907,871
Receivables:				
Miscellaneous Receivables	18,047	-	-	18,047
Accrued Interest	32,855	-	6	32,861
Deferred Special Assessments	-	-	9,700	9,700
Prepays	21,908	-	-	21,908
Inventory	3,468	-	-	3,468
Due from Other Governmental Units	86,731	3,525	10,322	100,578
Other Assets	4,457	-	-	4,457
<b>Total Assets</b>	<b>\$ 5,911,808</b>	<b>\$ 3,065,022</b>	<b>\$ 6,122,060</b>	<b>\$ 15,098,890</b>
<b>LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 110,284	\$ -	\$ 307,465	\$ 417,749
Accrued Salaries Payable	162,606	-	-	162,606
Due to Other Governmental Units	171,767	-	-	171,767
Deposits	1,041,553	-	-	1,041,553
<b>Total Liabilities</b>	<b>1,486,210</b>	<b>-</b>	<b>307,465</b>	<b>1,793,675</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Special Assessments	-	-	9,700	9,700
<b>FUND BALANCE</b>				
Nonspendable:				
Prepays	21,908	-	-	21,908
Inventory	3,468	-	-	3,468
Restricted:				
Debt Service	-	3,065,022	1,822,105	4,887,127
Parkland Acquisitions and Improvement	-	-	790,678	790,678
Drug and Alcohol Law Enforcement	-	-	269,362	269,362
Home Buyer Purchase Assistance	-	-	131,224	131,224
Lurton Park Development and Maintenance	-	-	43,702	43,702
Senior Housing	-	-	45,458	45,458
Road Construction Projects	-	-	213,209	213,209
Golf Course Improvements	-	-	2,389	2,389
Assigned:				
Long Lake Fire Equipment	-	-	657,043	657,043
Capital Equipment Purchases	-	-	516,019	516,019
Police Equipment Purchases	-	-	299,383	299,383
Future Construction Projects	-	-	1,086,866	1,086,866
Community-Wide Projects	-	-	744,195	744,195
Debt Service	-	-	1,238	1,238
Police Garage Project	-	-	54,171	54,171
Unassigned	4,400,222	-	(872,147)	3,528,075
<b>Total Fund Balance</b>	<b>4,425,598</b>	<b>3,065,022</b>	<b>5,804,895</b>	<b>13,295,515</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 5,911,808</b>	<b>\$ 3,065,022</b>	<b>\$ 6,122,060</b>	<b>\$ 15,098,890</b>

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, 2016**

Total Fund Balances for Governmental Funds \$ 13,295,515

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	\$ 7,337,435	
Construction in Progress	1,649,110	
Buildings and Building Improvements	9,160,345	
Improvements Other than Buildings	2,373,988	
Streets and Infrastructure	7,164,359	
Equipment and Furniture	<u>3,614,633</u>	
Total Capital Assets	31,299,870	
Less: Accumulated Depreciation	<u>(6,419,513)</u>	24,880,357

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. 9,700

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. (111,128)

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	(10,357,415)	
Deferred Inflows of Resources - Pensions	(1,415,094)	
Deferred Outflows of Resources - Pensions	<u>6,999,964</u>	(4,772,545)

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	(11,210,000)	
Unamortized Premiums	(221,701)	
Capital Lease Payable	(6,024)	
Other Postemployment Benefits	(330,872)	
Compensated Absence Payable	<u>(504,016)</u>	(12,272,613)

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. 883,731

Total Net Position of Governmental Activities \$ 21,913,017

**CITY OF ORONO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	General Fund	Debt Service 2008 Improvement Bonds	Other Governmental Funds	Totals
<b>REVENUE</b>				
Property Taxes	\$ 4,048,759	\$ 193,973	\$ 815,209	\$ 5,057,941
Special Assessments	-	-	8,537	8,537
Licenses and Permits	484,581	-	230,700	715,281
Intergovernmental Revenue	265,410	-	231,087	496,497
Fines and Forfeitures	91,976	-	41,378	133,354
Other Revenue:				
Investment Earnings	47,495	1,436	48,912	97,843
User Fees	2,973,534	-	-	2,973,534
Rents and Refunds	5,850	-	-	5,850
Miscellaneous Revenue	122,267	-	15,859	138,126
Total Revenue	<u>8,039,872</u>	<u>195,409</u>	<u>1,391,682</u>	<u>9,626,963</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,258,265	-	104,028	1,362,293
Public Safety	5,070,486	-	2,944	5,073,430
Streets	480,765	-	-	480,765
Parks and Recreation	281,340	-	-	281,340
Capital Outlay	-	-	1,721,077	1,721,077
Debt Service:				
Principal Retirement	5,788	395,000	685,000	1,085,788
Interest and Fiscal Charges	367	165,508	178,687	344,562
Total Expenditures	<u>7,097,011</u>	<u>560,508</u>	<u>2,691,736</u>	<u>10,349,255</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	942,861	(365,099)	(1,300,054)	(722,292)
<b>OTHER FINANCE SOURCES (USES)</b>				
Issuance of Refunding Bonds		2,680,000		2,680,000
Premium on Bonds Issued	-	94,956	-	94,956
Transfers In	-	223,405	1,341,980	1,565,385
Transfers Out	(865,000)	-	(545,385)	(1,410,385)
Proceeds from Sale of Capital Assets	39,250	-	9,725	48,975
Total Other Finance Sources (Uses)	<u>(825,750)</u>	<u>2,998,361</u>	<u>806,320</u>	<u>2,978,931</u>
<b>NET CHANGE IN FUND BALANCES</b>	117,111	2,633,262	(493,734)	2,256,639
<b>FUND BALANCES</b>				
Beginning of Year	4,308,487	431,760	6,298,629	11,038,876
End of Year	<u>\$ 4,425,598</u>	<u>\$ 3,065,022</u>	<u>\$ 5,804,895</u>	<u>\$ 13,295,515</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, 2016**

Net Change in Fund Balances-Total Governmental Funds \$ 2,256,639

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)	\$ 1,613,888	
Gain (Loss) on Disposal of Capital Assets	45,518	
Proceeds from the Sale of Capital Assets	(48,975)	
Depreciation Expense	<u>(768,995)</u>	841,436

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>5,788</u>	5,788
---------------------------------------	--------------	-------

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:

General Obligation Refunding Bond Proceeds	(2,680,000)	
Amortization of Bond Premium	14,954	
Repayment of Bond Principal	1,080,000	
Change in Accrued Interest Expense	<u>9,428</u>	(1,670,574)

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, 2015	53,768	
Deferred Inflows of Resources - December 31, 2016	<u>9,700</u>	(44,068)

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 2016 compensated absence payable and other post employment benefits payable changed.

(116,922)

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.

(1,176,764)

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.

(29,101)

Change in Net Position of Governmental Activities \$ 66,434

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	Business-Type Activities				Totals	Governmental
	Water Operating	Sewer Operating	Storm Water	Other Business-Type Activities		Internal Service
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 1,153,087	\$ 2,997,070	\$ 1,597,525	\$ 143,835	\$ 5,891,517	\$ 1,068,566
Receivables:						
Accounts Receivables (Net of Allowance)	114,501	363,357	51,504	40,890	570,252	-
Delinquent Special Assessments	90	27,989	-	-	28,079	-
Special Assessments	65,688	297,957	-	-	363,645	-
Prepays	196	35,995	-	1,098	37,289	-
Inventory	9,968	-	-	-	9,968	-
Due from Other Governmental Units	85	6,739	-	-	6,824	-
Total Current Assets	<u>1,343,615</u>	<u>3,729,107</u>	<u>1,649,029</u>	<u>185,823</u>	<u>6,907,574</u>	<u>1,068,566</u>
<b>CAPITAL ASSETS</b>						
Land and Land Improvements	62,195	24,654	6,368	-	93,217	-
Construction in Progress	1,259,489	607,085	3,370	-	1,869,944	-
Buildings and Improvements	737,362	32,968	-	-	770,330	-
Equipment	91,092	538,304	245,870	43,138	918,404	-
Distribution/Collection System	4,949,917	17,255,678	1,283,536	-	23,489,131	-
Total	<u>7,100,055</u>	<u>18,458,689</u>	<u>1,539,144</u>	<u>43,138</u>	<u>27,141,026</u>	<u>-</u>
Less: Accumulated Depreciation	<u>(2,363,676)</u>	<u>(7,029,947)</u>	<u>(172,751)</u>	<u>(8,628)</u>	<u>(9,575,002)</u>	<u>-</u>
Net Capital Assets	<u>4,736,379</u>	<u>11,428,742</u>	<u>1,366,393</u>	<u>34,510</u>	<u>17,566,024</u>	<u>-</u>
Total Assets	6,079,994	15,157,849	3,015,422	220,333	24,473,598	1,068,566
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Pensions	69,669	111,875	17,701	5,636	204,881	-
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts and Contracts Payable	243,675	303,866	4,975	15	552,531	2,500
Accrued Salaries Payable	6,030	9,216	1,536	-	16,782	-
Due to Other Governmental Units	12,827	12,375	-	-	25,202	-
Deposits	7,000	-	-	-	7,000	-
Compensated Absences Payable	11,905	18,886	-	-	30,791	-
Unearned Revenue	36,383	15,770	-	-	52,153	-
Accrued Interest Payable	10,805	-	-	-	10,805	-
Current Maturities of Long-Term Debt	76,485	-	-	-	76,485	-
Total Current Liabilities	<u>405,110</u>	<u>360,113</u>	<u>6,511</u>	<u>15</u>	<u>771,749</u>	<u>2,500</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds Payable	1,062,072	-	-	-	1,062,072	-
Other Postemployment Benefits	11,261	16,546	3,795	-	31,602	-
Net Pension Liability	168,069	269,888	42,702	13,597	494,256	-
Compensated Absences Payable	1,323	4,154	-	-	5,477	-
Total Noncurrent Liabilities	<u>1,242,725</u>	<u>290,588</u>	<u>46,497</u>	<u>13,597</u>	<u>1,593,407</u>	<u>-</u>
Total Liabilities	1,647,835	650,701	53,008	13,612	2,365,156	2,500
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - Pensions	22,743	36,522	5,779	1,840	66,884	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,597,822	11,428,742	1,366,393	34,510	16,427,467	-
Unrestricted	881,263	3,153,759	1,607,943	176,007	5,818,972	1,066,066
Total Net Position	<u>\$ 4,479,085</u>	<u>\$ 14,582,501</u>	<u>\$ 2,974,336</u>	<u>\$ 210,517</u>	<u>22,246,439</u>	<u>\$ 1,066,066</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

182,335  
\$ 22,428,774

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, 2016**

	Business-Type Activities				Totals	Governmental Activities
	Water Operating	Sewer Operating	Storm Water	Other Business-Type Activities		Internal Service
<b>OPERATING REVENUE</b>						
Sales and User Fees	\$ 524,150	\$ 1,383,347	\$ 264,943	\$ 185,413	\$ 2,357,853	\$ 243,978
Other	656	28,077	167	1,677	30,577	30,453
Total Operating Revenue	<u>524,806</u>	<u>1,411,424</u>	<u>265,110</u>	<u>187,090</u>	<u>2,388,430</u>	<u>274,431</u>
<b>OPERATING EXPENSES</b>						
Personnel Services	199,006	342,750	42,209	11,254	595,219	-
Professional Services	46,043	31,495	18,220	119,897	215,655	-
Operating and Maintenance Supplies	34,071	3,465	1,532	-	39,068	-
Utilities	63,690	31,273	-	-	94,963	-
Depreciation	126,234	311,135	35,817	4,314	477,500	-
Maintenance and Repairs	78,965	187,854	44,677	4,474	315,970	-
Administrative Charges from the General Fund	16,000	32,000	16,000	-	64,000	-
Insurance	10,280	18,930	720	-	29,930	325,750
Other Expenses	49,964	442,376	6,828	9,839	509,007	-
Total Operating Expenses	<u>624,253</u>	<u>1,401,278</u>	<u>166,003</u>	<u>149,778</u>	<u>2,341,312</u>	<u>325,750</u>
<b>OPERATING INCOME (LOSS)</b>	(99,447)	10,146	99,107	37,312	47,118	(51,319)
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Water Tower Rental Fee	95,549	-	-	-	95,549	-
Connection Fee	60,500	122,120	273,927	-	456,547	-
Investment Earnings	14,264	28,211	13,309	1,535	57,319	11,909
Interest Expense	-	-	-	-	-	-
State Grant	-	-	-	32,945	32,945	-
Gain (Loss) on Sale of Capital Asset	-	-	(59,110)	-	(59,110)	-
Miscellaneous Revenue	11,341	3,662	3,638	2,720	21,361	-
Total Nonoperating Revenue (Expenses)	<u>181,654</u>	<u>153,993</u>	<u>231,764</u>	<u>37,200</u>	<u>604,611</u>	<u>11,909</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	82,207	164,139	330,871	74,512	651,729	(39,410)
Capital Contributions	-	24,651	-	-	24,651	-
Transfers Out	(55,000)	(100,000)	-	-	(155,000)	-
<b>CHANGES IN NET POSITION</b>	27,207	88,790	330,871	74,512	521,380	(39,410)
<b>NET POSITION</b>						
Beginning of Year	4,451,878	14,493,711	2,643,465	136,005		1,105,476
End of Year	<u>\$ 4,479,085</u>	<u>\$ 14,582,501</u>	<u>\$ 2,974,336</u>	<u>\$ 210,517</u>		<u>\$ 1,066,066</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(10,309)	
Change in Net Position of Business-Type Activities (page 20)					<u>\$ 511,071</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Storm Water	Other Funds	Total	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Receipts from Customers	\$ 538,650	\$ 1,414,197	\$ 261,940	\$ 197,875	\$ 2,412,662	\$ 243,978
Cash Paid to Suppliers	(101,660)	(457,017)	(151,771)	(133,601)	(844,049)	(323,250)
Cash Paid to Employees	(172,822)	(298,469)	(44,717)	(12,990)	(528,998)	-
Other Receipts	11,997	31,739	3,805	4,397	51,938	30,453
Net Cash Provided (Used) by Operating Activities	276,165	690,450	69,257	55,681	1,091,553	(48,819)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Water Tower Rental Fees	95,549	-	-	-	95,549	-
Connection Fees Received	60,500	122,120	273,927	-	456,547	-
Special Assessments for Capital Purposes	-	24,651	-	-	24,651	-
Acquisition of Capital Assets	(523,190)	(621,926)	(261,591)	-	(1,406,707)	-
Amount received on sale of capital assets	-	-	25,000	-	25,000	-
Interest Paid on Bonds	(2,110)	-	-	-	(2,110)	-
Principal Payments on Bonds	(75,000)	-	-	-	(75,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(444,251)	(475,155)	37,336	-	(882,070)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	14,264	28,211	13,309	1,535	57,319	11,909
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers Out	(55,000)	(100,000)	-	-	(155,000)	-
Repayment of Advances from Other Funds	-	-	-	(13,714)	(13,714)	-
State Grant Received	-	-	-	32,945	32,945	-
Net Cash Provided (Used) by Noncapital Financing Activities	(55,000)	(100,000)	-	19,231	(135,769)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(208,822)	143,506	119,902	76,447	131,033	(36,910)
Cash and Cash Equivalents - Beginning of Year	1,361,909	2,853,564	1,477,623	67,388	5,760,484	1,105,476
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,153,087</u>	<u>\$ 2,997,070</u>	<u>\$ 1,597,525</u>	<u>\$ 143,835</u>	<u>\$ 5,891,517</u>	<u>\$ 1,068,566</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (99,447)	\$ 10,146	\$ 99,107	\$ 37,312	\$ 47,118	\$ (51,319)
Miscellaneous Other Receipts Added to Operating Income	11,341	3,662	3,638	2,720	21,361	-
Noncash Expenses Included in Net Income:						
Depreciation	126,234	311,135	35,817	4,314	477,500	-
Change in Assets and Liabilities:						
(Increase) Decrease in:						
Accounts Receivable	5,430	34,954	(3,003)	(2,633)	34,748	-
Prepaid Items	54	1,354	-	594	2,002	-
Inventory	(2,897)	-	-	-	(2,897)	-
Due from Other Governmental Units	13	(4,104)	-	15,095	11,004	-
Deferred Outflows of Resources	(55,928)	(90,148)	(12,999)	(4,023)	(163,098)	-
Increase (Decrease) in:						
Accounts Payable	198,406	287,701	(63,794)	15	422,328	2,500
Accrued Salaries Payable	596	772	(181)	-	1,187	-
Due to Other Governmental Units	1,790	1,321	-	-	3,111	-
Compensated Absences Payable	1,158	2,286	-	-	3,444	-
Unearned Revenue	9,057	-	-	-	9,057	-
Other Postemployment Benefits	1,590	2,121	530	-	4,241	-
Net Pension Liability	70,679	115,899	9,377	2,167	198,122	-
Deferred Inflows of Resources	8,089	13,351	765	120	22,325	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 276,165</u>	<u>\$ 690,450</u>	<u>\$ 69,257</u>	<u>\$ 55,681</u>	<u>\$ 1,091,553</u>	<u>\$ (48,819)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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, 2016**

**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.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. 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 nonmajor 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating 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, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. 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.

**2008 Improvements Bonds** – This fund is used to accumulate resources and make debt service payments on the City's G.O. Improvement Bonds, Series 2008A.

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.

**E. 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.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. 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.

**G. 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.

**H. 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.

**I. 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.

**J. 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.

**K. 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, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. 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.

**M. 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.

**N. 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, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Deferred Outflows of Resources and 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.

**P. 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, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. 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.

**Q. 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.

**R. 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 2016.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Components of Cash and Investments**

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

Deposits	\$ 317,444
Investments	21,549,350
Cash on Hand	1,160
	<u>\$ 21,867,954</u>

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

Cash and Investments - Statement of Net Position	<u>\$ 21,867,954</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.

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 \$317,444 while the balance on the bank records was \$645,253. At December 31, 2016, 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.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments**

The City has the following investments at year-end:

<u>Investments Measured at Fair Value</u>	<u>Fair Value</u>
Negotiable Certificates of Deposit with Maturity at Purchase of Greater Than one Year	\$ 10,527,337
Federal Home Loan Bank	495,655
Federal Home Loan Mortgage Corp.	739,725
Federal National Mortgage Association	746,317
Federal Farm Credit Bank Bond	750,300
Municipal Bonds	554,911
Total Investments Measured at Fair Value	<u>\$ 13,814,245</u>
	Amortized
<u>Investments Measured at Amortized Cost</u>	<u>Cost</u>
Minnesota Municipal Money Market (4M) Fund	\$ 5,810,377
Other Money Markets	1,924,728
Total Assets Measured at Amortized Cost	<u>\$ 7,735,105</u>
Total Investments	<u>\$ 21,549,350</u>

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, 2016**

**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

**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.

A schedule of the maturities and ratings of the City’s investments as of December 31, 2016 is as follows:

	Total Value	Interest - Risk: Maturity in Years				Rating
		Less than 1	1-5	More than 5	No Maturity	
Negotiable Certificates of Deposit	\$ 10,527,337	\$ -	\$ 10,042,110	\$ 485,227	\$ -	Not Rated
Federal Home Loan Bank	495,655	-	495,655	-	-	AA+
Federal Home Loan Mortgage Corporation	739,725	-	-	739,725	-	AA+
Federal National Mortgage Association	746,317	-	746,317	-	-	AA+
Federal Farm Credit Bank Bond	750,300	-	-	750,300	-	AA+
Municipal Bonds	554,911	-	-	-	554,911	AA-
MN Municipal Money Market (4M)	5,810,316	-	-	-	5,810,316	Not Rated
Other Money Markets	1,924,728	-	-	-	1,924,728	Not Rated
	<u>\$ 21,549,289</u>	<u>\$ -</u>	<u>\$ 11,284,082</u>	<u>\$ 1,975,252</u>	<u>\$ 8,289,955</u>	

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

**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, 2016, the following is a list of investments which individually comprise more than 5% of the City’s total investments:

		Percent of Total Value
MN Municipal Money Markets (4M)	\$ 5,810,316	27.0%

**Fair Value Measurements**

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted process for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

Below is a categorization of the City's investments at December 31, 2016.

Investment Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit with Maturity at Purchase of Greater Than One Year	\$ 10,527,337	\$ -	\$ -	\$ 10,527,337
Federal Home Loan Bank	495,655	-	-	495,655
Federal Home Loan Mortgage Corp.	739,725	-	-	739,725
Federal National Mortgage Association	746,317	-	-	746,317
Federal Farm Credit Bank Bond	750,300	-	-	750,300
Municipal Bonds	554,911	-	-	554,911
	<u>\$ 13,814,245</u>	<u>\$ -</u>	<u>\$ -</u>	13,814,245
Investments Measured at Amortized Cost				7,735,105
Total Investments				<u>\$ 21,549,350</u>

**NOTE 3 INTERFUND TRANSFERS**

**A. Interfund Transfers**

From Fund	To Fund	Amount	Purpose
General Fund	Improvement and Equipment Capital Outlay	\$ 240,000	Budgeted operating transfer for capital equipment purchases
General Fund	2014 Improvement Bonds	125,000	Budgeted transfer for debt service support
Community Investment	2010 GO Refunding Bond Debt Fund	130,000	Budgeted transfer for debt service support
HRA 2005 Public Project Revenue Bonds	2008 Street Reconstruction Bond	68,405	Transfer for debt service support/
HRA 2005 Public Project Revenue Bonds	2014 GO Improvement Bonds	138,039	Transfer for debt service support/
2009 Refunding Bonds	2014 GO Improvement Bonds	3,593	Transfer for debt service support/
2010A General Obligation Bonds	2014 GO Improvement Bonds	205,348	Transfer for debt service support/
Water Operating	2008 Street Reconstruction Bond	55,000	Budgeted transfer for debt service support of the water fund portion of the Casco Point Project
Sewer Operating	2008 Street Reconstruction Bond	100,000	Budgeted transfer for debt service support of the sewer fund portion of the Casco Point Project
		<u>\$ 1,065,385</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 nonmajor governmental funds include funding for debt service, capital acquisitions, and improvements.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 CAPITAL ASSETS**

**A. Changes in Capital Assets Used in Governmental Activities**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 7,055,379	\$ 282,056	\$ -	\$ -	\$ 7,337,435
Construction in progress	881,371	755,133	39,149	51,755	1,649,110
Total Capital Assets, Not Being Depreciated	<u>7,936,750</u>	<u>1,037,189</u>	<u>39,149</u>	<u>51,755</u>	<u>8,986,545</u>
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	9,133,280	27,065	-	-	9,160,345
Improvements Other than Buildings	2,255,085	118,903	-	-	2,373,988
Equipment and Furniture	3,476,352	360,086	170,050	(51,755)	3,614,633
Streets and Infrastructure	7,054,565	109,794	-	-	7,164,359
Total Capital Assets, Being Depreciated	<u>21,919,282</u>	<u>615,848</u>	<u>170,050</u>	<u>(51,755)</u>	<u>22,313,325</u>
Accumulated Depreciation for:					
Buildings and Building Improvements	2,233,026	186,876	-	-	2,419,902
Improvements Other than Buildings	1,079,271	72,554	-	-	1,151,825
Equipment and Furniture	1,873,309	330,340	166,593	-	2,037,056
Streets and Infrastructure	631,505	179,225	-	-	810,730
Total Accumulated Depreciation	<u>5,817,111</u>	<u>768,995</u>	<u>166,593</u>	<u>-</u>	<u>6,419,513</u>
Total Capital Assets, Being Depreciated, Net	<u>16,102,171</u>	<u>(153,147)</u>	<u>3,457</u>	<u>(51,755)</u>	<u>15,893,812</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,038,921</u>	<u>\$ 884,042</u>	<u>\$ 42,606</u>	<u>\$ -</u>	<u>\$ 24,880,357</u>

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 71,706	\$ 8,000	\$ -	\$ -	\$ 79,706
Construction in Progress	833,179	1,140,507	103,742	-	1,869,944
Total Capital Assets, Not Being Depreciated	<u>904,885</u>	<u>1,148,507</u>	<u>103,742</u>	<u>-</u>	<u>1,949,650</u>
Capital Assets, Being Depreciated:					
Land Improvements	13,511	-	-	-	13,511
Buildings and Building Improvements	770,330	-	-	-	770,330
Equipment and Furniture	828,821	266,660	177,077	-	918,404
Distribution/Collection System	23,393,849	95,282	-	-	23,489,131
Total Capital Assets, Being Depreciated	<u>25,006,511</u>	<u>361,942</u>	<u>177,077</u>	<u>-</u>	<u>25,191,376</u>
Accumulated Depreciation for:					
Land Improvements	5,116	253	-	-	5,369
Buildings and Building Improvements	333,460	34,839	-	-	368,299
Equipment and Furniture	484,754	44,566	92,967	-	436,353
Distribution/Collection System	8,367,139	397,842	-	-	8,764,981
Total Accumulated Depreciation	<u>9,190,469</u>	<u>477,500</u>	<u>92,967</u>	<u>-</u>	<u>9,575,002</u>
Total Capital Assets, Being Depreciated, Net	<u>15,816,042</u>	<u>(115,558)</u>	<u>84,110</u>	<u>-</u>	<u>15,616,374</u>
Business-Type Activities Capital Assets, Net	<u>\$ 16,720,927</u>	<u>\$ 1,032,949</u>	<u>\$ 187,852</u>	<u>\$ -</u>	<u>\$ 17,566,024</u>



**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

**C. Depreciation Expense by Function**

**Governmental Activities:**

General Government	\$ 226,208
Public Safety	230,083
Streets	263,328
Parks and Recreation	49,376
Total Depreciation Expense, Governmental Activities	<u>\$ 768,995</u>

**Business-Type Activities:**

Water Operating	\$ 126,234
Sewer Operating	311,135
Storm Water	35,817
Cable Television	4,314
Total Depreciation Expense, Business-Type Activities	<u>\$ 477,500</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
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 9,610,000	\$ 2,680,000	\$ (1,080,000)	\$ 11,210,000	\$ 825,000
Less Unamortized Amounts:					
For Issuance Premiums	141,699	94,956	(14,954)	221,701	25,950
Total Bonds Payable	9,751,699	2,774,956	(1,094,954)	11,431,701	850,950
Capital Lease	11,812	-	(5,788)	6,024	6,024
Compensated Absences	444,350	334,767	(275,101)	504,016	300,000
Total Governmental Activities	<u>10,207,861</u>	<u>3,109,723</u>	<u>(1,375,843)</u>	<u>11,941,741</u>	<u>1,156,974</u>
<b>Business-Type Activities:</b>					
General Obligation Bonds	1,195,000	-	(75,000)	1,120,000	75,000
Less Unamortized Amounts:					
For Issuance Premium	20,041	-	(1,484)	18,557	1,485
Compensated Absences	32,824	18,159	(14,715)	36,268	15,000
Total Business-Type Activities	<u>1,247,865</u>	<u>18,159</u>	<u>(91,199)</u>	<u>1,174,825</u>	<u>91,485</u>
Total Debt	<u>\$ 11,455,726</u>	<u>\$ 3,127,882</u>	<u>\$ (1,467,042)</u>	<u>\$ 13,116,566</u>	<u>\$ 1,248,459</u>

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**B. Bonds Payable**

Description	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance - End of Year
<b>Governmental Activities:</b>					
General Obligation Bonds Payable:					
Street Reconstruction Bonds of 2008A	\$ 4,500,000	3.00-3.80%	03/27/08	02/01/23	\$ 2,925,000
General Obligation Bonds of 2010A	4,315,000	3.00-3.75%	12/30/10	02/01/26	2,240,000
General Obligation Bonds of 2014A	5,275,000	2.00-3.00%	06/19/14	02/01/29	3,365,000
Street Reconstruction Refunding Bonds of 2016A	2,680,000	2.00%	11/17/16	02/01/23	2,680,000
Total General Obligation Bonds Payable					<u>11,210,000</u>
Unamortized Bond Premium					<u>221,701</u>
Total Governmental Activities Bonds Payable					<u>\$ 11,431,701</u>
<b>Business-Type Activities:</b>					
General Obligation Revenue Bonds:					
General Obligation Bonds of 2014A	\$ 5,275,000	2.00-3.00%	06/19/14	02/01/29	\$ 1,120,000
Unamortized Bond Premium					<u>18,557</u>
Total Business-Type Activities Bonds Payable					<u>\$ 1,138,557</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:

Governmental Activities		
Years	Bonds Payable	
	Principal	Interest
2017	\$ 825,000	\$ 286,158
2018	870,000	279,888
2019	1,350,000	250,298
2020	1,410,000	212,859
2021	1,450,000	173,790
2022-2026	4,505,000	362,046
2027-2031	800,000	35,131
Totals	<u>\$ 11,210,000</u>	<u>\$ 1,600,170</u>

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**B. Bonds Payable (Continued)**

Business-Type Activities		
Years	Bonds Payable	
	Principal	Interest
2017	\$ 75,000	\$ 25,181
2018	80,000	23,631
2019	80,000	22,031
2020	80,000	20,431
2021	80,000	18,831
2022-2026	435,000	67,072
2027-2029	290,000	12,725
Totals	\$ 1,120,000	\$ 189,902

**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, 2016 was \$12,065. The City's future minimum payments on the capital lease are as follows:

Years	Payments
2017	\$ 6,155
Less: Interest Portion	(131)
Present Value of Lease Payments	\$ 6,024

**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, 2016**

**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, 2016.

**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, 2016 there were approximately 51 active participants and 5 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 2016, the City contributed \$17,832 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	\$ 77,534
Interest on Net OPEB Obligation	13,544
Adjustment to Annual Required Contribution	<u>(11,749)</u>
Annual OPEB Cost (Expense)	79,329
Contributions Made	<u>(17,832)</u>
Increase in Net OPEB Obligation	61,497
Net OPEB Obligation - Beginning of Year	<u>300,977</u>
Net OPEB Obligation - End of Year	<u><u>\$ 362,474</u></u>

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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 2016:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 79,329	22.5%	\$ 362,474
12/31/2015	113,521	58.2%	300,977
12/31/2014	68,725	63.7%	253,534

**D. Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$550,331. The annual payroll for active employees covered by the plan in the actuarial valuation was \$3,584,000 for a ratio of UAAL to covered payroll of 15.4%.

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, 2016**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**E. Actuarial Methods and Assumptions (Continued)**

In the January 1, 2016, 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 12 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, 2016 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, 2016**

**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% 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, 2016**

**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 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 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 10 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 20 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 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City contributions to the GERF for the year ended December 31, 2016, were \$122,115. 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 2016. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2016. The City contributions to the PEPFF for the year ended December 31, 2016, were \$349,003. The City contributions were equal to the required contributions as set by state statute.



**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**D. Pension Costs**

1. GERF Pension Costs

At December 31, 2016, the City reported a liability of \$2,102,952 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0259%, a decrease from the prior year's proportion of .0265%.

For the year ended December 31, 2016, the City recognized pension expense of \$129,414 for its proportionate share of the GERF's pension expense.

At December 31, 2016, 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	\$ -	\$ 170,834
Changes in Actuarial Assumptions	411,760	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	399,149	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	113,891
City Contributions Subsequent to the Measurement Date	61,124	-
Total	\$ 872,033	\$ 284,725

A total of \$61,124 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, 2017. 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	\$ 127,288
2017	127,288
2018	195,646
2019	75,962
2020	-
Thereafter	-

**CITY OF ORONO  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

**D. Pension Costs (Continued)**

2. PEPFF Pension Costs

At December 31, 2016, the City reported a liability of \$8,748,719 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .218, a decrease from the prior year proportionate share of .231%.

For the year ended December 31, 2016, the City recognized pension expense of \$1,104,700 for its proportionate share of the PEPFF's pension expense. The City also recognized \$19,620 for the year ended December 31, 2016, 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, 2016, 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	\$ -	\$ 1,003,644
Changes in Actuarial Assumptions	4,814,802	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,335,115	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	193,609
City Contributions Subsequent to the Measurement Date	182,895	-
Total	<u>\$ 6,332,812</u>	<u>\$ 1,197,253</u>

A total of \$182,895 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, 2017. 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	\$ 1,064,594
2017	1,064,594
2018	1,064,594
2019	956,701
2020	802,181
Thereafter	-

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**D. Pension Costs (Continued)**

For the year ended December 31, 2016, the City recognized total pension expenses of \$1,234,114 for their proportionate shares of the pension expense for all of the plans in which it participates.

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.70% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016 for the General Employees Fund:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter, to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The long-term expected rate of return on pension plan investments is 7.5%. 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.

**CITY OF ORONO  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

**E. Actuarial Assumptions (Continued)**

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 7.5%, a reduction from the 7.9% used in 2015. 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.

**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 one percentage point lower or one percentage point higher than the current discount rate:

<b>GERF PENSION LIABILITY</b>			
Description	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's Proportionate Share of the GERF Net Pension Liability	\$ 2,986,814	\$ 2,102,952	\$ 1,374,889
<b>PEPFF PENSION LIABILITY</b>			
Description	1% Decrease in Discount Rate (4.60%)	Current Discount Rate (5.60%)	1% Increase in Discount Rate (6.60%)
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 12,247,046	\$ 8,748,719	\$ 5,890,321

**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](http://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.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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, 2016 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.
- 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.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 FUND BALANCES (CONTINUED)**

- N. Assigned for Debt Service** – Represents amounts which are assigned by the City for future debt service payments.
- O. Assigned for Police Garage** – Represents amounts assigned for future expenditures related to the City's Police Garage.

**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. The 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.

**D. Police Services Contracts**

As of December 31, 2016, 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 10 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 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 2017.

**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 2017. 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 2016 fee of \$393,476.

**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, 2016**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
<b>REVENUE</b>				
Property Taxes	\$ 4,016,500	\$ 4,016,500	\$ 4,048,759	\$ 32,259
Licenses and Permits	469,650	469,650	484,581	14,931
Intergovernmental Revenue	227,220	227,220	265,410	38,190
Fines and Forfeits	95,500	95,500	91,976	(3,524)
Other Revenue:				
Investment Earnings	35,500	35,500	47,495	11,995
User Fees	2,818,300	2,818,300	2,973,534	155,234
Rents and Refunds	5,400	5,400	5,850	450
Miscellaneous Revenue	20,500	20,500	122,267	101,767
Total Revenue	<u>7,688,570</u>	<u>7,688,570</u>	<u>8,039,872</u>	<u>351,302</u>
<b>EXPENDITURES</b>				
General Government:				
Administration	434,360	434,360	372,013	(62,347)
Elections	18,130	18,130	18,724	594
Assessing	180,000	180,000	161,831	(18,169)
Finance	322,320	322,320	318,073	(4,247)
Legal	102,500	112,920	112,918	(2)
Human Services	12,400	12,400	12,426	26
Central Services	238,315	256,645	262,280	5,635
Total General Government	<u>1,308,025</u>	<u>1,336,775</u>	<u>1,258,265</u>	<u>(78,510)</u>
Public Safety:				
Police	4,172,600	4,124,420	3,980,370	(144,050)
Fire	395,150	395,150	393,476	(1,674)
Inspection and Zoning	707,050	707,050	696,640	(10,410)
Total Public Safety	<u>5,274,800</u>	<u>5,226,620</u>	<u>5,070,486</u>	<u>(156,134)</u>
Streets:				
Other	493,830	493,830	480,765	(13,065)
Parks and Recreation:				
Golf Course	152,640	170,350	171,364	1,014
Other	108,120	109,840	109,976	136
Total Parks and Recreation	<u>260,760</u>	<u>280,190</u>	<u>281,340</u>	<u>1,150</u>
Debt Service				
Principal Retirement	5,788	5,788	5,788	-
Interest and Fiscal Charges	367	367	367	-
Total Debt Service	<u>6,155</u>	<u>6,155</u>	<u>6,155</u>	<u>-</u>
Total Expenditures	<u>7,343,570</u>	<u>7,343,570</u>	<u>7,097,011</u>	<u>(246,559)</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	345,000	345,000	942,861	597,861
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers Out	(365,000)	(365,000)	(865,000)	(500,000)
Proceeds from Sale of Capital Assets	20,000	20,000	39,250	19,250
Total Other Finance Sources (Uses)	<u>(345,000)</u>	<u>(345,000)</u>	<u>(825,750)</u>	<u>(480,750)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	117,111	<u>\$ 117,111</u>
<b>FUND BALANCES</b>				
Beginning of Year			4,308,487	
End of Year			<u>\$ 4,425,598</u>	

See accompanying Note to Required Supplementary Information.



**CITY OF ORONO**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

	Final Budget	Actual	Actual in Excess of Budget
General Fund:			
General Government:			
Elections	\$ 18,130	\$ 18,724	\$ 594
Legal	112,920	112,918	(2)
Human Services	12,400	12,426	26
Central Services	256,645	262,280	5,635
Parks and Recreation:			
Golf Course	170,350	171,364	1,014
Other	109,840	109,976	136

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, 2016**

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)
1/1/2016	\$ -	\$ 550,531	\$ 550,531	-	\$ 3,584,000	15.4%
1/1/2014	-	831,138	831,138	-	3,445,420	24.1%
1/1/2012	-	682,483	682,483	-	2,700,013	25.3%

**CITY OF ORONO**  
**PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**DECEMBER 31, 2016**

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

	<b>Measurement Date 6/30/2016</b>	<b>Measurement Date 6/30/2015</b>	<b>Measurement Date 6/30/2014</b>
City's Proportion of the Net Pension Liability	0.0259%	0.0265%	0.0304%
City's Proportionate Share of the Net Pension Liability	\$ 2,102,952	\$ 1,373,368	\$ 1,428,040
City's Covered-Employee Payroll	\$ 1,615,476	\$ 1,572,141	\$ 1,594,783
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	130.18%	87.36%	89.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%	78.70%

\* 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 Three Fiscal Years\***

	<b>Measurement Date 6/30/16</b>	<b>Measurement Date 6/30/2015</b>	<b>Measurement Date 6/30/2014</b>
City's Proportion of the Net Pension Liability	0.2180%	0.2310%	0.2410%
City's Proportionate Share of the Net Pension Liability	\$ 8,748,719	\$ 2,624,701	\$ 2,602,899
City's Covered-Employee Payroll	\$ 2,107,585	\$ 2,138,417	\$ 2,097,133
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	415.11%	122.74%	124.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.88%	86.61%	87.10%

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

Additional years' information will be presented as it becomes available until the above tables present ten years of information.

**CITY OF ORONO  
PERA SCHEDULE OF CITY CONTRIBUTIONS  
DECEMBER 31, 2016**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 122,115	\$ 119,404	\$ 112,270
Contributions in Relation to the Statutorily Required Contribution	(122,115)	(119,404)	(112,270)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,628,200	\$ 1,592,053	\$ 1,548,552
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.25%

**PEPF Schedule of City Contributions  
Last Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 349,003	\$ 342,006	\$ 324,565
Contributions in Relation to the Statutorily Required Contribution	(349,003)	(342,006)	(324,565)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 2,154,340	\$ 2,111,148	\$ 2,003,488
Contributions as a Percentage of Covered Employee Payroll	16.20%	16.20%	16.20%

Additional years' information will be presented as it becomes available until the above tables present ten years of information.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**CITY OF ORONO  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016**

<b>ASSETS</b>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Totals</u>
Cash and Investments	\$ 1,359,229	\$ 1,814,583	\$ 2,928,220	\$ 6,102,032
Receivables:				
Accrued Interest	-	-	6	6
Deferred Special Assessments	-	-	9,700	9,700
Due from Other Governmental Units	-	10,322	-	10,322
	<u>-</u>	<u>10,322</u>	<u>-</u>	<u>10,322</u>
Total Assets	<u>\$ 1,359,229</u>	<u>\$ 1,824,905</u>	<u>\$ 2,937,926</u>	<u>\$ 6,122,060</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 76,416	\$ 2,800	\$ 228,249	\$ 307,465
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Special Assessments	-	-	9,700	9,700
<b>FUND BALANCE</b>				
Restricted:				
Debt Service	-	1,822,105	-	1,822,105
Parkland Acquisitions and Improvement	790,678	-	-	790,678
Drug and Alcohol Law Enforcement	269,362	-	-	269,362
Home Buyer Purchase Assistance	131,224	-	-	131,224
Lurton Park Development and Maintenance	43,702	-	-	43,702
Senior Housing	45,458	-	-	45,458
Golf Course Improvements	2,389	-	-	2,389
Road Construction Projects	-	-	213,209	213,209
Assigned:				
Long Lake Fire Equipment	-	-	657,043	657,043
Capital Equipment Purchases	-	-	516,019	516,019
Police Equipment Purchases	-	-	299,383	299,383
Future Construction Projects	-	-	1,086,866	1,086,866
Community-Wide Projects	-	-	744,195	744,195
Debt Service	-	-	1,238	1,238
Police Garage Project	-	-	54,171	54,171
Unassigned	-	-	(872,147)	(872,147)
Total Fund Balance	<u>1,282,813</u>	<u>1,822,105</u>	<u>2,699,977</u>	<u>5,804,895</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,359,229</u>	<u>\$ 1,824,905</u>	<u>\$ 2,937,926</u>	<u>\$ 6,122,060</u>

**CITY OF ORONO  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2016**

	Special Revenue	Debt Service	Capital Project	Totals
<b>REVENUE</b>				
Property Taxes	\$ 65,796	\$ 566,408	\$ 183,005	\$ 815,209
Special Assessments	-	-	8,537	8,537
Licenses and Permits	230,700	-	-	230,700
Intergovernmental Revenue	-	144,438	86,649	231,087
Fines and Forfeitures	41,378	-	-	41,378
Other Revenue:				
Interest Income	13,743	10,160	25,009	48,912
Miscellaneous Revenue	6,239	-	9,620	15,859
Total Revenue	<u>357,856</u>	<u>721,006</u>	<u>312,820</u>	<u>1,391,682</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Administration	96,527	-	-	96,527
Legal	7,501	-	-	7,501
Total General Government	<u>104,028</u>	<u>-</u>	<u>-</u>	<u>104,028</u>
Public Safety:				
Police	2,944	-	-	2,944
Capital Outlay:				
Other	454,295	-	1,266,782	1,721,077
Debt Service:				
Principal Retirement	-	685,000	-	685,000
Interest and Fiscal Charges	-	178,687	-	178,687
Total Debt Service	<u>-</u>	<u>863,687</u>	<u>-</u>	<u>863,687</u>
Total Expenditures	<u>561,267</u>	<u>863,687</u>	<u>1,266,782</u>	<u>2,691,736</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(203,411)	(142,681)	(953,962)	(1,300,054)
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers In	-	601,980	740,000	1,341,980
Transfers Out	-	(415,385)	(130,000)	(545,385)
Proceeds form Sale of Capital Assets	-	-	9,725	9,725
Total Other Finance Sources	<u>-</u>	<u>186,595</u>	<u>619,725</u>	<u>806,320</u>
<b>NET CHANGE IN FUND BALANCES</b>	(203,411)	43,914	(334,237)	(493,734)
<b>FUND BALANCES</b>				
Beginning of Year	<u>1,486,224</u>	<u>1,778,191</u>	<u>3,034,214</u>	<u>6,298,629</u>
End of Year	<u>\$ 1,282,813</u>	<u>\$ 1,822,105</u>	<u>\$ 2,699,977</u>	<u>\$ 5,804,895</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, 2016**

<b>ASSETS</b>	<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>\$ 837,592</u>	<u>\$ 269,362</u>	<u>\$ 131,224</u>	<u>\$ 43,702</u>	<u>\$ 74,960</u>	<u>\$ 2,389</u>	<u>\$ 1,359,229</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts and Contracts Payable	\$ 46,914	\$ -	\$ -	\$ -	\$ 29,502	\$ -	\$ 76,416
<b>FUND BALANCE</b>							
Restricted:							
Parkland Acquisitions and Improvement	790,678	-	-	-	-	-	790,678
Drug and Alcohol Law Enforcement	-	269,362	-	-	-	-	269,362
Home Buyer Purchase Assistance	-	-	131,224	-	-	-	131,224
Lurton Park Development and Maintenance	-	-	-	43,702	-	-	43,702
Senior Housing	-	-	-	-	45,458	-	45,458
Golf Course Improvements	-	-	-	-	-	2,389	2,389
Total Fund Balance	<u>790,678</u>	<u>269,362</u>	<u>131,224</u>	<u>43,702</u>	<u>45,458</u>	<u>2,389</u>	<u>1,282,813</u>
Total Liabilities and Fund Balance	<u>\$ 837,592</u>	<u>\$ 269,362</u>	<u>\$ 131,224</u>	<u>\$ 43,702</u>	<u>\$ 74,960</u>	<u>\$ 2,389</u>	<u>\$ 1,359,229</u>

**CITY OF ORONO**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2016**

	<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>
<b>REVENUE</b>							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 65,796	\$ -	\$ 65,796
Licenses and Permits	230,700	-	-	-	-	-	230,700
Fines and Forfeitures	-	41,378	-	-	-	-	41,378
Other Revenue:							
Investment Earnings	7,990	2,940	1,519	640	611	43	13,743
Miscellaneous Revenue	-	-	-	-	-	6,239	6,239
Total Revenue	<u>238,690</u>	<u>44,318</u>	<u>1,519</u>	<u>640</u>	<u>66,407</u>	<u>6,282</u>	<u>357,856</u>
<b>EXPENDITURES</b>							
Current:							
General Government:							
Administration	-	-	-	-	87,062	9,465	96,527
Legal	-	7,501	-	-	-	-	7,501
Total General Government	<u>-</u>	<u>7,501</u>	<u>-</u>	<u>-</u>	<u>87,062</u>	<u>9,465</u>	<u>104,028</u>
Public Safety:							
Police	-	2,944	-	-	-	-	2,944
Capital Outlay	<u>431,642</u>	<u>63</u>	<u>-</u>	<u>22,590</u>	<u>-</u>	<u>-</u>	<u>454,295</u>
Total Expenditures	<u>431,642</u>	<u>10,508</u>	<u>-</u>	<u>22,590</u>	<u>87,062</u>	<u>9,465</u>	<u>561,267</u>
<b>NET CHANGE IN FUND BALANCES</b>	(192,952)	33,810	1,519	(21,950)	(20,655)	(3,183)	(203,411)
<b>FUND BALANCES</b>							
Beginning 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>
End of Year	<u>\$ 790,678</u>	<u>\$ 269,362</u>	<u>\$ 131,224</u>	<u>\$ 43,702</u>	<u>\$ 45,458</u>	<u>\$ 2,389</u>	<u>\$ 1,282,813</u>

**CITY OF ORONO  
PARK FUND  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BASIS)  
YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts Final	Actual	Over (Under) Final Budget
<b>REVENUE</b>			
Special Assessments	\$ 5,500	\$ 230,700	\$ 225,200
Other Revenue	(5,000)	7,990	12,990
Total Revenue	500	238,690	238,190
<b>EXPENDITURES</b>			
Capital Outlay:			
Other	111,100	431,642	320,542
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (110,600)</b>	<b>(192,952)</b>	<b>\$ (82,352)</b>
<b>FUND BALANCES</b>			
Beginning of Year		983,630	
End of Year		<b>\$ 790,678</b>	

**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, 2016**

	Budgeted Amounts <u>Final</u>	<u>Actual</u>	Over (Under) Final Budget
<b>REVENUE</b>			
Fines and Forfeitures	\$ 25,000	\$ 41,378	\$ 16,378
Investment Earnings	1,000	2,940	1,940
Total Revenue	<u>26,000</u>	<u>44,318</u>	<u>18,318</u>
<b>EXPENDITURES</b>			
General Government:			
Legal	5,000	7,501	2,501
Public Safety:			
Police	1,800	2,944	1,144
Capital Outlay:			
Other	-	63	63
Total Expenditures	<u>6,800</u>	<u>10,508</u>	<u>3,708</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 19,200</u>	33,810	<u>\$ 14,610</u>
<b>FUND BALANCES</b>			
Beginning of Year		<u>235,552</u>	
End of Year		<u>\$ 269,362</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, 2016**

	Budgeted Amounts		Over (Under)
	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>REVENUE</b>			
Property Taxes	\$ 53,000	\$ 65,796	\$ 12,796
Other Revenue:			
Investment Earnings	-	611	611
Total Revenue	<u>53,000</u>	<u>66,407</u>	<u>13,407</u>
<b>EXPENDITURES</b>			
General Government:			
Administration	<u>54,200</u>	<u>87,062</u>	<u>32,862</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>\$ (1,200)</u></u>	(20,655)	<u><u>\$ (19,455)</u></u>
<b>FUND BALANCES</b>			
Beginning of Year		<u>66,113</u>	
End of Year		<u><u>\$ 45,458</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, 2016**

	2004 Improvement Refunding Bonds	HRA 2005 Public Project Revenue Bonds	2009 Refunding Bonds	2010 General Obligation Bonds	2000 Improvement Bonds	Totals
<b>ASSETS</b>						
Cash and Investments	\$ 103,787	\$ 44,037	\$ 76,942	\$ 673,189	\$ 916,628	\$ 1,814,583
Due from Other Governmental Units	-	-	-	2,403	7,919	10,322
 Total Assets	<u>\$ 103,787</u>	<u>\$ 44,037</u>	<u>\$ 76,942</u>	<u>\$ 675,592</u>	<u>\$ 924,547</u>	<u>\$ 1,824,905</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ 1,400	\$ 1,400	\$ 2,800
<b>FUND BALANCE</b>						
Restricted:						
Debt Service	103,787	44,037	76,942	674,192	923,147	1,822,105
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 103,787</u>	<u>\$ 44,037</u>	<u>\$ 76,942</u>	<u>\$ 675,592</u>	<u>\$ 924,547</u>	<u>\$ 1,824,905</u>

**CITY OF ORONO**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2016**

	2004 Improvement Refunding Bonds	HRA 2005 Public Project Revenue Bonds	2009 Refunding Bonds	2010 General Obligation Bonds	2000 Improvement Bonds	Totals
<b>REVENUE</b>						
Property Taxes	\$ -	\$ 924	\$ 664	\$ 131,917	\$ 432,903	\$ 566,408
Intergovernmental Revenue	-	-	-	144,438	-	144,438
Other Revenue:						
Investment Earnings	1,201	3,670	1,425	5,674	(1,810)	10,160
Total Revenue	<u>1,201</u>	<u>4,594</u>	<u>2,089</u>	<u>282,029</u>	<u>431,093</u>	<u>721,006</u>
<b>EXPENDITURES</b>						
Debt Service:						
Principal Retirement	-	-	75,000	190,000	420,000	685,000
Interest and Fiscal Charges	-	-	6,148	83,945	88,594	178,687
Total Debt Service	<u>-</u>	<u>-</u>	<u>81,148</u>	<u>273,945</u>	<u>508,594</u>	<u>863,687</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	1,201	4,594	(79,059)	8,084	(77,501)	(142,681)
<b>OTHER FINANCE SOURCES</b>						
Transfers In	-	-	-	130,000	471,980	601,980
Transfers Out	-	(206,444)	(3,593)	(205,348)	-	(415,385)
Total Other Finance Sources	<u>-</u>	<u>(206,444)</u>	<u>(3,593)</u>	<u>(75,348)</u>	<u>471,980</u>	<u>186,595</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,201	(201,850)	(82,652)	(67,264)	394,479	43,914
<b>FUND BALANCES</b>						
Beginning of Year	<u>102,586</u>	<u>245,887</u>	<u>159,594</u>	<u>741,456</u>	<u>528,668</u>	<u>1,778,191</u>
End of Year	<u>\$ 103,787</u>	<u>\$ 44,037</u>	<u>\$ 76,942</u>	<u>\$ 674,192</u>	<u>\$ 923,147</u>	<u>\$ 1,822,105</u>



## 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, 2016**

	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
<b>ASSETS</b>									
Cash and Investments	\$ (739,682)	\$ 1,178,160	\$ 1,396,345	\$ 744,195	\$ 881	\$ 351	\$ 213,297	\$ 134,673	\$ 2,928,220
Receivables:									
Accrued Interest	-	-	-	-	6	-	-	-	6
Deferred Special Assessments	-	-	9,700	-	-	-	-	-	9,700
Total Assets	<u>\$ (739,682)</u>	<u>\$ 1,178,160</u>	<u>\$ 1,406,045</u>	<u>\$ 744,195</u>	<u>\$ 887</u>	<u>\$ 351</u>	<u>\$ 213,297</u>	<u>\$ 134,673</u>	<u>\$ 2,937,926</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>									
<b>LIABILITIES</b>									
Accounts and Contracts Payable	\$ 103,177	\$ 5,098	\$ 10,096	\$ -	\$ -	\$ -	\$ 88	\$ 109,790	\$ 228,249
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable Revenue - Special Assessments	-	-	9,700	-	-	-	-	-	9,700
<b>FUND BALANCE</b>									
Restricted:									
Road Construction Projects	-	-	-	-	-	-	213,209	-	213,209
Assigned:									
Long Lake Fire Equipment	-	657,043	-	-	-	-	-	-	657,043
Capital Equipment Purchases	-	516,019	-	-	-	-	-	-	516,019
Police Equipment Purchases	-	-	299,383	-	-	-	-	-	299,383
Future Construction Projects	-	-	1,086,866	-	-	-	-	-	1,086,866
Community-Wide Projects	-	-	-	744,195	-	-	-	-	744,195
Debt Service	-	-	-	-	887	351	-	-	1,238
Unassigned	(842,859)	-	-	-	-	-	-	(29,288)	(872,147)
Total Fund Balance	<u>(842,859)</u>	<u>1,173,062</u>	<u>1,386,249</u>	<u>744,195</u>	<u>887</u>	<u>351</u>	<u>213,209</u>	<u>24,883</u>	<u>2,699,977</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ (739,682)</u>	<u>\$ 1,178,160</u>	<u>\$ 1,406,045</u>	<u>\$ 744,195</u>	<u>\$ 887</u>	<u>\$ 351</u>	<u>\$ 213,297</u>	<u>\$ 134,673</u>	<u>\$ 2,937,926</u>

**CITY OF ORONO**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2016**

	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
<b>REVENUE</b>									
Property Taxes	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 183,000	\$ 183,005
Special Assessments	-	-	8,537	-	-	-	-	-	8,537
Intergovernmental Revenue	86,649	-	-	-	-	-	-	-	86,649
Other Revenue:									
Investment Earnings	(4,510)	9,281	9,141	8,186	9	4	2,898	-	25,009
Miscellaneous Revenue	-	-	9,620	-	-	-	-	-	9,620
Total Revenue	82,139	9,281	27,303	8,186	9	4	2,898	183,000	312,820
<b>EXPENDITURES</b>									
Capital Outlay:									
Other	775,713	197,411	103,705	10,264	-	-	50,860	128,829	1,266,782
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(693,574)	(188,130)	(76,402)	(2,078)	9	4	(47,962)	54,171	(953,962)
<b>OTHER FINANCE SOURCES (USES)</b>									
Transfers In	-	240,000	500,000	-	-	-	-	-	740,000
Transfers Out	-	-	-	(130,000)	-	-	-	-	(130,000)
Proceeds form Sale of Capital Assets	-	-	9,725	-	-	-	-	-	9,725
Total Other Finance Sources (Uses)	-	240,000	509,725	(130,000)	-	-	-	-	619,725
<b>NET CHANGE IN FUND BALANCES</b>	(693,574)	51,870	433,323	(132,078)	9	4	(47,962)	54,171	(334,237)
<b>FUND BALANCES</b>									
Beginning of Year	(149,285)	1,121,192	952,926	876,273	878	347	261,171	(29,288)	3,034,214
End of Year	\$ (842,859)	\$ 1,173,062	\$ 1,386,249	\$ 744,195	\$ 887	\$ 351	\$ 213,209	\$ 24,883	\$ 2,699,977

## **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, 2016**

	Insurance Fund	Compensated Absences	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 636,089	\$ 432,477	\$ 1,068,566
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and Contracts Payable	2,500	-	2,500
<b>NET POSITION</b>			
Unrestricted	\$ 633,589	\$ 432,477	\$ 1,066,066

**CITY OF ORONO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2016**

	Insurance Fund	Compensated Absences	Total
<b>OPERATING REVENUE</b>			
Sales and User Fees	\$ 243,978	\$ -	\$ 243,978
Other	30,453	-	30,453
Total Operating Revenue	<u>274,431</u>	<u>-</u>	<u>274,431</u>
<b>OPERATING EXPENSES</b>			
Insurance	<u>325,750</u>	<u>-</u>	<u>325,750</u>
<b>OPERATING LOSS</b>	(51,319)	-	(51,319)
<b>NONOPERATING REVENUE</b>			
Investment Earnings	<u>6,902</u>	<u>5,007</u>	<u>11,909</u>
<b>CHANGES IN NET POSITION</b>	(44,417)	5,007	(39,410)
<b>NET POSITION</b>			
Beginning of Year	<u>678,006</u>	<u>427,470</u>	<u>1,105,476</u>
End of Year	<u>\$ 633,589</u>	<u>\$ 432,477</u>	<u>\$ 1,066,066</u>

**CITY OF ORONO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2016**

	Insurance Fund	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 243,978	\$ -	\$ 243,978
Cash Paid to Suppliers	(323,250)	-	(323,250)
Other Receipts	30,453	-	30,453
Net Cash Provided (Used) by Operating Activities	(48,819)	-	(48,819)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received on Investment	6,902	5,007	11,909
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	(41,917)	5,007	(36,910)
Cash and Cash Equivalents - Beginning of Year	678,006	427,470	1,105,476
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 636,089</u>	<u>\$ 432,477</u>	<u>\$ 1,068,566</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Loss	\$ (51,319)	\$ -	\$ (51,319)
Change in Assets and Liabilities:			
Increase (Decrease) in:			
Accounts Payable	2,500	-	2,500
Net Cash Provided (Used) by Operating Activities	<u>\$ (48,819)</u>	<u>\$ -</u>	<u>\$ (48,819)</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.

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### Contents

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#### **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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 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	\$ 16,660,990
Restricted	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	9,046,977
Unrestricted	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	(3,794,950)
Total Governmental Activities Net Position	<u>\$ 19,428,307</u>	<u>\$ 19,999,092</u>	<u>\$ 20,502,471</u>	<u>\$ 19,861,085</u>	<u>\$ 21,337,757</u>	<u>\$ 21,812,921</u>	<u>\$ 22,229,721</u>	<u>\$ 23,872,715</u>	<u>\$ 21,846,583</u>	<u>\$ 21,913,017</u>
<b>Business-Type Activities:</b>										
Net Investment in Capital Assets	\$ 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	\$ 16,427,467
Unrestricted	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	6,001,307
Total Business-Type Activities Net Position	<u>\$ 18,787,862</u>	<u>\$ 18,855,052</u>	<u>\$ 19,323,338</u>	<u>\$ 21,030,537</u>	<u>\$ 21,403,649</u>	<u>\$ 21,589,623</u>	<u>\$ 21,691,778</u>	<u>\$ 21,989,066</u>	<u>\$ 21,917,703</u>	<u>\$ 22,428,774</u>
<b>Primary Government:</b>										
Net Investment in Capital Assets	\$ 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	\$ 33,088,457
Restricted	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	9,046,977
Unrestricted	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	2,206,357
Total Primary Government Net Position	<u>\$ 38,216,169</u>	<u>\$ 38,854,144</u>	<u>\$ 39,825,809</u>	<u>\$ 40,891,622</u>	<u>\$ 42,741,406</u>	<u>\$ 43,402,544</u>	<u>\$ 43,921,499</u>	<u>\$ 45,861,781</u>	<u>\$ 43,764,286</u>	<u>\$ 44,341,791</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General Government	\$ 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	\$ 2,314,539
Public Safety	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	6,263,133
Streets	743,822	796,863	605,719	579,551	1,060,426	1,194,986	1,610,302	854,079	999,097	752,976
Parks and Recreation	82,375	188,083	106,379	100,731	285,897	270,356	279,796	254,177	324,731	413,797
Recycling	83,594	100,385	97,920	100,352	106,649	104,046	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	262,757	274,278	350,111	317,525	341,008	324,633	413,935	287,181	283,146	258,874
<b>Total Governmental Activities Expenses</b>	<b>6,582,278</b>	<b>7,586,811</b>	<b>6,942,689</b>	<b>6,555,943</b>	<b>7,127,990</b>	<b>7,047,964</b>	<b>8,762,379</b>	<b>8,099,093</b>	<b>8,579,136</b>	<b>10,003,319</b>
<b>Business-Type Activities:</b>										
Water	480,919	561,200	468,540	480,513	417,843	473,191	514,522	556,766	581,758	634,562
Sewer	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	1,401,278
Storm Water	80,288	92,985	136,527	94,247	108,399	126,294	145,907	186,719	163,747	225,113
Recycling	211,973	213,261	215,343	206,702	-	-	114,837	114,983	116,642	118,054
Cable Television	-	-	-	-	-	-	-	12,675	31,802	31,724
Interest and Fiscal Charges	-	-	-	7,604	5,705	1,900	899	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>1,790,608</b>	<b>1,906,236</b>	<b>1,905,369</b>	<b>1,835,462</b>	<b>1,620,414</b>	<b>1,762,658</b>	<b>1,912,205</b>	<b>2,055,772</b>	<b>2,226,566</b>	<b>2,410,731</b>
<b>Total Primary Government Expenses</b>	<b>\$ 8,372,886</b>	<b>\$ 9,493,047</b>	<b>\$ 8,848,058</b>	<b>\$ 8,391,405</b>	<b>\$ 8,748,404</b>	<b>\$ 8,810,622</b>	<b>\$ 10,674,584</b>	<b>\$ 10,154,865</b>	<b>\$ 10,805,702</b>	<b>\$ 12,414,050</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
General Government	\$ 712,061	\$ 566,117	\$ 349,569	\$ 549,384	\$ 551,026	\$ 482,883	\$ 646,284	\$ 692,254	\$ 736,643	\$ 770,750
Public Safety	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	2,720,584
Streets	-	-	2,368	3,495	18,149	165,503	128,402	2,998	3,933	5,108
Parks and Recreation	-	-	-	38,850	258,250	129,918	149,994	207,977	499,083	420,184
Recycling	68,805	70,955	75,073	75,272	77,455	81,224	-	-	-	-
Operating Grants and Contributions	272,208	380,034	451,329	486,881	715,225	586,891	627,650	925,968	732,114	671,059
Capital Grants and Contributions	1,183,526	505,300	-	77,478	721,962	18,806	11,187	22,060	13,549	1,070
<b>Total Governmental Activities Program Revenues</b>	<b>3,352,222</b>	<b>2,778,054</b>	<b>2,131,755</b>	<b>2,415,239</b>	<b>3,377,172</b>	<b>2,374,395</b>	<b>4,108,104</b>	<b>4,422,008</b>	<b>4,722,664</b>	<b>4,588,755</b>
<b>Business-Type Activities:</b>										
<b>Charges for Services:</b>										
Water	510,281	464,382	420,963	382,864	401,765	502,864	436,770	452,429	492,947	594,198
Sewer	960,871	944,892	980,619	1,055,620	1,085,540	1,107,357	1,206,926	1,200,043	1,297,786	1,505,467
Storm Water	495,497	159,242	143,621	240,258	250,197	242,563	314,415	318,787	527,255	538,870
Recycling	152,653	145,266	166,084	140,891	-	-	110,912	113,501	128,387	142,470
Cable Television	-	-	-	-	-	-	-	71,412	99,632	77,511
Operating Grants and Contributions	-	42,986	-	-	-	-	-	-	-	-
Capital Grants and Contributions	150,243	-	-	60,000	165,316	19,133	495	178,371	16,765	-
<b>Total Business-Type Activities Program Revenues</b>	<b>2,269,545</b>	<b>1,756,768</b>	<b>1,711,287</b>	<b>1,879,633</b>	<b>1,902,818</b>	<b>1,871,917</b>	<b>2,069,518</b>	<b>2,334,543</b>	<b>2,562,772</b>	<b>2,858,516</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 5,621,767</b>	<b>\$ 4,534,822</b>	<b>\$ 3,843,042</b>	<b>\$ 4,294,872</b>	<b>\$ 5,279,990</b>	<b>\$ 4,246,312</b>	<b>\$ 6,177,622</b>	<b>\$ 6,756,551</b>	<b>\$ 7,285,436</b>	<b>\$ 7,447,271</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Net Revenue (Expense):</b>										
Governmental Activities	\$ (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)	\$ (5,414,564)
Business-Type Activities	478,973	(149,468)	228,492	44,171	282,404	109,259	157,313	278,771	336,206	447,785
<b>Total Primary Government Net Expense</b>	<b>\$ (2,751,073)</b>	<b>\$ (4,958,225)</b>	<b>\$ (4,582,442)</b>	<b>\$ (4,096,533)</b>	<b>\$ (3,468,414)</b>	<b>\$ (4,564,310)</b>	<b>\$ (4,496,962)</b>	<b>\$ (3,398,314)</b>	<b>\$ (3,520,266)</b>	<b>\$ (4,966,779)</b>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental Activities:</b>										
Property Taxes	\$ 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	\$ 5,021,340
Unrestricted Grants and Contributions	28,147	-	-	-	-	-	-	-	-	-
Other General Revenues	497,081	570,846	526,115	293,916	186,397	139,494	214,876	17,337	44,051	149,388
Investment Earnings	543,625	396,321	219,268	215,289	121,403	126,298	(81,067)	215,606	144,252	109,752
Gain (Loss) on Sale of Capital Assets	192,030	16,742	11,592	22,369	20,813	-	24,410	7,961	6,466	45,518
Transfers	11,300	11,300	11,300	(1,396,672)	170,407	166,000	166,000	269,300	320,209	155,000
<b>Total Governmental Activities</b>	<b>5,389,350</b>	<b>5,379,542</b>	<b>5,314,313</b>	<b>3,499,318</b>	<b>5,227,490</b>	<b>5,148,733</b>	<b>5,071,075</b>	<b>5,320,079</b>	<b>5,334,323</b>	<b>5,480,998</b>
<b>Business-Type Activities:</b>										
Other General Revenues	91,263	39,078	85,531	203,874	201,462	183,619	130,550	163,719	141,546	160,967
Investment Earnings	235,105	188,880	165,563	62,482	59,653	59,096	(19,708)	124,098	67,076	57,319
Transfers	(11,300)	(11,300)	(11,300)	1,396,672	(170,407)	(166,000)	(166,000)	(269,300)	(320,209)	(155,000)
<b>Total Business-Type Activities</b>	<b>315,068</b>	<b>216,658</b>	<b>239,794</b>	<b>1,663,028</b>	<b>90,708</b>	<b>76,715</b>	<b>(55,158)</b>	<b>18,517</b>	<b>(111,587)</b>	<b>63,286</b>
<b>Total Primary Government</b>	<b>\$ 5,704,418</b>	<b>\$ 5,596,200</b>	<b>\$ 5,554,107</b>	<b>\$ 5,162,346</b>	<b>\$ 5,318,198</b>	<b>\$ 5,225,448</b>	<b>\$ 5,015,917</b>	<b>\$ 5,338,596</b>	<b>\$ 5,222,736</b>	<b>\$ 5,544,284</b>
<b>Change in Net Position:</b>										
Governmental Activities	\$ 2,159,304	\$ 570,785	\$ 503,379	\$ (641,386)	\$ 1,476,672	\$ 475,164	\$ 416,800	\$ 1,642,994	\$ 1,477,851	\$ 66,434
Business-Type Activities	794,041	67,190	468,286	1,707,199	373,112	185,974	102,155	297,288	224,619	511,071
<b>Total Primary Government</b>	<b>\$ 2,953,345</b>	<b>\$ 637,975</b>	<b>\$ 971,665</b>	<b>\$ 1,065,813</b>	<b>\$ 1,849,784</b>	<b>\$ 661,138</b>	<b>\$ 518,955</b>	<b>\$ 1,940,282</b>	<b>\$ 1,702,470</b>	<b>\$ 577,505</b>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ -	\$ 11,000	\$ 29,134	\$ 19,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,218,529	3,223,370	3,288,032	3,250,931	-	-	-	-	-	-
Nonspendable	-	-	-	-	31,213	66,296	30,909	40,532	74,800	25,376
Unassigned	-	-	-	-	3,509,254	3,133,691	3,354,809	3,886,128	4,233,687	4,400,222
Total General Fund	<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>\$ 3,926,660</u>	<u>\$ 4,308,487</u>	<u>\$ 4,425,598</u>
All Other Governmental Funds:										
Reserved	\$ 881,023	\$ 2,518,515	\$ 2,193,401	\$ 3,362,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:										
Special Revenue Funds	3,455,836	3,322,546	3,444,473	989,749	-	-	-	-	-	-
Capital Projects Funds	542,912	4,709,312	2,946,403	6,682,480	-	-	-	-	-	-
Debt Service Funds	1,928,556	(4,431)	-	(4,407)	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	1,189	-	-	-	-
Restricted	-	-	-	-	5,924,524	4,912,412	3,455,223	3,625,599	3,957,346	6,383,149
Assigned	-	-	-	-	3,646,933	3,888,083	4,133,893	4,029,776	2,951,616	3,358,915
Unassigned	-	-	-	-	-	-	-	-	(178,573)	(872,147)
Total All Other Governmental Funds	<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>\$ 7,655,375</u>	<u>\$ 6,730,389</u>	<u>\$ 8,869,917</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 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	\$ 5,057,941
Licenses and Permits	376,373	502,916	394,069	411,155	592,111	509,300	613,184	675,204	846,343	715,281
Intergovernmental	1,107,584	317,303	260,254	472,366	542,711	393,148	421,485	745,062	545,236	496,497
Charges for Services	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	2,973,534
Fines	127,742	117,291	140,621	182,719	141,304	159,673	175,321	153,821	134,754	133,354
Investment Earnings	523,710	396,321	219,268	199,131	110,215	114,624	61,335	195,862	133,204	97,843
Special Assessments	270,167	185,150	160,615	193,865	272,772	115,518	68,413	62,632	70,349	8,537
Miscellaneous	295,267	452,510	84,143	66,063	74,676	255,633	205,078	58,012	64,867	143,976
<b>Total Revenues</b>	<b>8,551,665</b>	<b>7,742,242</b>	<b>7,166,723</b>	<b>7,479,995</b>	<b>7,524,792</b>	<b>7,251,282</b>	<b>8,804,079</b>	<b>9,301,201</b>	<b>9,530,933</b>	<b>9,626,963</b>
<b>Expenditures:</b>										
General Government	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	1,362,293
Public Safety	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	5,073,430
Streets	655,267	539,372	496,787	450,403	458,040	425,192	508,544	454,964	496,239	480,765
Parks and Recreation	50,722	54,731	65,991	58,498	241,789	238,424	255,395	231,356	268,831	281,340
Recycling	83,594	100,385	97,920	100,352	106,649	104,046	-	4,572	-	-
Other	581,429	-	-	-	-	-	-	-	-	-
Capital Outlay	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	1,721,077
<b>Debt Service:</b>										
Principal	790,000	1,075,000	801,953	925,000	2,285,000	1,110,000	1,145,000	1,900,000	1,010,000	1,085,788
Interest	274,512	242,339	413,303	321,682	357,525	362,629	328,633	302,728	331,317	344,562
<b>Total Expenditures</b>	<b>8,184,929</b>	<b>8,514,724</b>	<b>9,106,430</b>	<b>7,608,251</b>	<b>8,904,730</b>	<b>8,548,038</b>	<b>9,897,394</b>	<b>13,056,139</b>	<b>10,411,911</b>	<b>10,349,255</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>366,736</b>	<b>(772,482)</b>	<b>(1,939,707)</b>	<b>(128,256)</b>	<b>(1,379,938)</b>	<b>(1,296,756)</b>	<b>(1,093,315)</b>	<b>(3,754,938)</b>	<b>(880,978)</b>	<b>(722,292)</b>
<b>Other Financing Sources (Uses):</b>										
Transfers In	241,300	11,300	1,299,776	3,063,840	530,407	1,752,437	866,000	905,848	1,451,397	1,565,385
Transfers Out	(230,000)	-	(1,288,476)	(4,998,351)	(360,000)	(1,586,437)	(700,000)	(636,548)	(1,131,188)	(1,410,385)
Refunding Bonds Issued	-	-	-	1,195,000	-	-	-	-	-	2,680,000
Bonds Issued	-	4,500,000	1,120,000	3,120,000	-	-	-	4,070,177	-	-
Premium on Bonds Issued	-	-	12,946	110,597	-	-	-	-	-	94,956
Discount on Issued Debt	-	(6,258)	-	-	-	-	-	-	-	-
Payment of Refunded Bonds	-	-	(1,095,000)	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	14,000	-	-	-	-	-	-
Sales of Capital Assets	192,030	20,906	11,592	22,369	20,813	20,503	30,110	22,662	17,610	48,975
<b>Total Other Financing Sources (Uses)</b>	<b>203,330</b>	<b>4,525,948</b>	<b>60,838</b>	<b>2,527,455</b>	<b>191,220</b>	<b>186,503</b>	<b>196,110</b>	<b>4,362,139</b>	<b>337,819</b>	<b>2,978,931</b>
<b>Net Change in Fund Balances</b>	<b>\$ 570,066</b>	<b>\$ 3,753,466</b>	<b>\$ (1,878,869)</b>	<b>\$ 2,399,199</b>	<b>\$ (1,188,718)</b>	<b>\$ (1,110,253)</b>	<b>\$ (897,205)</b>	<b>\$ 607,201</b>	<b>\$ (543,159)</b>	<b>\$ 2,256,639</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>15.6%</b>	<b>18.3%</b>	<b>17.0%</b>	<b>18.3%</b>	<b>31.2%</b>	<b>20.1%</b>	<b>16.5%</b>	<b>24.2%</b>	<b>15.8%</b>	<b>16.4%</b>

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

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Total Market Value</u>	<u>Taxable Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value as a Percentage of Actual Value</u>
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
2016	2,664,593,042	51,885,300	14,602,600	2,731,080,942	28,351,935	17.325	1.04

Source: Hennepin County Assessing Department

**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	
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
2016	14.685	2.640	17.325	23.166	45.356	9.520	95.367

Source: Hennepin County Assessing Department

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

Taxpayer	2016			2007		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Private Residence	\$215,663	1	0.76 %	\$ 146,224	1	0.52 %
Private Residence	130,988	2	0.46	137,418	2	0.48
Private Residence	111,808	3	0.39	134,227	3	0.47
Private Residence	109,413	4	0.39	127,213	4	0.45
TonkaHome Holdings LLC	101,400	5	0.36			
Private Residence	99,108	6	0.35	120,411	5	0.42
Private Residence	98,663	7	0.35	100,215	8	0.35
WJM Properties LLC	98,470	8	0.35	114,370	7	0.40
Private Residence	109,372	9	0.39			
Private Residence	97,416	10	0.34			
Private Residence	87,825	11	0.31			
Orono HSG & RDVLPT Athy	81,863	12	0.29			
Private Residence	79,463	13	0.28	92,041	10	0.32
Wayzata Country Club				116,838	6	0.41
Otten Brothers				92,322	9	0.33
<b>Total</b>	<b><u>\$1,421,452</u></b>		<b><u>5.02 %</u></b>	<b><u>\$1,181,279</u></b>		<b><u>3.41 %</u></b>

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
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	147,261	4,665,880	100.00
2011	4,702,558	4,599,372	97.81	103,186	4,702,558	100.00
2012	4,702,558	4,632,847	98.52	69,711	4,702,558	100.00
2013	4,701,760	4,677,698	99.49	24,062	4,701,760	100.00
2014	4,743,144	4,701,760	99.13	41,384	4,743,144	100.00
2015	4,772,000	4,748,327	99.50	23,673	4,772,000	100.00
2016	4,984,480	4,968,026	99.67	-	4,968,026	99.67

**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			
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
2016	11,431,701	-	6,024	-	1,138,557	12,576,282	1.84	1,635

(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)
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
2016	11,431,701	1,138,557	7,550,955	5,019,303	0.18	653

(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, 2016**

Governmental Unit	Total Debt Outstanding	Sinking Funds	Net Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Direct Debt:</b>					
City of Orono	\$ 11,216,024	\$ 3,061,330	\$ 8,154,694	100.00 %	\$ 8,154,694
<b>Overlapping Debt:</b>					
<b>School Districts:</b>					
ISD No. 278 (Orono)	46,840,000	2,010,380	44,829,620	51.79	23,217,260
ISD No. 276 (Minnetonka)	135,062,683	6,581,141	128,481,542	0.23	295,508
ISD No. 277 (Westonka)	46,160,000	649,553	45,510,447	26.70	12,151,289
ISD No. 284 (Wayzata)	165,110,000	14,286,844	150,823,156	1.01	1,523,314
Hennepin County	838,110,000	26,734,117	811,375,883	1.96	15,902,967
Hennepin Suburban Park	62,125,000	14,337,048	47,787,952	2.72	1,299,832
Hennepin Regional RR Authority	33,145,000	296,796	32,848,204	2.72	893,471
Metropolitan Council	189,226,614	150,351,908	38,874,706	0.99	384,860
<b>Total Overlapping Debt</b>	<b>1,515,779,297</b>	<b>215,247,787</b>	<b>1,300,531,510</b>		<b>55,668,501</b>
<b>Total Direct and Overlapping Debt</b>					<b>\$ 63,823,195</b>

- (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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	\$ 81,932,428
Total Net Debt Applicable to Limit	<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>	<u>8,062,670</u>
Legal Debt Margin	<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>	<u>\$ 73,869,758</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.32%	10.49%	8.25%	11.83%	11.70%	9.65%	8.72%	14.62%	11.48%	9.84%

Legal Debt Margin Calculation for Fiscal Year 2016

Market Value	#####
Debt Limit (3% of Market Value) <sup>(1)</sup>	81,932,428
Debt Applicable to Limit:	
General Obligation Bonds	12,330,000
Less Amount Set Aside for Repayment of General Obligation Debt	<u>4,267,330</u>
Total Net Debt Applicable to Limit	<u>8,062,670</u>
Legal Debt Margin	<u>\$ 73,869,758</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						Coverage
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2008	-	-	-	-	-	-	
2009	-	-	-	-	-	-	
2010	-	-	-	-	-	-	
2011	-	-	-	-	-	-	
2012	-	-	-	-	-	-	
2013	-	-	-	-	-	-	
2014	-	-	-	-	-	-	
2015	615,569	577,320	38,249	85,000	31,680	0.33	
2016	706,460	624,253	82,207	75,000	74,044	0.55	

**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)
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
2016	7,691	685,014,271	89,067	43	-	2,790	3.3

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	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD No. 278 (Orono)	493	1	27.39 %	340	1	18.89 %
Wayzata Country Club	190	2	10.56	214	2	11.89
Woodhill Country Club	144	3	8.00	100	4	5.56
Jem Technical	108	4	6.00			
Otten Brothers	98	5	5.44	100	3	5.56
City of Orono	75	6	4.17	56	6	3.11
Lunds	63	7	3.50	65	5	3.61
Springhill Country Club	45	8	2.50	45	7	2.50
Culveres	45	9	2.50	34	8	1.89
Service 800	30	10	1.67	30	9	1.67
Morries' Automotive				12	10	0.67
<b>Total</b>	<b>1,291</b>		<b>71.73 %</b>	<b>996</b>		<b>55.35 %</b>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function:										
General Government	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.8	7.8	8.0
Public Safety:										
Police:										
Officers	20.5	19.5	18.5	18.0	16.5	16.5	30.0	28.0	27.0	27.0
Civilians	3.7	3.7	3.7	3.7	3.0	3.0	4.0	4.0	4.0	4.0
Code Enforcement	7.6	6.6	6.6	6.6	5.6	5.6	5.6	6.0	6.0	5.0
Public Works	4.1	4.1	3.5	3.5	3.5	4.5	4.5	4.5	4.5	4.5
Water	1.7	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Sewer	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Storm Water	0.6	0.6	0.5	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	5.0	5.0	5.0
Total	<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>	<u>58.0</u>

Source: City Budget Office

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function:										
Public Safety:										
Police:										
Initial Reports	6,702	7,281	6,217	6,573	5,728	6,688	12,128	10,990	10,056	9,320
Citations	2,117	2,752	2,572	2,543	2,086	1,982	3,228	2,437	1,495	1,929
Building/Zoning										
Building Permits Issued	336	348	343	549	858	441	449	485	470	466
Land Use Applications	90	52	40	38	35	48	24	56	63	59
Water:										
Connections	976	978	984	1,005	998	1,003	1,036	1,036	1,023	1,036
Radio Read Meters – Start 2004	275	441	573	720	808	927	1,001	1,036	1,010	1,024
Annual Water Pumped (Thousands of Gallons)	131,613	112,642	129,277	107,831	116,370	125,005	108,486	96,066	95,701	96,936
Wastewater:										
Connections	2,125	2,141	2,189	2,173	2,215	2,231	2,225	2,218	2,238	2,243
Annual Sewer Flow (Thousands of Gallons)	179,000	195,000	172,300	172,780	173,649	177,360	186,310	190,710	201,000	211,900
Storm Water:										
Sweeping (Centerline Miles)	46	46	46	46	46	46	46	46	46	46
Drainage Projects	-	-	1	-	2	1	1	1	1	3
Golf:										
Rounds Played	10,270	10,300	14,771	13,927	12,041	10,607	6,990	10,890	14,334	11,976
N/A: Not Available										

Sources: Various City departments

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function:										
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	11	11	11	11	11	14	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	228	228	228	228	228	228
Parks	21	21	21	21	22	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	4
Maximum Daily Capacity (Thousands of Gallons)	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	3,800
Sewer:										
Sanitary Sewers (Miles)	47	47	47	47	47	47	47	47	47	47
Pumping Stations	45	45	45	46	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