

**CITY OF ORONO, MINNESOTA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2017**

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

**RON OLSON  
DIRECTOR OF FINANCE**

**CITY OF ORONO  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2017**

**INTRODUCTORY SECTION**

LETTER OF TRANSMITTAL	1
OFFICIAL DIRECTORY	5
ORGANIZATIONAL CHART	6
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	7

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT	8
MANAGEMENT'S DISCUSSION AND ANALYSIS	11
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	19
STATEMENT OF ACTIVITIES	20
GOVERNMENTAL FUNDS	
BALANCE SHEET	21
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	23
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	24
PROPRIETARY FUNDS	
STATEMENT OF NET POSITION	25
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	26
STATEMENT OF CASH FLOWS	27
NOTES TO BASIC FINANCIAL STATEMENTS	28

**REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND – BUDGET TO ACTUAL (GAAP BASIS)	56
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION	57
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN	58
PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	59
PERA SCHEDULE OF CITY CONTRIBUTIONS	60

**CITY OF ORONO  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET	61
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES	62
NONMAJOR SPECIAL REVENUE FUNDS	
COMBINING BALANCE SHEET	63
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES	64
NONMAJOR DEBT SERVICE FUNDS	
COMBINING BALANCE SHEET	68
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES	69
NONMAJOR CAPITAL PROJECT FUNDS	
COMBINING BALANCE SHEET	70
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES	71
NONMAJOR PROPRIETARY FUNDS	
COMBINING STATEMENT OF NET POSITION	73
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	74
INTERNAL SERVICE FUNDS	
COMBINING STATEMENT OF NET POSITION	72
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	73
COMBINING STATEMENT OF CASH FLOWS	74
<b>STATISTICAL SECTION (UNAUDITED)</b>	
NET POSITION BY COMPONENT	75
CHANGES IN NET POSITION	76
FUND BALANCES, GOVERNMENTAL FUNDS	78
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS	79
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY	80
DIRECT AND OVERLAPPING TAX RATES	81
PRINCIPAL PROPERTY TAXPAYERS	82

**CITY OF ORONO  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

PROPERTY TAX LEVIES AND COLLECTIONS	83
RATIOS OF OUTSTANDING DEBT BY TYPE	84
RATIOS OF GENERAL BONDED DEBT OUTSTANDING	85
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT	86
LEGAL DEBT MARGIN INFORMATION	87
PLEDGED REVENUE	88
DEMOGRAPHIC AND ECONOMIC STATISTICS	89
PRINCIPAL EMPLOYERS	90
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION	91
OPERATING INDICATORS BY FUNCTION	92
CAPITAL ASSET STATISTICS BY FUNCTION	93

## **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

February 25, 2019

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, 2017 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, 2017. 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 2017 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 2017.

## **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 City of Long Lake. Long Lake provides service to the City for fire services. The cities of Long Lake and Orono jointly own a fire station and have a contract for service through 2024.

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 2017 was \$108,174.



## AWARDS AND ACKNOWLEDGEMENTS

### Acknowledgements

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 flourish line extending to the right.

Ronald J. Olson  
Finance Director

**CITY OF ORONO  
OFFICIAL DIRECTORY  
YEAR ENDED DECEMBER 31, 2017**

**CITY COUNCIL AND OTHER OFFICIALS**

Dennis Walsh  
Richard Crosby II  
Wendy Dankey  
Aaron Printup  
Victoria Seals

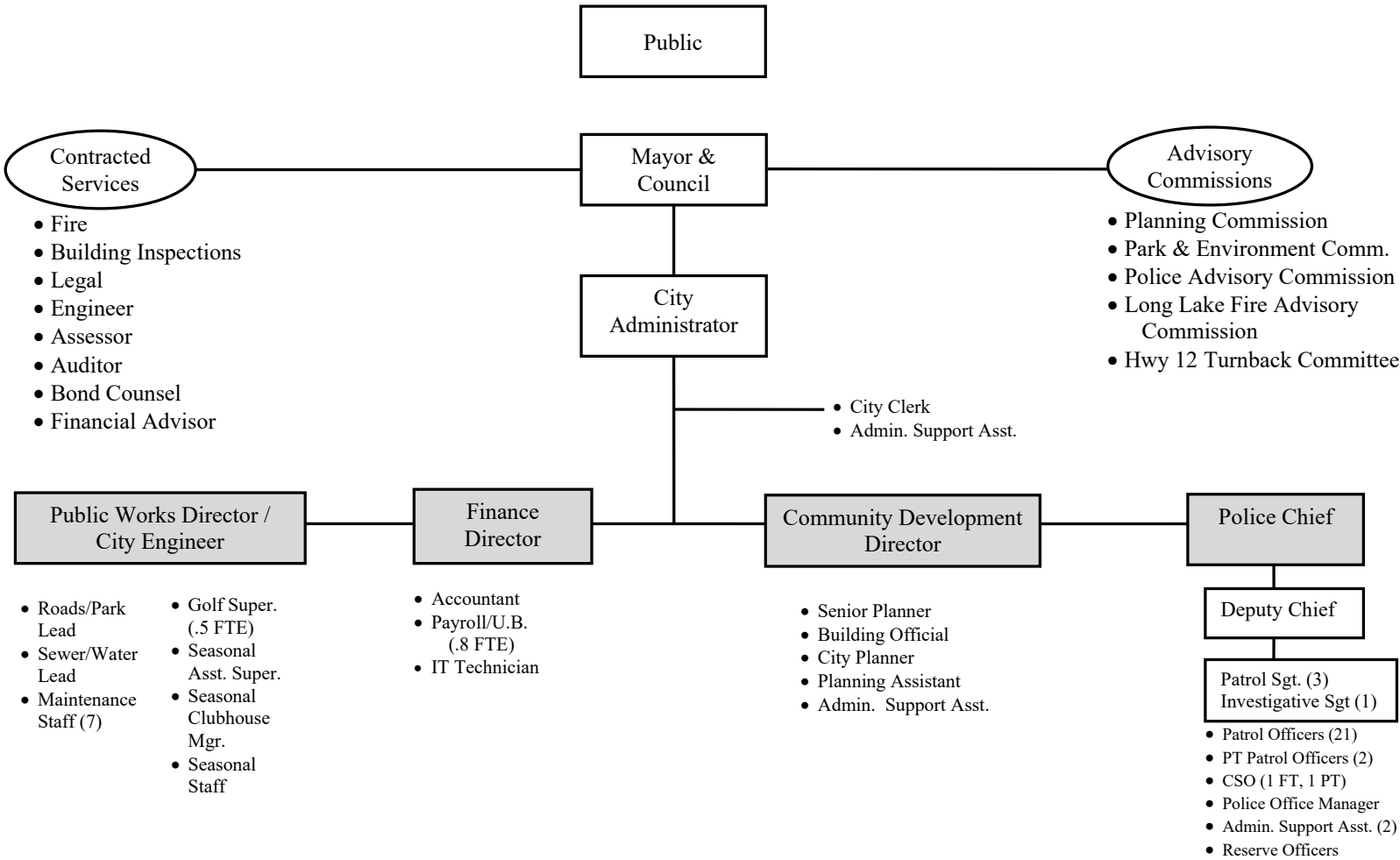
Mayor  
Council Member  
Council Member  
Council Member  
Council Member

**CITY OFFICIALS**

Dustin Rief  
Ronald Olson

City Administrator  
Finance Director - Treasurer

**CITY OF ORONO  
ORGANIZATIONAL CHART  
YEAR ENDED DECEMBER 31, 2017**



## **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, 2017, 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, 2017, 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.

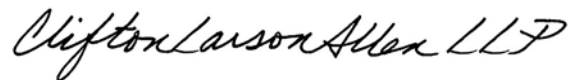
The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 February 25, 2019, 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 solely 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 the effectiveness of the City of Orono's 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  
February 25, 2019

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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, 2017.

**FINANCIAL HIGHLIGHTS**

- The net position of the City's governmental activities increased by \$1,700,245 during the year, ending at \$23,613,262.
- The net position of the City's business-type activities increased by \$199,243 during the year, ending at \$22,628,017.
- The fund balance of the General Fund increased by \$21,238 during the year to \$4,446,836 at year-end.
- The Water, Sewer, and Recycling Funds reported operating losses of \$29,595, \$1,084, and \$14,357 respectively.
- The Storm Water and Cable Television Funds reported operating incomes of \$98,708 and \$27,668, 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, 2017**

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. Budget-to-actual comparisons are provided in this financial report for this fund.

**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, 2017**

**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>2017</u>	<u>2016</u>
Current and Other Assets	\$ 13,112,921	\$ 15,985,121
Capital Assets	26,281,233	24,880,357
Total Assets	<u>39,394,154</u>	<u>40,865,478</u>
Deferred Outflows of Resources	4,353,759	6,999,964
Noncurrent Liabilities Outstanding	11,832,262	21,473,054
Other Liabilities	2,933,855	3,064,277
Total Liabilities	<u>14,766,117</u>	<u>24,537,331</u>
Deferred Inflows of Resources	5,335,406	1,415,094
Net Position:		
Net Investment in Capital Assets	19,020,035	16,660,990
Restricted	3,699,095	9,046,977
Unrestricted	894,132	(3,794,950)
Total Net Position	<u>\$ 23,613,262</u>	<u>\$ 21,913,017</u>
	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 6,667,612	\$ 7,089,909
Capital Assets	18,002,404	17,566,024
Total Assets	<u>24,670,016</u>	<u>24,655,933</u>
Deferred Outflows of Resources	96,026	204,881
Noncurrent Liabilities Outstanding	980,586	1,062,072
Other Liabilities	1,072,332	1,303,084
Total Liabilities	<u>2,052,918</u>	<u>2,365,156</u>
Deferred Inflows of Resources	85,107	66,884
Net Position:		
Net Investment in Capital Assets	16,940,333	16,427,467
Restricted	-	-
Unrestricted	5,687,684	6,001,307
Total Net Position	<u>\$ 22,628,017</u>	<u>\$ 22,428,774</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 \$1,899,488 (\$1,700,245 Governmental, \$199,243 Business-Type) this year, largely due to increased road funding and a decrease in Public Safety Expenses.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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			
	2017	2016	Annual Change	Percent Change
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 4,091,124	\$ 3,916,626	\$ 174,498	4.46 %
Operating Grants and Contributions	1,174,782	671,059	503,723	75
Capital Grants and Contributions	609	1,070	(461)	(43)
General Revenues:				
Property Taxes	5,268,854	5,021,340	247,514	5
Unrestricted Investment Earnings	114,356	109,752	4,604	4
Gain on Sale of Capital Assets	38,738	45,518	(6,780)	(15)
Other	53,207	149,388	(96,181)	(64)
Total Revenues	<u>10,741,670</u>	<u>9,914,753</u>	<u>826,917</u>	8.34
<b>EXPENSES</b>				
General Government	2,722,779	2,314,539	408,240	18
Public Safety	5,486,330	6,263,133	(776,803)	(12)
Streets	393,354	752,976	(359,622)	(48)
Parks and Recreation	420,410	413,797	6,613	2
Interest on Long-Term Debt	173,552	258,874	(85,322)	(33)
Total Expenses	<u>9,196,425</u>	<u>10,003,319</u>	<u>(806,894)</u>	(8)
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	1,545,245	(88,566)	1,633,811	(1845)
Transfers	<u>155,000</u>	<u>155,000</u>	<u>-</u>	-
<b>CHANGE IN NET POSITION</b>	1,700,245	66,434	1,633,811	2459
Net Position - Beginning of Year	<u>21,913,017</u>	<u>21,846,583</u>	<u>66,434</u>	0
<b>NET POSITION - END OF YEAR</b>	<u>\$ 23,613,262</u>	<u>\$ 21,913,017</u>	<u>\$ 1,700,245</u>	8 %

Overall revenues increased 8.0% between 2016 and 2017. The largest increase was operating grants and contributions, which increased as a result of a \$458,339 increase in Municipal State Aid for Streets.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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

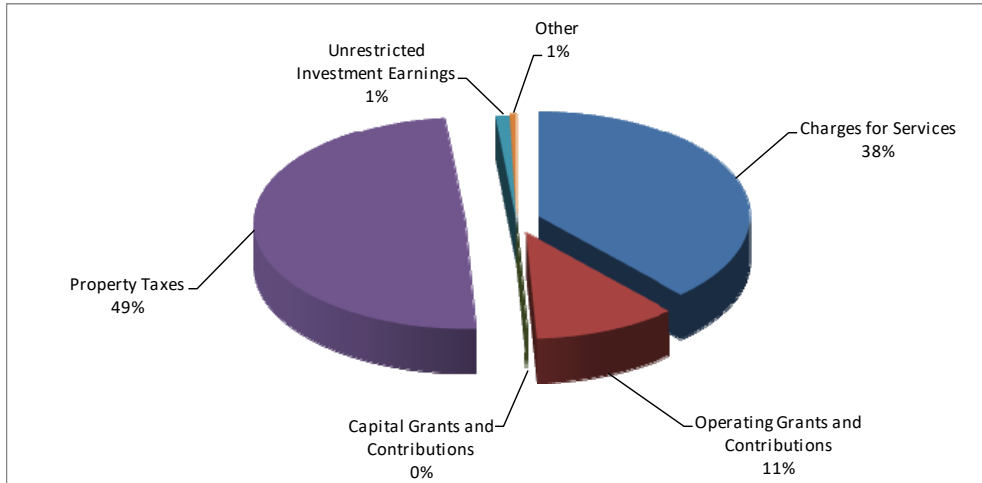
	Business-Type Activities			
	2017	2016	Annual Change	Percent Change
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 2,544,429	\$ 2,858,516	\$ (314,087)	(11)%
Capital Grants and Contributions	45,218	-	45,218	-
General Revenues:				
Unrestricted Interest Income on Special Assessments	30,830	27,901	2,929	10
Unrestricted Investment Earnings	54,443	57,319	(2,876)	(5)
Miscellaneous	155,079	133,066	22,013	17
Total Revenues	<u>2,829,999</u>	<u>3,076,802</u>	<u>(246,803)</u>	<u>(8)</u>
<b>EXPENSES</b>				
Water Operating	680,595	634,562	46,033	7
Sewer Operating	1,429,209	1,401,278	27,931	2
Storm Water	190,935	225,113	(34,178)	(15)
Recycling	126,333	118,054	8,279	7
Cable Television	48,684	31,724	16,960	53
Total Expenses	<u>2,475,756</u>	<u>2,410,731</u>	<u>65,025</u>	<u>3</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	354,243	666,071	(311,828)	(47)
Transfers	<u>(155,000)</u>	<u>(155,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	199,243	511,071	(311,828)	(61)
Net Position - Beginning of Year	<u>22,428,774</u>	<u>21,917,703</u>	<u>511,071</u>	<u>2</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 22,628,017</u>	<u>\$ 22,428,774</u>	<u>\$ 199,243</u>	<u>1 %</u>

The business-type activities showed a decrease in revenues of 8%, mainly due to a decrease in charges for services in the Storm Water fund as the city did not collect any trunk fees in the CY due to decreased development from 2017. Expenses also increased 3%, largely as a result of the increased usage and related expenses.

**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

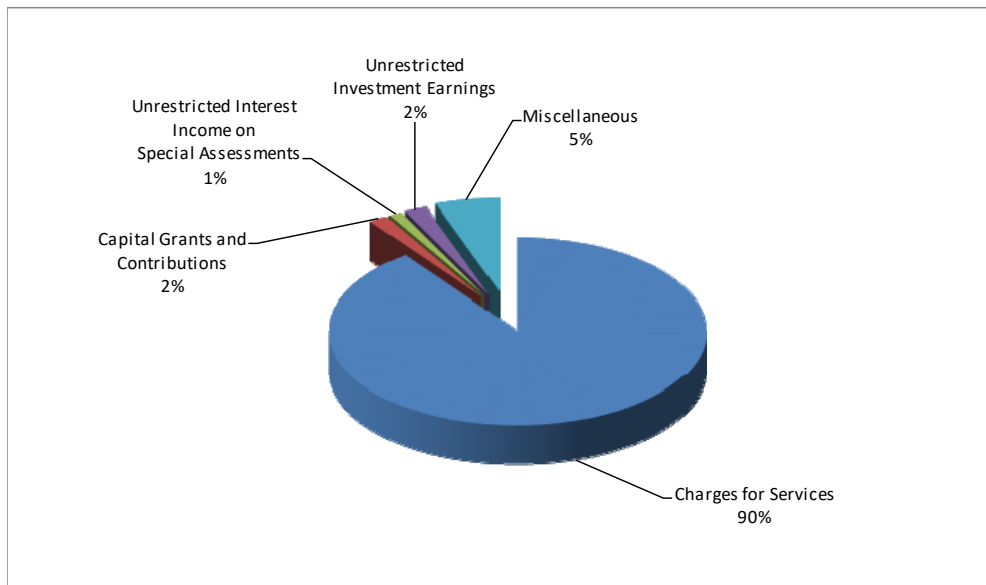
**Governmental Activities**

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 based on the utility rate study that was updated in 2013. The graph below represents the makeup of the Business-Type Activities Revenues.



**CITY OF ORONO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**General Fund**

The General Fund is the main operating fund of the City. Its primary revenue source in 2017 was property taxes at 49.60% of the total revenue, followed by user fees at 37.55%. The total fund balance increased by \$21,238 during the current fiscal year. This increase is the result of higher than budgeted licenses and permit revenue collected during the year. Expenditures were \$93,803 under budget for the year. However, revenues were also over budget by \$460,840. Additional user fees revenue resulted in higher than normal expenses related to those fees during the year. The unassigned fund balance of \$4,433,559 at the end of 2017 represents 58.96% of total General Fund expenditures for the year.

**Proprietary Funds**

The City's enterprise funds had a combined net position balance of \$22,454,124 at December 31, 2017. 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, 2017 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 7,337,435	\$ 7,337,435	\$ 79,706	\$ 79,706	\$ 7,417,141	\$ 7,417,141
Construction in Progress	3,255,918	1,649,110	607,731	1,869,944	3,863,649	3,519,054
Buildings and Building Improvements	9,160,345	9,160,345	1,605,211	770,330	10,765,556	9,930,675
Improvements Other than Buildings	2,373,988	2,373,988	13,511	13,511	2,387,499	2,387,499
Streets and Infrastructure	7,164,359	7,164,359	-	-	7,164,359	7,164,359
Distribution/Collection Systems	-	-	24,849,760	23,489,131	24,849,760	23,489,131
Equipment and Furniture	4,256,047	3,614,633	924,164	918,404	5,180,211	4,533,037
Total Capital Assets	33,548,092	31,299,870	28,080,083	27,141,026	61,628,175	58,440,896
Less: Accumulated Depreciation	(7,266,859)	(6,419,513)	(10,077,679)	(9,575,002)	(17,344,538)	(15,994,515)
Total Capital Assets, Net	<u>\$ 26,281,233</u>	<u>\$ 24,880,357</u>	<u>\$ 18,002,404</u>	<u>\$ 17,566,024</u>	<u>\$ 44,283,637</u>	<u>\$ 42,446,381</u>

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, 2017**

**Long-Term Liabilities**

The debt service funds account for the accumulation of resources to finance all of the City's general obligation bonds. The revenue sources for these funds include annual tax levies, special assessments, and transfers from other funds. At year-end, the total fund balance of these funds was \$2,105,118. The following table summarized the City's long-term liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 7,660,000	\$ 11,210,000	\$ 1,045,000	\$ 1,120,000	\$ 8,705,000	\$ 12,330,000
Compensated Absences	497,359	504,016	38,001	36,268	535,360	540,284
Capital Lease Payable	-	6,024	-	-	-	6,024
Bond Premium (Discount), Net	195,751	221,701	17,071	18,557	212,822	240,258
Total Outstanding Debt	<u>\$ 8,353,110</u>	<u>\$ 11,941,741</u>	<u>\$ 1,100,072</u>	<u>\$ 1,174,825</u>	<u>\$ 9,453,182</u>	<u>\$ 13,116,566</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, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 12,885,919	\$ 5,520,550	\$ 18,406,469
Accounts Receivable	76,222	599,574	675,796
Property Taxes Receivable	10,308	-	10,308
Special Assessments Receivable	8,083	355,094	363,177
Accrued Interest Receivable	40,436	3,864	44,300
Internal Balances	(173,893)	173,893	-
Due from Other Governments	248,101	4,425	252,526
Inventories	3,468	9,968	13,436
Prepaid Items	9,809	244	10,053
Other Assets	4,468	-	4,468
Capital Assets:			
Nondepreciable:			
Land	7,337,435	79,706	7,417,141
Construction in Progress	3,255,918	607,731	3,863,649
Depreciable:			
Buildings and Building Improvements	9,160,345	1,605,211	10,765,556
Improvements Other than Buildings	2,373,988	13,511	2,387,499
Streets and Infrastructure	7,164,359	-	7,164,359
Distribution/Collection Systems	-	24,849,760	24,849,760
Equipment and Furniture	4,256,047	924,164	5,180,211
Total Capital Assets	<u>33,548,092</u>	<u>28,080,083</u>	<u>61,628,175</u>
Less: Accumulated Depreciation	<u>(7,266,859)</u>	<u>(10,077,679)</u>	<u>(17,344,538)</u>
Total Capital Assets, Net	<u>26,281,233</u>	<u>18,002,404</u>	<u>44,283,637</u>
Total Assets	<u>39,394,154</u>	<u>24,670,016</u>	<u>64,064,170</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources	4,353,759	96,026	4,449,785
<b>LIABILITIES</b>			
Accounts and Contracts Payable	465,554	385,144	850,698
Accrued Salaries and Fringes	165,844	17,580	183,424
Accrued Interest Payable	79,368	10,179	89,547
Deposits	1,072,099	7,000	1,079,099
Unearned Revenue	-	52,153	52,153
Due to Other Governmental Units	150,040	49,353	199,393
Compensated Absences - Due Within One Year	315,000	17,000	332,000
Bonds Payable - Due Within One Year	685,950	81,485	767,435
Long-Term Liabilities:			
Other Postemployment Benefits Payable	378,576	35,691	414,267
Net Pension Liability	4,101,526	395,746	4,497,272
Compensated Absences - Due in More Than One Year	182,359	21,001	203,360
Bonds Payable - Due in More Than One Year	7,169,801	980,586	8,150,387
Total Liabilities	<u>14,766,117</u>	<u>2,052,918</u>	<u>16,819,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources - Pensions	5,335,406	85,107	5,420,513
Deferred Inflows of Resources - Taxes	33,128	-	33,128
Total Deferred Inflows of Resources	<u>5,368,534</u>	<u>85,107</u>	<u>5,453,641</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	19,020,035	16,940,333	35,960,368
Restricted for:			
Debt Service	2,029,024	-	2,029,024
Golf Course Improvements	267	-	267
Construction Activities	385,836	-	385,836
Park Improvements	762,056	-	762,056
Drug and Alcohol Law Enforcement	295,826	-	295,826
Home Buyer Purchase Assistance Program	132,467	-	132,467
Lurton Park Development and Maintenance	17,167	-	17,167
Senior Housing TIF	76,452	-	76,452
Unrestricted	894,132	5,687,684	6,581,816
Total Net Position	<u>\$ 23,613,262</u>	<u>\$ 22,628,017</u>	<u>\$ 46,241,279</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 2,722,779	\$ 947,851	\$ 100,035	\$ -	\$ (1,674,893)	\$ -	\$ (1,674,893)
Public Safety	5,486,330	2,947,439	388,471	-	(2,150,420)	-	(2,150,420)
Streets	393,354	385	686,276	609	293,916	-	293,916
Parks and Recreation	420,410	195,449	-	-	(224,961)	-	(224,961)
Interest and Fiscal Charges	173,552	-	-	-	(173,552)	-	(173,552)
Total Governmental Activities	9,196,425	4,091,124	1,174,782	609	(3,929,910)	-	(3,929,910)
Business-Type Activities:							
Water Operating	680,595	629,736	-	-	-	(50,859)	(50,859)
Sewer Operating	1,429,209	1,408,480	-	45,218	-	24,489	24,489
Storm Water	190,935	289,643	-	-	-	98,708	98,708
Recycling	126,333	140,218	-	-	-	13,885	13,885
Cable Television	48,684	76,352	-	-	-	27,668	27,668
Total Business-Type Activities	2,475,756	2,544,429	-	45,218	-	113,891	113,891
Total Primary Government	\$ 11,672,181	\$ 6,635,553	\$ 1,174,782	\$ 45,827	(3,929,910)	113,891	(3,816,019)
<b>GENERAL REVENUES</b>							
Property Taxes, Levied for General Purposes					5,268,854	-	5,268,854
Unrestricted Investment Earnings					114,356	54,443	168,799
Unrestricted Interest Income on Special Assessments					-	30,830	30,830
Miscellaneous					53,207	155,079	208,286
Gain on Sale of Capital Assets					38,738	-	38,738
Transfers					155,000	(155,000)	-
Total General Revenues and Transfers					5,630,155	85,352	5,715,507
<b>CHANGE IN NET POSITION</b>					1,700,245	199,243	1,899,488
Net Position - Beginning of Year					21,913,017	22,428,774	44,341,791
<b>NET POSITION - ENDING OF YEAR</b>					\$ 23,613,262	\$ 22,628,017	\$ 46,241,279

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	General Fund	Debt Service 2008 Improvement Bonds	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 4,765,474	\$ 87,666	\$ 6,971,731	\$ 11,824,871
Receivables:				
Miscellaneous Receivables	68,542	-	-	68,542
Accrued Interest	35,867	137	3,792	39,796
Delinquent Taxes	6,876	-	3,432	10,308
Deferred Special Assessments	-	-	8,083	8,083
Prepays	9,809	-	-	9,809
Inventory	3,468	-	-	3,468
Due from Other Governmental Units	221,258	-	30,173	251,431
Other Assets	4,468	-	-	4,468
Total Assets	<u>\$ 6,002,762</u>	<u>\$ 87,803</u>	<u>\$ 7,017,211</u>	<u>\$ 13,107,776</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 134,353	\$ -	\$ 325,918	\$ 460,271
Accrued Salaries Payable	165,844	-	-	165,844
Due to Other Governmental Units	150,040	-	3,330	153,370
Deposits	1,072,099	-	-	1,072,099
Total Liabilities	<u>1,522,336</u>	<u>-</u>	<u>1,216,248</u>	<u>2,738,584</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes	\$ 6,876	\$ -	\$ 3,432	\$ 10,308
Unavailable Revenue - Special Assessments	-	-	8,083	8,083
Taxes Collected in Advance of Levy	26,714	-	6,414	33,128
Total Deferred Inflows of Resources	<u>33,590</u>	<u>-</u>	<u>17,929</u>	<u>51,519</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Prepays	9,809	-	-	9,809
Inventory	3,468	-	-	3,468
Restricted:				
Debt Service	-	87,803	2,017,315	2,105,118
Parkland Acquisitions and Improvement	-	-	762,056	762,056
Drug and Alcohol Law Enforcement	-	-	295,826	295,826
Home Buyer Purchase Assistance	-	-	132,467	132,467
Lurton Park Development and Maintenance	-	-	17,167	17,167
Senior Housing	-	-	76,452	76,452
Road Construction Projects	-	-	377,595	377,595
Golf Course Improvements	-	-	267	267
Big Island	-	-	6,000	6,000
Assigned:				
Long Lake Fire Equipment	-	-	657,043	657,043
Capital Equipment Purchases	-	-	521,441	521,441
Police Equipment Purchases	-	-	299,383	299,383
Future Construction Projects	-	-	985,538	985,538
Community-Wide Projects	-	-	659,309	659,309
Debt Service	-	-	1,251	1,251
Police Garage Project	-	-	24,883	24,883
Unassigned	4,433,559	-	(1,050,959)	3,382,600
Total Fund Balance	<u>4,446,836</u>	<u>87,803</u>	<u>5,783,034</u>	<u>10,317,673</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,002,762</u>	<u>\$ 87,803</u>	<u>\$ 7,017,211</u>	<u>\$ 13,107,776</u>

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, 2017**

Total Fund Balances for Governmental Funds \$ 10,317,673

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	3,255,918	
Buildings and Building Improvements	9,160,345	
Improvements Other than Buildings	2,373,988	
Streets and Infrastructure	7,164,359	
Equipment and Furniture	4,256,047	
Total Capital Assets	33,548,092	
Less: Accumulated Depreciation	(7,266,859)	26,281,233

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. 18,391

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. (79,368)

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	(4,101,526)	
Deferred Inflows of Resources - Pensions	(5,335,406)	
Deferred Outflows of Resources - Pensions	4,353,759	(5,083,173)

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	(7,660,000)	
Unamortized Premiums	(195,751)	
Other Postemployment Benefits	(378,576)	
Compensated Absence Payable	(497,359)	(8,731,686)

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. 890,192

Total Net Position of Governmental Activities \$ 23,613,262

**CITY OF ORONO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	General Fund	Debt Service 2008 Improvement Bonds	Other Governmental Funds	Totals
<b>REVENUE</b>				
Property Taxes	\$ 4,180,566	\$ -	\$ 1,077,980	\$ 5,258,546
Special Assessments	-	-	2,226	2,226
Licenses and Permits	613,218	-	-	613,218
Intergovernmental Revenue	290,342	-	734,702	1,025,044
Fines and Forfeitures	70,580	-	31,244	101,824
Other Revenue:				
Investment Earnings	48,676	1,655	54,748	105,079
User Fees	3,165,196	-	-	3,165,196
Rents and Refunds	4,950	-	6,000	10,950
Miscellaneous Revenue	55,172	-	-	55,172
Total Revenue	<u>8,428,700</u>	<u>1,655</u>	<u>1,906,900</u>	<u>10,337,255</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,422,670	-	51,595	1,474,265
Public Safety	5,298,672	-	267	5,298,939
Streets	486,138	-	-	486,138
Parks and Recreation	304,333	-	-	304,333
Recycling	1,590	-	-	1,590
Capital Outlay				
Other	-	-	2,150,260	2,150,260
Debt Service:				
Principal Retirement	6,024	2,925,000	625,000	3,556,024
Interest and Fiscal Charges	131	53,874	183,281	237,286
Total Expenditures	<u>7,519,558</u>	<u>2,978,874</u>	<u>3,010,403</u>	<u>13,508,835</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	909,142	(2,977,219)	(1,103,503)	(3,171,580)
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers In	-	-	1,262,405	1,262,405
Transfers Out	(926,642)	-	(180,763)	(1,107,405)
Proceeds from Sale of Capital Assets	38,738	-	-	38,738
Total Other Finance Sources (Uses)	<u>(887,904)</u>	<u>-</u>	<u>1,081,642</u>	<u>193,738</u>
<b>NET CHANGE IN FUND BALANCES</b>	21,238	(2,977,219)	(21,861)	(2,977,842)
<b>FUND BALANCES</b>				
Beginning of Year	4,425,598	3,065,022	5,804,895	13,295,515
End of Year	<u>\$ 4,446,836</u>	<u>\$ 87,803</u>	<u>\$ 5,783,034</u>	<u>\$ 10,317,673</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, 2017**

Net Change in Fund Balances-Total Governmental Funds \$ (2,977,842)

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)	\$ 2,262,432	
Gain (Loss) on Disposal of Capital Assets	38,738	
Proceeds from the Sale of Capital Assets	(38,738)	
Depreciation Expense	<u>(861,556)</u>	1,400,876

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>6,024</u>	6,024
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Amortization of Bond Premium	25,950	
Repayment of Bond Principal	3,550,000	
Change in Accrued Interest Expense	<u>31,760</u>	3,607,710

Deferred Inflows of Resources - December 31, 2016	9,700	
Deferred Inflows of Resources - December 31, 2017	<u>18,391</u>	8,691

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 2017 compensated absence payable and other post employment benefits payable changed. (41,047)

Pension expenditures 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. (310,628)

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. 6,461

Change in Net Position of Governmental Activities	<u>\$ 1,700,245</u>	
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See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2017**

	Business-Type Activities				Totals	Governmental Activities
	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	\$ 898,091	\$ 2,778,844	\$ 1,640,265	\$ 203,350	\$ 5,520,550	\$ 1,061,048
Receivables:						
Accounts Receivables (Net of Allowance)	130,942	371,973	56,202	40,457	599,574	7,680
Accrued Interest	664	1,967	1,113	120	3,864	640
Delinquent Special Assessments	-	21,850	-	-	21,850	-
Special Assessments	57,480	275,764	-	-	333,244	-
Prepays	122	122	-	-	244	-
Inventory	9,968	-	-	-	9,968	-
Due from Other Governmental Units	103	4,322	-	-	4,425	-
Total Current Assets	<u>1,097,370</u>	<u>3,454,842</u>	<u>1,697,580</u>	<u>243,927</u>	<u>6,493,719</u>	<u>1,069,368</u>
<b>CAPITAL ASSETS</b>						
Land and Land Improvements	62,195	24,654	6,368	-	93,217	-
Construction in Progress	64,403	438,323	105,005	-	607,731	-
Buildings and Improvements	1,572,243	32,968	-	-	1,605,211	-
Equipment	91,092	538,304	245,870	48,898	924,164	-
Distribution/Collection System	5,575,748	17,965,270	1,308,742	-	24,849,760	-
Total	<u>7,365,681</u>	<u>18,999,519</u>	<u>1,665,985</u>	<u>48,898</u>	<u>28,080,083</u>	<u>-</u>
Less: Accumulated Depreciation	<u>(2,541,898)</u>	<u>(7,314,263)</u>	<u>(208,578)</u>	<u>(12,940)</u>	<u>(10,077,679)</u>	<u>-</u>
Net Capital Assets	<u>4,823,783</u>	<u>11,685,256</u>	<u>1,457,407</u>	<u>35,958</u>	<u>18,002,404</u>	<u>-</u>
Total Assets	<u>5,921,153</u>	<u>15,140,098</u>	<u>3,154,987</u>	<u>279,885</u>	<u>24,496,123</u>	<u>1,069,368</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Pensions	32,343	51,502	7,935	4,246	96,026	-
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts and Contracts Payable	102,903	256,776	24,675	790	385,144	5,283
Accrued Salaries Payable	6,441	9,585	1,554	-	17,580	-
Due to Other Governmental Units	30,281	18,699	373	-	49,353	-
Deposits	7,000	-	-	-	7,000	-
Compensated Absences Payable	7,618	13,383	-	-	21,001	-
Unearned Revenue	36,383	15,770	-	-	52,153	-
Accrued Interest Payable	10,179	-	-	-	10,179	-
Current Maturities of Long-Term Debt	81,485	-	-	-	81,485	-
Total Current Liabilities	<u>282,290</u>	<u>314,213</u>	<u>26,602</u>	<u>790</u>	<u>623,895</u>	<u>5,283</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds Payable	980,586	-	-	-	980,586	-
Other Postemployment Benefits	12,624	18,818	4,249	-	35,691	-
Net Pension Liability	133,292	212,250	32,701	17,503	395,746	-
Compensated Absences Payable	6,166	10,834	-	-	17,000	-
Total Noncurrent Liabilities	<u>1,132,668</u>	<u>241,902</u>	<u>36,950</u>	<u>17,503</u>	<u>1,429,023</u>	<u>-</u>
Total Liabilities	<u>1,414,958</u>	<u>556,115</u>	<u>63,552</u>	<u>18,293</u>	<u>2,052,918</u>	<u>5,283</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - Pensions	28,665	45,645	7,032	3,765	85,107	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,761,712	11,685,256	1,457,407	35,958	16,940,333	-
Unrestricted	748,161	2,904,584	1,634,931	226,115	5,513,791	1,064,085
Total Net Position	<u>\$ 4,509,873</u>	<u>\$ 14,589,840</u>	<u>\$ 3,092,338</u>	<u>\$ 262,073</u>	<u>22,454,124</u>	<u>\$ 1,064,085</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

173,893  
\$ 22,628,017

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, 2017**

	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	\$ 619,487	\$ 1,400,830	\$ 289,643	\$ 186,649	\$ 2,496,609	\$ 297,329
Other	-	26,226	-	1,679	27,905	50,380
Total Operating Revenue	<u>619,487</u>	<u>1,427,056</u>	<u>289,643</u>	<u>188,328</u>	<u>2,524,514</u>	<u>347,709</u>
<b>OPERATING EXPENSES</b>						
Personnel Services	190,398	322,837	43,153	25,924	582,312	-
Professional Services	24,032	23,162	36,740	124,715	208,649	-
Operating and Maintenance Supplies	34,512	7,935	1,946	-	44,393	-
Utilities	77,738	27,055	-	-	104,793	-
Depreciation	178,222	308,847	35,827	4,312	527,208	-
Maintenance and Repairs	60,496	170,934	4,477	8,316	244,223	-
Administrative Charges from the General Fund	16,000	32,000	16,000	-	64,000	-
Insurance	10,280	18,930	720	-	29,930	358,967
Other Expenses	57,404	516,440	52,072	11,750	637,666	-
Total Operating Expenses	<u>649,082</u>	<u>1,428,140</u>	<u>190,935</u>	<u>175,017</u>	<u>2,443,174</u>	<u>358,967</u>
<b>OPERATING INCOME (LOSS)</b>	(29,595)	(1,084)	98,708	13,311	81,340	(11,258)
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Water Tower Rental Fee	108,174	-	-	-	108,174	-
Connection Fee	-	7,650	-	-	7,650	-
Investment Earnings	9,361	27,777	15,575	1,730	54,443	9,277
Interest Expense	(23,071)	-	-	-	(23,071)	-
State Grant	-	-	-	28,242	28,242	-
Gain (Loss) on Sale of Capital Asset	-	(1,069)	-	-	(1,069)	-
Miscellaneous Revenue	20,919	74,065	3,719	8,273	106,976	-
Total Nonoperating Revenue (Expenses)	<u>115,383</u>	<u>108,423</u>	<u>19,294</u>	<u>38,245</u>	<u>281,345</u>	<u>9,277</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	85,788	107,339	118,002	51,556	362,685	(1,981)
Transfers Out	(55,000)	(100,000)	-	-	(155,000)	-
<b>CHANGES IN NET POSITION</b>	30,788	7,339	118,002	51,556	207,685	(1,981)
<b>NET POSITION</b>						
Beginning of Year	4,479,085	14,582,501	2,974,336	210,517		1,066,066
End of Year	<u>\$ 4,509,873</u>	<u>\$ 14,589,840</u>	<u>\$ 3,092,338</u>	<u>\$ 262,073</u>		<u>\$ 1,064,085</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(8,442)	
Change in Net Position of Business-Type Activities (page 20)					<u>\$ 199,243</u>	

See accompanying Notes to Basic Financial Statements.



**CITY OF ORONO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Storm Water	Other Funds	Total	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Receipts from Customers	\$ 611,326	\$ 1,422,963	\$ 284,945	\$ 187,082	\$ 2,506,316	\$ 297,329
Cash Paid to Suppliers	(403,706)	(801,349)	(91,882)	(142,908)	(1,439,845)	(356,184)
Cash Paid to Employees	(179,597)	(307,161)	(41,663)	(18,703)	(547,124)	-
Other Receipts	20,919	55,073	3,719	9,952	89,663	42,700
Net Cash Provided (Used) by Operating Activities	48,942	369,526	155,119	35,423	609,010	(16,155)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Water Tower Rental Fees	108,174	-	-	-	108,174	-
Connection Fees Received	-	7,650	-	-	7,650	-
Special Assessments for Capital Purposes	-	-	-	-	-	-
Acquisition of Capital Assets	(265,626)	(566,430)	(126,841)	(5,760)	(964,657)	-
Amount received on sale of capital assets	-	-	-	-	-	-
Interest Paid on Bonds	(25,183)	-	-	-	(25,183)	-
Principal Payments on Bonds	(75,000)	-	-	-	(75,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(257,635)	(558,780)	(126,841)	(5,760)	(949,016)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	8,697	25,810	14,462	1,610	50,579	8,637
Change in Fair Market Value of Investments	-	-	-	-	-	-
Net Cash Used by Investing Activities	8,697	25,810	14,462	1,610	50,579	8,637
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers Out	(55,000)	(100,000)	-	-	(155,000)	-
Repayment of Advances from Other Funds	-	-	-	-	-	-
State Grant Received	-	45,218	-	28,242	73,460	-
Net Cash Provided (Used) by Noncapital Financing Activities	(55,000)	(54,782)	-	28,242	(81,540)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(254,996)	(218,226)	42,740	59,515	(370,967)	(7,518)
Cash and Cash Equivalents - Beginning of Year	1,153,087	2,997,070	1,597,525	143,835	5,891,517	1,068,566
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 898,091	\$ 2,778,844	\$ 1,640,265	\$ 203,350	\$ 5,520,550	\$ 1,061,048
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (29,595)	\$ (1,084)	\$ 98,708	\$ 13,311	\$ 81,340	\$ (11,258)
Miscellaneous Other Receipts Added to Operating Income	20,919	28,847	3,719	8,273	61,758	-
Noncash Expenses Included in Net Income:						
Depreciation	178,222	308,847	35,827	4,312	527,208	-
Change in Assets and Liabilities:						
(Increase) Decrease in:						
Accounts Receivable	(8,143)	19,716	(4,698)	433	7,308	(7,680)
Prepaid Items	74	35,873	-	1,098	37,045	-
Inventory	-	-	-	-	-	-
Due from Other Governmental Units	(18)	2,417	-	-	2,399	-
Deferred Outflows of Resources	37,326	60,373	9,766	1,390	108,855	-
Increase (Decrease) in:						
Accounts Payable	(140,772)	(47,090)	19,700	775	(167,387)	2,783
Accrued Salaries Payable	411	369	18	-	798	-
Due to Other Governmental Units	17,454	6,324	373	-	24,151	-
Compensated Absences Payable	556	1,177	-	-	1,733	-
Unearned Revenue	-	-	-	-	-	-
Other Postemployment Benefits	1,363	2,272	454	-	4,089	-
Net Pension Liability	(34,777)	(57,638)	(10,001)	3,906	(98,510)	-
Deferred Inflows of Resources	5,922	9,123	1,253	1,925	18,223	-
Net Cash Provided (Used) by Operating Activities	\$ 48,942	\$ 369,526	\$ 155,119	\$ 35,423	\$ 609,010	\$ (16,155)

See accompanying Notes to Basic Financial Statements.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, 2017**

**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 are 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, 2017**

**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, 2017**

**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 Improvement 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, 2017**

**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, 2017**

**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 acquisition 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, 2017**

**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 reports deferred inflows related to taxes collected in advance of levy, which are simply taxes prepaid to the City prior to being due by the citizens and businesses within the City. 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.



**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**P. Net Position/Fund Balance (Continued)**

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

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 any major special revenue funds. 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 2017.

**CITY OF ORONO  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Components of Cash and Investments**

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

Deposits	\$ 258,979
Investments	18,146,330
Cash on Hand	1,160
	\$ 18,406,469

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

<u>Financial Statement Presentation</u>	
Cash and Investments - Statement of Net Position	\$ 18,406,469

**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 \$264,982 while the balance on the bank records was \$239,126. At December 31, 2017, 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, 2017**

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

**C. Investments**

The City has the following investments at year-end:

Investments Measured at Fair Value	Fair Value
Negotiable Certificates of Deposit with Maturity at Purchase of Greater Than one Year	\$ 10,584,324
Federal Home Loan Bank	1,239,295
Federal Home Loan Mortgage Corp.	1,240,622
Federal National Mortgage Association	252,305
Municipal Bonds	828,317
Total Investments Measured at Fair Value	\$ 14,144,863
Investments Measured at Amortized Cost	Amortized Cost
Minnesota Municipal Money Market (4M) Fund	\$ 2,544,115
Other Money Markets	1,457,352
Total Assets Measured at Amortized Cost	\$ 4,001,467
Total Investments	\$ 18,146,330

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, 2017**

**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, 2017 is as follows:

	Total Value	Interest - Risk: Maturity in Years				No Maturity	Rating
		Less than 1	1 to 2	2 to 5	5+		
Negotiable Certificates of Deposit with Maturity at Time of Purchase of More Than One Year	\$ 10,584,324	\$ 3,727,015	\$ 3,331,539	\$ 3,287,652	\$ 238,118	\$ -	AAA
Federal Home Loan Bank	1,239,295	-	-	1,239,295	-	-	AA+
Federal Home Loan Mortgage Corporation	1,240,622	-	-	745,162	495,460	-	AA+
Federal National Mortgage Association	252,305	-	-	252,305	-	-	AA+
Municipal Bonds	828,317	-	-	-	828,317	-	NR
Money Markets	4,001,467	-	-	-	-	4,001,467	NR
	<u>\$ 18,146,330</u>	<u>\$ 3,727,015</u>	<u>\$ 3,331,539</u>	<u>\$ 5,524,414</u>	<u>\$ 1,561,895</u>	<u>\$ 4,001,467</u>	
Deposits Held At Bank	246,792						
<b>Total</b>	<u>\$ 18,393,122</u>						

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, 2017, 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)	\$ 4,001,467	22.1%

**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, 2017**

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

**C. Investments (Continued)**

Below is a categorization of the City's investments at December 31, 2017.

Investment Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit with Maturity at Purchase of Greater Than One Year	\$ -	\$ 10,597,743	\$ -	\$ 10,597,743
Federal Home Loan Bank	-	1,239,295	-	1,239,295
Federal Home Loan Mortgage Corp.	-	1,240,622	-	1,240,622
Federal National Mortgage Association	-	252,305	-	252,305
Municipal Bonds	-	835,910	-	835,910
Money Markets	4,001,467	-	-	4,001,467
	<u>\$ -</u>	<u>\$ 14,165,875</u>	<u>\$ -</u>	<u>18,167,342</u>
Deposits Held at Bank				246,792
Total Investments				<u>\$ 18,414,134</u>

**NOTE 3 INTERFUND TRANSFERS**

**A. Interfund Transfers**

From Fund	To Fund	Amount	Purpose
General Fund	Improvement and Equipment Capital Outlay	\$ 250,000	Budgeted operating transfer for capital equipment purchases
General Fund	2014 Improvement Bonds	125,000	Budgeted transfer for debt service of 2014 Improvement Bonds
General Fund	Pavement Management Plan	531,642	Budgeted transfer for road projects
General Fund	Improvement and Equipment Capital Outlay	20,000	Budgeted transfer for online human resources application
2009 GO Improvement Refunding Bond Fund	Pavement Management Fund	76,957	Budgeted transfer to close 2009 GO Improvement Bond Fund and provide excess fund balance for road projects.
2004 GO Improvement Refunding Bond Fund	Pavement Management Plan	103,806	Budgeted transfer to close 2004 GO Improvement Refunding Bond Fund and provide excess fund balance for road projects.
Water Operating	2016 Refunding Bond	55,000	Budgeted transfer to Debt Service Fund
Sewer Operating	2016 Refunding Bond	100,000	Budgeted transfer to Debt Service Fund
		<u>\$ 1,262,405</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, 2017**

**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	\$ 7,337,435	\$ -	\$ -	\$ -	\$ 7,337,435
Construction in progress	1,649,110	1,606,808	-	-	3,255,918
Total Capital Assets, Not Being Depreciated	<u>8,986,545</u>	<u>1,606,808</u>	<u>-</u>	<u>-</u>	<u>10,593,353</u>
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	9,160,345	-	-	-	9,160,345
Improvements Other than Buildings	2,373,988	-	-	-	2,373,988
Equipment and Furniture	3,614,633	655,624	14,210	-	4,256,047
Streets and Infrastructure	7,164,359	-	-	-	7,164,359
Total Capital Assets, Being Depreciated	<u>22,313,325</u>	<u>655,624</u>	<u>14,210</u>	<u>-</u>	<u>22,954,739</u>
Accumulated Depreciation for:					
Buildings and Building Improvements	2,419,902	184,354	-	-	2,604,256
Improvements Other than Buildings	1,151,825	92,307	-	(160,193)	1,083,939
Equipment and Furniture	2,037,056	405,688	14,210	-	2,428,534
Streets and Infrastructure	810,730	179,207	-	160,193	1,150,130
Total Accumulated Depreciation	<u>6,419,513</u>	<u>861,556</u>	<u>14,210</u>	<u>-</u>	<u>7,266,859</u>
Total Capital Assets, Being Depreciated, Net	<u>15,893,812</u>	<u>(205,932)</u>	<u>-</u>	<u>-</u>	<u>15,687,880</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,880,357</u>	<u>\$ 1,400,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,281,233</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	\$ 79,706	\$ -	\$ -	\$ -	\$ 79,706
Construction in Progress	1,869,944	984,469	2,246,682	-	607,731
Total Capital Assets, Not Being Depreciated	<u>1,949,650</u>	<u>984,469</u>	<u>2,246,682</u>	<u>-</u>	<u>687,437</u>
Capital Assets, Being Depreciated:					
Land Improvements	13,511	-	-	-	13,511
Buildings and Building Improvements	770,330	834,881	-	-	1,605,211
Equipment and Furniture	918,404	5,760	-	-	924,164
Distribution/Collection System	23,489,131	1,386,229	25,600	-	24,849,760
Total Capital Assets, Being Depreciated	<u>25,191,376</u>	<u>2,226,870</u>	<u>25,600</u>	<u>-</u>	<u>27,392,646</u>
Accumulated Depreciation for:					
Land Improvements	5,369	253	-	-	5,622
Buildings and Building Improvements	368,299	59,213	-	-	427,512
Equipment and Furniture	436,353	51,819	-	-	488,172
Distribution/Collection System	8,764,981	415,923	24,531	-	9,156,373
Total Accumulated Depreciation	<u>9,575,002</u>	<u>527,208</u>	<u>24,531</u>	<u>-</u>	<u>10,077,679</u>
Total Capital Assets, Being Depreciated, Net	<u>15,616,374</u>	<u>1,699,662</u>	<u>1,069</u>	<u>-</u>	<u>17,314,967</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,566,024</u>	<u>\$ 2,684,131</u>	<u>\$ 2,247,751</u>	<u>\$ -</u>	<u>\$ 18,002,404</u>

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

**C. Depreciation Expense by Function**

**Governmental Activities:**

General Government	\$	249,974
Public Safety		258,382
Streets		284,461
Parks and Recreation		68,739
Total Depreciation Expense, Governmental Activities		861,556

**Business-Type Activities:**

Water Operating	\$	178,222
Sewer Operating		308,847
Storm Water		35,827
Cable Television		4,312
Total Depreciation Expense, Business-Type Activities		527,208

**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	\$ 11,210,000	\$ -	\$ (3,550,000)	\$ 7,660,000	\$ 660,000
Less Unamortized Amounts:					
For Issuance Premiums	221,701	-	(25,950)	195,751	25,950
Total Bonds Payable	11,431,701	-	(3,575,950)	7,855,751	685,950
Capital Lease	6,024	-	(6,024)	-	-
Compensated Absences	504,016	308,342	(314,999)	497,359	315,000
Total Governmental Activities	11,941,741	308,342	(3,896,973)	8,353,110	1,000,950
<b>Business-Type Activities:</b>					
General Obligation Bonds	1,120,000	-	(75,000)	1,045,000	80,000
Less Unamortized Amounts:					
For Issuance Premium	18,557	-	(1,486)	17,071	1,485
Compensated Absences	36,268	19,521	(17,788)	38,001	17,000
Total Business-Type Activities	1,174,825	19,521	(94,274)	1,100,072	98,485
Total Debt	\$ 13,116,566	\$ 327,863	\$ (3,991,247)	\$ 9,453,182	\$ 1,099,435



**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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:					
General Obligation Bonds of 2010A	\$ 4,315,000	3.00-3.75%	12/30/10	02/01/26	\$ 2,045,000
General Obligation Bonds of 2014A	5,275,000	2.00-3.00%	06/19/14	02/01/29	2,935,000
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>7,660,000</u>
Unamortized Bond Premium					<u>195,751</u>
Total Governmental Activities Bonds Payable					<u><u>\$ 7,855,751</u></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	\$ 1,045,000
Unamortized Bond Premium					<u>17,071</u>
Total Business-Type Activities Bonds Payable					<u><u>\$ 1,062,071</u></u>

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

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

Years	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2018	\$ 660,000	\$ 182,888
2019	890,000	165,363
2020	925,000	145,113
2021	945,000	124,238
2022	960,000	102,822
2023-2027	2,740,000	235,769
2028-2032	540,000	16,019
Totals	<u>\$ 7,660,000</u>	<u>\$ 972,212</u>

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**B. Bonds Payable (Continued)**

Business-Type Activities		
Years	Bonds Payable	
	Principal	Interest
2018	\$ 80,000	\$ 23,631
2019	80,000	22,031
2020	80,000	20,431
2021	80,000	18,831
2022	85,000	17,181
2023-2027	445,000	56,809
2028-2032	195,000	5,806
Totals	\$ 1,045,000	\$ 164,720

**C. 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.

**D. Ultimate Responsibility for Debt**

General obligation bonds are backed by the full faith and credit of the City except for the project revenue bonds.

**E. 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, 2017**

**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, 2017 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 2017, the City contributed \$30,393 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	\$ 80,025
Interest on Net OPEB Obligation	16,311
Adjustment to Annual Required Contribution	<u>(14,150)</u>
Annual OPEB Cost (Expense)	82,186
Contributions Made	<u>(30,393)</u>
Increase in Net OPEB Obligation	51,793
Net OPEB Obligation - Beginning of Year	<u>362,474</u>
Net OPEB Obligation - End of Year	<u><u>\$ 414,267</u></u>

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 2017:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 82,186	37.0%	\$ 414,267
12/31/2016	79,329	22.5%	362,474
12/31/2015	113,521	58.2%	300,977

**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, 2017**

**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 (IRC). 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, 2017**

**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 Plan (General Employees Plan)

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan 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 Plan (Police and Fire Plan)

The Police and Fire Plan, 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 Police and Fire Plan 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, 2017**

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

**B. Benefits Provided (Continued)**

1. General Employees Plan 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.

2. Police and Fire Plan Benefits

Benefits for the Police and Fire Plan 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 Police and Fire Plan 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 Police and Fire Plan members 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. General Employees Fund 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 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City contributions to the GEF for the year ended December 31, 2017, were \$122,052. The City contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for members in calendar year 2017. The City contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$358,655. The City contributions were equal to the required contributions as set by state statute.

**CITY OF ORONO  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**D. Pension Costs**

1. General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,621,519 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .0254%, a decrease from the prior year's proportion of .0259%.

For the year ended December 31, 2017, the City recognized pension expense of \$183,611 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan'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	\$ 53,440	\$ 104,317
Changes in Actuarial Assumptions	269,207	162,557
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,473	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	81,841
City Contributions Subsequent to the Measurement Date	60,337	-
Total	<u>\$ 393,457</u>	<u>\$ 348,715</u>

A total of \$60,337 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, 2018. 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
2017	\$ 11,540
2018	79,462
2019	(37,767)
2020	(68,830)
2021	-
Thereafter	-



**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**D. Pension Costs (Continued)**

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$2,875,753 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .213%, a decrease from the prior year proportionate share of .218%.

For the year ended December 31, 2017, the City recognized pension expense of \$636,720 for its proportionate share of the Police and Fire Fund's pension expense. The City also recognized \$19,170 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, the City reported its proportionate share of the Police and fire Plan'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	\$ 66,194	\$ 768,799
Changes in Actuarial Assumptions	3,763,497	4,082,857
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	39,496	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	220,142
City Contributions Subsequent to the Measurement Date	187,141	-
Total	\$ 4,056,328	\$ 5,071,798

A total of \$187,141 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, 2018. 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
2017	\$ (6,027)
2018	(6,027)
2019	(111,446)
2020	(262,010)
2021	(817,101)
Thereafter	-

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**D. Pension Costs (Continued)**

For the year ended December 31, 2017, the City recognized total pension expenses of \$820,331 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% 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 to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, 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 most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

**General Employees Fund**

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all year to 1.0% per year through 2044 and 2.5% per year thereafter.

**Police and Fire Fund**

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**E. Actuarial Assumptions (Continued)**

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by the factor of 0.96. The mortality improvement scale was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.5% thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of reasonableness on a regular basis of the long-term expected rate of return 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, 2017**

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

**E. Actuarial Assumptions (Continued)**

The target allocation and best estimates of geometric 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	39%	5.10%
International Equity	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Totals	100%	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of pension plan investments was applied to all periods of projected benefit payments determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the City'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 City'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:

Description	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
<b>GERF PENSION LIABILITY</b>			
City's Proportionate Share of the GERF Net Pension Liability	\$ 2,515,097	\$ 1,621,519	\$ 889,964
<b>PEPFF PENSION LIABILITY</b>			
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 5,415,883	\$ 2,875,753	\$ 778,737

**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. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

**CITY OF ORONO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, 2017 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. Restricted for Big Island** – Represents amounts which are restricted for the improvement of the Big Island Nature Park
- J. Assigned for Long Lake Fire Equipment** – Represents amounts which are assigned by the City for the purchase of fire equipment.
- K. Assigned for Capital Equipment Purchases** – Represents amounts which are assigned by the City to finance future capital equipment purchases.
- L. Assigned for Police Equipment Purchases** – Represents amounts which are assigned by the City to finance future police equipment purchases.
- M. Assigned for Future Construction Projects** – Represents amounts which are assigned by the City to finance future construction projects.
- N. 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, 2017**

**NOTE 9 FUND BALANCES (CONTINUED)**

- O. Assigned for Debt Service** – Represents amounts which are assigned by the City for future debt service payments.
- P. 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, 2017, 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 2018.

**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 2017 fee of \$400,547.

**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, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 4,197,240	\$ 4,197,240	\$ 4,180,566	\$ (16,674)
Licenses and Permits	465,650	465,650	613,218	147,568
Intergovernmental Revenue	227,220	227,220	290,342	63,122
Fines and Forfeits	80,500	80,500	70,580	(9,920)
Other Revenue:				
Investment Earnings	54,500	54,500	48,676	(5,824)
User Fees	2,916,850	2,916,850	3,165,196	248,346
Rents and Refunds	5,400	5,400	4,950	(450)
Miscellaneous Revenue	20,500	20,500	55,172	34,672
Total Revenue	<u>7,967,860</u>	<u>7,967,860</u>	<u>8,428,700</u>	<u>460,840</u>
<b>EXPENDITURES</b>				
General Government:				
Administration	443,290	443,290	516,005	72,715
Elections	3,160	3,160	2,393	(767)
Assessing	180,000	180,000	176,166	(3,834)
Finance	323,670	323,670	300,230	(23,440)
Legal	104,000	104,000	120,115	16,115
Human Services	12,400	12,400	11,099	(1,301)
Central Services	259,745	259,745	296,662	36,917
Total General Government	<u>1,326,265</u>	<u>1,326,265</u>	<u>1,422,670</u>	<u>96,405</u>
Public Safety:				
Police	4,332,510	4,332,510	4,180,183	(152,327)
Fire	397,000	397,000	400,547	3,547
Inspection and Zoning	762,470	762,470	717,942	(44,528)
Total Public Safety	<u>5,491,980</u>	<u>5,491,980</u>	<u>5,298,672</u>	<u>(193,308)</u>
Streets:				
Other	499,825	499,825	486,138	(13,687)
Parks and Recreation:				
Golf Course	172,670	172,670	184,706	12,036
Other	116,469	116,469	119,627	3,158
Total Parks and Recreation	<u>289,139</u>	<u>289,139</u>	<u>304,333</u>	<u>15,194</u>
Recycling	<u>-</u>	<u>-</u>	<u>1,590</u>	<u>1,590</u>
Debt Service				
Principal Retirement	6,024	6,024	6,024	-
Interest and Fiscal Charges	131	131	131	-
Total Debt Service	<u>6,155</u>	<u>6,155</u>	<u>6,155</u>	<u>-</u>
Total Expenditures	<u>7,613,364</u>	<u>7,613,364</u>	<u>7,519,558</u>	<u>(93,806)</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	354,496	354,496	909,142	554,646
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers Out	(375,000)	(375,000)	(926,642)	(551,642)
Proceeds from Sale of Capital Assets	20,000	20,000	38,738	18,738
Total Other Finance Sources (Uses)	<u>(355,000)</u>	<u>(355,000)</u>	<u>(887,904)</u>	<u>(532,904)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (504)</u>	<u>\$ (504)</u>	21,238	<u>\$ 21,742</u>
<b>FUND BALANCES</b>				
Beginning of Year			4,425,598	
End of Year			<u>\$ 4,446,836</u>	

See accompanying Note to Required Supplementary Information.



**CITY OF ORONO**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2017**

	Final Budget	Actual	Actual in Excess of Budget
General Fund:			
General Government:			
Administration	\$ 443,290	\$ 516,005	\$ 72,715
Legal	104,000	120,115	16,115
Central Services	259,745	296,662	36,917
Total General Government	<u>807,035</u>	<u>932,782</u>	<u>125,747</u>
Public Safety:			
Fire	397,000	400,547	3,547
Parks and Recreation:			
Golf Course	172,670	184,706	12,036
Other	116,469	119,627	3,158
Total Parks and Recreation	<u>289,139</u>	<u>304,333</u>	<u>15,194</u>
Recycling:			
Other	-	1,590	1,590

The overall expenditure budget was over budget for the year.

**CITY OF ORONO**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**  
**DECEMBER 31, 2017**

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, 2017**

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

	<u>Measurement Date 6/30/2017</u>	<u>Measurement Date 6/30/2016</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
City's Proportion of the Net Pension Liability	0.0254%	0.0259%	0.0265%	0.0304%
City's Proportionate Share of the Net Pension Liability	\$ 1,621,519	\$ 2,102,952	\$ 1,373,368	\$ 1,428,040
City's Covered-Employee Payroll	\$ 1,639,281	\$ 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	98.92%	130.18%	87.36%	89.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.91%	78.20%	78.70%

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

	<u>Measurement Date 6/30/17</u>	<u>Measurement Date 6/30/16</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
City's Proportion of the Net Pension Liability	0.2130%	0.2180%	0.2310%	0.2410%
City's Proportionate Share of the Net Pension Liability	\$ 2,875,753	\$ 8,748,719	\$ 2,624,701	\$ 2,602,899
City's Covered-Employee Payroll	\$ 2,186,712	\$ 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	131.51%	415.11%	122.74%	124.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	63.88%	86.61%	87.10%

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, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 122,479	\$ 122,115	\$ 119,404	\$ 112,270
Contributions in Relation to the Statutorily Required Contribution	(122,479)	(122,115)	(119,404)	(112,270)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,633,053	\$ 1,628,200	\$ 1,592,053	\$ 1,548,552
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.50%	7.25%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 358,655	\$ 349,003	\$ 342,006	\$ 324,565
Contributions in Relation to the Statutorily Required Contribution	(358,655)	(349,003)	(342,006)	(324,565)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 2,213,920	\$ 2,154,340	\$ 2,111,148	\$ 2,003,488
Contributions as a Percentage of Covered Employee Payroll	16.20%	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, 2017**

<b>ASSETS</b>	Special Revenue	Debt Service	Capital Project	Totals
Cash and Investments	\$ 1,290,511	\$ 2,001,815	\$ 3,679,405	\$ 6,971,731
Receivables:				
Accrued Interest	860	698	2,234	3,792
Delinquent Taxes	-	3,274	158	3,432
Deferred Special Assessments	-	-	8,083	8,083
Due from Other Governmental Units	-	20,056	10,117	30,173
<b>Total Assets</b>	<b>\$ 1,291,371</b>	<b>\$ 2,025,843</b>	<b>\$ 3,699,997</b>	<b>\$ 7,017,211</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 1,136	\$ 450	\$ 324,332	\$ 325,918
Due to Other Governmental Units	-	-	3,330	3,330
<b>Total Liabilities</b>	<b>1,136</b>	<b>450</b>	<b>1,214,662</b>	<b>1,216,248</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes	-	3,274	158	3,432
Unavailable Revenue - Special Assessments	-	-	8,083	8,083
Taxes Collected in Advance of Levy	-	4,804	1,610	6,414
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>8,078</b>	<b>9,851</b>	<b>17,929</b>
<b>FUND BALANCE</b>				
Restricted:				
Debt Service	-	2,017,315	-	2,017,315
Parkland Acquisitions and Improvement	762,056	-	-	762,056
Drug and Alcohol Law Enforcement	295,826	-	-	295,826
Home Buyer Purchase Assistance	132,467	-	-	132,467
Lurton Park Development and Maintenance	17,167	-	-	17,167
Senior Housing	76,452	-	-	76,452
Golf Course Improvements	267	-	-	267
Big Island	6,000	-	-	6,000
Road Construction Projects	-	-	377,595	377,595
Assigned:				
Long Lake Fire Equipment	-	-	657,043	657,043
Capital Equipment Purchases	-	-	521,441	521,441
Police Equipment Purchases	-	-	299,383	299,383
Future Construction Projects	-	-	985,538	985,538
Community-Wide Projects	-	-	659,309	659,309
Debt Service	-	-	1,251	1,251
Police Garage Project	-	-	24,883	24,883
Unassigned	-	-	(1,050,959)	(1,050,959)
<b>Total Fund Balance</b>	<b>1,290,235</b>	<b>2,017,315</b>	<b>2,475,484</b>	<b>5,783,034</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,291,371</b>	<b>\$ 2,025,843</b>	<b>\$ 3,699,997</b>	<b>\$ 7,017,211</b>

**CITY OF ORONO  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2017**

	Special Revenue	Debt Service	Capital Project	Totals
<b>REVENUE</b>				
Property Taxes	\$ 72,978	\$ 752,157	\$ 252,845	\$ 1,077,980
Special Assessments	-	-	2,226	2,226
Intergovernmental Revenue	8,426	141,288	584,988	734,702
Fines and Forfeitures	31,244	-	-	31,244
Other Revenue:				
Interest Income	11,869	10,809	32,070	54,748
Total Revenue	<u>130,517</u>	<u>904,254</u>	<u>872,129</u>	<u>1,906,900</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Administration	44,425	-	-	44,425
Legal	7,170	-	-	7,170
Total General Government	<u>51,595</u>	<u>-</u>	<u>-</u>	<u>51,595</u>
Public Safety:				
Police	267	-	-	267
Capital Outlay:				
Other	71,233	-	2,079,027	2,150,260
Debt Service:				
Principal Retirement	-	625,000	-	625,000
Interest and Fiscal Charges	-	183,281	-	183,281
Total Debt Service	<u>-</u>	<u>808,281</u>	<u>-</u>	<u>808,281</u>
Total Expenditures	<u>123,095</u>	<u>808,281</u>	<u>2,079,027</u>	<u>3,010,403</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	7,422	95,973	(1,206,898)	(1,103,503)
<b>OTHER FINANCE SOURCES (USES)</b>				
Transfers In	-	280,000	982,405	1,262,405
Transfers Out	-	(180,763)	-	(180,763)
Total Other Finance Sources (Uses)	<u>-</u>	<u>99,237</u>	<u>982,405</u>	<u>1,081,642</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,422	195,210	(224,493)	(21,861)
<b>FUND BALANCES</b>				
Beginning of Year	<u>1,282,813</u>	<u>1,822,105</u>	<u>2,699,977</u>	<u>5,804,895</u>
End of Year	<u>\$ 1,290,235</u>	<u>\$ 2,017,315</u>	<u>\$ 2,475,484</u>	<u>\$ 5,783,034</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.

**Big Island Fund** – Used to account for revenues and expenditures related to the improvement of the Big Island Nature Park



**CITY OF ORONO  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017**

<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>Big Island</u>	<u>Totals</u>
Cash and Investments	\$ 762,672	\$ 295,639	\$ 132,379	\$ 17,142	\$ 76,413	\$ 266	\$ 6,000	\$ 1,290,511
Receivables:								
Accrued Interest	<u>520</u>	<u>187</u>	<u>88</u>	<u>25</u>	<u>39</u>	<u>1</u>	<u>-</u>	<u>860</u>
 Total Assets	 <u>\$ 763,192</u>	 <u>\$ 295,826</u>	 <u>\$ 132,467</u>	 <u>\$ 17,167</u>	 <u>\$ 76,452</u>	 <u>\$ 267</u>	 <u>\$ 6,000</u>	 <u>\$ 1,291,371</u>
 <b>LIABILITIES AND FUND BALANCE</b>								
<b>LIABILITIES</b>								
Accounts and Contracts Payable	\$ 1,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,136
 <b>FUND BALANCE</b>								
Restricted:								
Parkland Acquisitions and Improvement	762,056	-	-	-	-	-	-	762,056
Drug and Alcohol Law Enforcement	-	295,826	-	-	-	-	-	295,826
Home Buyer Purchase Assistance	-	-	132,467	-	-	-	-	132,467
Lurton Park Development and Maintenance	-	-	-	17,167	-	-	-	17,167
Senior Housing	-	-	-	-	76,452	-	-	76,452
Golf Course Improvements	-	-	-	-	-	267	-	267
Big Island	-	-	-	-	-	-	6,000	6,000
Total Fund Balance	<u>762,056</u>	<u>295,826</u>	<u>132,467</u>	<u>17,167</u>	<u>76,452</u>	<u>267</u>	<u>6,000</u>	<u>1,290,235</u>
Total Liabilities and Fund Balance	<u>\$ 763,192</u>	<u>\$ 295,826</u>	<u>\$ 132,467</u>	<u>\$ 17,167</u>	<u>\$ 76,452</u>	<u>\$ 267</u>	<u>\$ 6,000</u>	<u>\$ 1,291,371</u>

**CITY OF ORONO**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2017**

	Park	Drug and Felony Forfeiture	Affordable Housing	Lurton Park	Senior Housing TIF	Golf Course Improvement	-	Big Island	Totals
<b>REVENUE</b>									
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 72,978	\$ -	\$ -	\$ -	\$ 72,978
Intergovernmental Revenue	8,426	-	-	-	-	-	-	-	8,426
Fines and Forfeitures	-	31,244	-	-	-	-	-	-	31,244
Other Revenue:									
Investment Earnings	7,331	2,657	1,243	319	309	10	-	-	11,869
Contributions and Donations	-	-	-	-	-	-	6,000	-	6,000
Total Revenue	<u>15,757</u>	<u>33,901</u>	<u>1,243</u>	<u>319</u>	<u>73,287</u>	<u>10</u>	<u>6,000</u>	<u>6,000</u>	<u>130,517</u>
<b>EXPENDITURES</b>									
Current:									
General Government:									
Administration	-	-	-	-	42,293	2,132	-	-	44,425
Legal	-	7,170	-	-	-	-	-	-	7,170
Total General Government	<u>-</u>	<u>7,170</u>	<u>-</u>	<u>-</u>	<u>42,293</u>	<u>2,132</u>	<u>-</u>	<u>-</u>	<u>51,595</u>
Public Safety:									
Police	-	267	-	-	-	-	-	-	267
Capital Outlay	<u>44,379</u>	<u>-</u>	<u>-</u>	<u>26,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,233</u>
Total Expenditures	<u>44,379</u>	<u>7,437</u>	<u>-</u>	<u>26,854</u>	<u>42,293</u>	<u>2,132</u>	<u>-</u>	<u>-</u>	<u>123,095</u>
<b>NET CHANGE IN FUND BALANCES</b>	(28,622)	26,464	1,243	(26,535)	30,994	(2,122)	6,000	-	7,422
<b>FUND BALANCES</b>									
Beginning 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>-</u>	<u>-</u>	<u>1,282,813</u>
End of Year	<u>\$ 762,056</u>	<u>\$ 295,826</u>	<u>\$ 132,467</u>	<u>\$ 17,167</u>	<u>\$ 76,452</u>	<u>\$ 267</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 1,290,235</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, 2017**

	2004 Improvement Refunding Bonds	HRA 2005 Public Project Revenue Bonds	2009 Refunding Bonds	2010 General Obligation Bonds	2000 Improvement Bonds	2016 Refunding Bonds	Totals
<b>ASSETS</b>							
Cash and Investments	\$ -	\$ 44,419	\$ -	\$ 681,566	\$ 969,539	\$ 306,291	\$ 2,001,815
Receivables:							
Accrued Interest	3	29	2	319	308	37	698
Delinquent Taxes	-	-	-	2,647	506	121	3,274
Due from Other Governmental Units	-	-	-	3,581	11,301	5,174	20,056
Total Assets	<u>\$ 3</u>	<u>\$ 44,448</u>	<u>\$ 2</u>	<u>\$ 688,113</u>	<u>\$ 981,654</u>	<u>\$ 311,623</u>	<u>\$ 2,025,843</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -	\$ 450	\$ -	\$ 450
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Delinquent Taxes	\$ -	\$ -	\$ -	\$ 2,647	\$ 506	\$ 121	3,274
Taxes Collected in Advance of Levy	-	-	-	849	2,728	1,227	4,804
Total Deferred Inflows of Resources	-	-	-	3,496	3,234	1,348	8,078
<b>FUND BALANCE</b>							
Restricted:							
Debt Service	3	44,448	2	684,617	977,970	310,275	2,017,315
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3</u>	<u>\$ 44,448</u>	<u>\$ 2</u>	<u>\$ 688,113</u>	<u>\$ 981,654</u>	<u>\$ 311,623</u>	<u>\$ 2,025,843</u>

**CITY OF ORONO**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2017**

	2004 Improvement Refunding Bonds	HRA 2005 Public Project Revenue Bonds	2009 Refunding Bonds	2010 General Obligation Bonds	2000 Improvement Bonds	2016 Refunding Bonds	Totals
<b>REVENUE</b>							
Property Taxes	\$ -	\$ -	\$ -	\$ 131,203	\$ 428,245	\$ 192,709	\$ 752,157
Intergovernmental Revenue	-	-	-	141,288	-	-	141,288
Other Revenue:							
Investment Earnings	22	411	17	4,703	4,822	834	10,809
Total Revenue	<u>22</u>	<u>411</u>	<u>17</u>	<u>277,194</u>	<u>433,067</u>	<u>193,543</u>	<u>904,254</u>
<b>EXPENDITURES</b>							
Debt Service:							
Principal Retirement	-	-	-	195,000	430,000	-	625,000
Interest and Fiscal Charges	-	-	-	71,769	73,244	38,268	183,281
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,769</u>	<u>503,244</u>	<u>38,268</u>	<u>808,281</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	22	411	17	10,425	(70,177)	155,275	95,973
<b>OTHER FINANCE SOURCES</b>							
Transfers In	-	-	-	-	125,000	155,000	280,000
Transfers Out	(103,806)	-	(76,957)	-	-	-	(180,763)
Total Other Finance Sources	<u>(103,806)</u>	<u>-</u>	<u>(76,957)</u>	<u>-</u>	<u>125,000</u>	<u>155,000</u>	<u>99,237</u>
<b>NET CHANGE IN FUND BALANCES</b>	(103,784)	411	(76,940)	10,425	54,823	310,275	195,210
<b>FUND BALANCES</b>							
Beginning of Year	<u>103,787</u>	<u>44,037</u>	<u>76,942</u>	<u>674,192</u>	<u>923,147</u>	<u>-</u>	<u>1,822,105</u>
End of Year	<u>\$ 3</u>	<u>\$ 44,448</u>	<u>\$ 2</u>	<u>\$ 684,617</u>	<u>\$ 977,970</u>	<u>\$ 310,275</u>	<u>\$ 2,017,315</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 improvement of the Big Island Nature Park.

**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, 2017**

	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	\$ 906	\$ 1,267,256	\$ 1,284,062	\$ 658,854	\$ 889	\$ 355	\$ 438,870	\$ 28,213	\$ 3,679,405
Receivables:									
Accrued Interest	-	742	859	455	7	-	171	-	2,234
Delinquent Taxes	-	-	-	-	-	-	158	-	158
Deferred Special Assessments	-	-	8,083	-	-	-	-	-	8,083
Due from Other Governmental Units	-	-	-	-	-	-	10,117	-	10,117
Total Assets	<u>\$ 906</u>	<u>\$ 1,267,998</u>	<u>\$ 1,293,004</u>	<u>\$ 659,309</u>	<u>\$ 896</u>	<u>\$ 355</u>	<u>\$ 449,316</u>	<u>\$ 28,213</u>	<u>\$ 3,699,997</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>									
<b>LIABILITIES</b>									
Accounts and Contracts Payable	\$ 164,865	\$ 89,514	\$ -	\$ -	\$ -	\$ -	\$ 69,953	\$ -	324,332
Due to Other Governmental Units	-	-	-	-	-	-	-	3,330	3,330
Total Liabilities	<u>1,051,865</u>	<u>89,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,953</u>	<u>3,330</u>	<u>\$ 1,214,662</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable Revenue - Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158	\$ -	\$ 158
Unavailable Revenue - Special Assessments	-	-	8,083	-	-	-	-	-	8,083
Taxes Collected in Advance of Levy	-	-	-	-	-	-	1,610	-	1,610
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>8,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,768</u>	<u>-</u>	<u>9,851</u>
<b>FUND BALANCE</b>									
Restricted:									
Road Construction Projects	-	-	-	-	-	-	377,595	-	377,595
Committed									
Assigned:									
Long Lake Fire Equipment	-	657,043	-	-	-	-	-	-	657,043
Capital Equipment Purchases	-	521,441	-	-	-	-	-	-	521,441
Police Equipment Purchases	-	-	299,383	-	-	-	-	-	299,383
Future Construction Projects	-	-	985,538	-	-	-	-	-	985,538
Community-Wide Projects	-	-	-	659,309	-	-	-	-	659,309
Debt Service	-	-	-	-	896	355	-	-	1,251
Police Garage Project	-	-	-	-	-	-	-	24,883	24,883
Unassigned	(1,050,959)	-	-	-	-	-	-	-	(1,050,959)
Total Fund Balance	<u>(1,050,959)</u>	<u>1,178,484</u>	<u>1,284,921</u>	<u>659,309</u>	<u>896</u>	<u>355</u>	<u>377,595</u>	<u>24,883</u>	<u>2,475,484</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 906</u>	<u>\$ 1,267,998</u>	<u>\$ 1,293,004</u>	<u>\$ 659,309</u>	<u>\$ 896</u>	<u>\$ 355</u>	<u>\$ 449,316</u>	<u>\$ 28,213</u>	<u>\$ 3,699,997</u>

**CITY OF ORONO  
NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2017**

	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	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 252,842	\$ -	\$ 252,845
Special Assessments	-	-	2,226	-	-	-	-	-	2,226
Intergovernmental Revenue	544,988	-	40,000	-	-	-	-	-	584,988
Other Revenue:									
Investment Earnings	-	10,874	12,100	6,473	9	4	2,610	-	32,070
Total Revenue	<u>544,988</u>	<u>10,874</u>	<u>54,329</u>	<u>6,473</u>	<u>9</u>	<u>4</u>	<u>255,452</u>	<u>-</u>	<u>872,129</u>
<b>EXPENDITURES</b>									
Capital Outlay:									
Other	<u>753,088</u>	<u>275,452</u>	<u>155,657</u>	<u>91,359</u>	<u>-</u>	<u>-</u>	<u>803,471</u>	<u>-</u>	<u>2,079,027</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(208,100)	(264,578)	(101,328)	(84,886)	9	4	(548,019)	-	(1,206,898)
<b>OTHER FINANCE SOURCES (USES)</b>									
Transfers In	-	270,000	-	-	-	-	712,405	-	982,405
<b>NET CHANGE IN FUND BALANCES</b>	(208,100)	5,422	(101,328)	(84,886)	9	4	164,386	-	(224,493)
<b>FUND BALANCES</b>									
Beginning of Year	<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>
End of Year	<u>\$ (1,050,959)</u>	<u>\$ 1,178,484</u>	<u>\$ 1,284,921</u>	<u>\$ 659,309</u>	<u>\$ 896</u>	<u>\$ 355</u>	<u>\$ 377,595</u>	<u>\$ 24,883</u>	<u>\$ 2,475,484</u>



## **NONMAJOR PROPRIETARY FUNDS**

Nonmajor proprietary funds are used to account for the financial resources that are produced and used by the business-type funds that are not significant enough to be presented individually.

**Recycling Fund** – Used to account for the revenues and expenses related to the Cities recycling program.

**Cable Television Fund** – Used to account for the revenues and expenses created from the cable franchise agreements that the city is a part of.

**CITY OF ORONO  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	Business-Type Activities		
	Recycling	Cable Television	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 50,540	\$ 152,810	\$ 203,350
Receivables:			
Accounts Receivables (Net of Allowance)	21,804	18,653	40,457
Accrued Interest	24	96	120
Total Current Assets	<u>72,368</u>	<u>171,559</u>	<u>243,927</u>
<b>CAPITAL ASSETS</b>			
Equipment	-	48,898	48,898
Less: Accumulated Depreciation	-	(12,940)	(12,940)
Net Capital Assets	<u>-</u>	<u>35,958</u>	<u>35,958</u>
Total Assets	72,368	207,517	279,885
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pensions	1,420	2,826	4,246
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and Contracts Payable	-	790	790
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	<u>5,852</u>	<u>11,651</u>	<u>17,503</u>
Total Liabilities	5,852	12,441	18,293
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pensions	1,259	2,506	3,765
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	35,958	35,958
Unrestricted	66,677	159,438	226,115
Total Net Position	<u>\$ 66,677</u>	<u>\$ 195,396</u>	<u>\$ 262,073</u>
Total Liabilities and Balance	<u>\$ 73,788</u>	<u>\$ 210,343</u>	<u>\$ 284,131</u>

**CITY OF ORONO  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2017**

	Business-Type Activities		
	Recycling	Cable Television	Totals
<b>OPERATING REVENUE</b>			
Sales and User Fees	\$ 110,297	\$ 76,352	\$ 186,649
Other	1,679	-	1,679
Total Operating Revenue	<u>111,976</u>	<u>76,352</u>	<u>188,328</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	9,378	16,546	25,924
Professional Services	105,205	19,510	124,715
Depreciation	-	4,312	4,312
Maintenance and Repairs	-	8,316	8,316
Other Expenses	11,750	-	11,750
Total Operating Expenses	<u>126,333</u>	<u>48,684</u>	<u>175,017</u>
<b>OPERATING INCOME (LOSS)</b>	(14,357)	27,668	13,311
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Investment Earnings	360	1,370	1,730
State Grant	28,242	-	28,242
Miscellaneous Revenue	8,273	-	8,273
Total Nonoperating Revenue (Expenses)	<u>36,875</u>	<u>1,370</u>	<u>38,245</u>
<b>CHANGES IN NET POSITION</b>	22,518	29,038	51,556
<b>NET POSITION</b>			
Beginning of Year	44,159	166,358	210,517
End of Year	<u>\$ 66,677</u>	<u>\$ 195,396</u>	<u>\$ 262,073</u>

## **INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF ORONO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	Insurance Fund	Compensated Absences	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 582,002	\$ 479,046	\$ 1,061,048
Receivables:			
Accounts Receivables (Net of Allowance)	7,680	-	7,680
Accrued Interest	349	291	640
Total Current Assets	590,031	479,337	1,069,368
 Total Assets	 590,031	 479,337	 1,069,368
 <b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and Contracts Payable	5,283	-	5,283
 <b>NET POSITION</b>			
Unrestricted	\$ 584,748	\$ 479,337	\$ 1,064,085

**CITY OF ORONO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2017**

	Insurance Fund	Compensated Absences	Total
<b>OPERATING REVENUE</b>			
Sales and User Fees	\$ 297,329	\$ -	\$ 297,329
Other	7,680	42,700	50,380
Total Operating Revenue	<u>305,009</u>	<u>42,700</u>	<u>347,709</u>
<b>OPERATING EXPENSES</b>			
Insurance	<u>358,967</u>	-	<u>358,967</u>
<b>OPERATING INCOME (LOSS)</b>	(53,958)	42,700	(11,258)
<b>NONOPERATING REVENUE</b>			
Investment Earnings	<u>5,117</u>	<u>4,160</u>	<u>9,277</u>
<b>CHANGES IN NET POSITION</b>	(48,841)	46,860	(1,981)
<b>NET POSITION</b>			
Beginning of Year	<u>633,589</u>	<u>432,477</u>	<u>1,066,066</u>
End of Year	<u>\$ 584,748</u>	<u>\$ 479,337</u>	<u>\$ 1,064,085</u>

**CITY OF ORONO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2017**

	Insurance Fund	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 297,329	\$ -	\$ 297,329
Cash Paid to Suppliers	(356,184)	-	(356,184)
Other Receipts	-	42,700	42,700
Net Cash Provided (Used) by Operating Activities	<u>(58,855)</u>	<u>42,700</u>	<u>(16,155)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received on Investment	<u>4,768</u>	<u>3,869</u>	<u>8,637</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(54,087)	46,569	(7,518)
Cash and Cash Equivalents - Beginning of Year	<u>636,089</u>	<u>432,477</u>	<u>1,068,566</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 582,002</u>	<u>\$ 479,046</u>	<u>\$ 1,061,048</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (53,958)	\$ 42,700	\$ (11,258)
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts Receivable	(7,680)	-	(7,680)
Increase (Decrease) in:			
Accounts Payable	2,783	-	2,783
Net Cash Provided (Used) by Operating Activities	<u>\$ (58,855)</u>	<u>\$ 42,700</u>	<u>\$ (16,155)</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)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 19,020,035
Restricted	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	3,699,095
Unrestricted	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)	894,132
Total Governmental Activities Net Position	<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>	<u>\$ 23,613,262</u>
Business-Type Activities:										
Net Investment in Capital Assets	\$ 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	\$ 16,940,333
Unrestricted	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	5,687,684
Total Business-Type Activities Net Position	<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>	<u>\$ 22,628,017</u>
Primary Government:										
Net Investment in Capital Assets	\$ 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	\$ 35,960,368
Restricted	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	3,699,095
Unrestricted	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	6,581,816
Total Primary Government Net Position	<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>	<u>\$ 46,241,279</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General Government	\$ 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	\$ 2,722,779
Public Safety	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	5,486,330
Streets	796,863	605,719	579,551	1,060,426	1,194,986	1,610,302	854,079	999,097	752,976	393,354
Parks and Recreation	188,083	106,379	100,731	285,897	270,356	279,796	254,177	324,731	413,797	420,410
Recycling	100,385	97,920	100,352	106,649	104,046	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	274,278	350,111	317,525	341,008	324,633	413,935	287,181	283,146	258,874	173,552
<b>Total Governmental Activities Expenses</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>9,196,425</b>
<b>Business-Type Activities:</b>										
Water	561,200	468,540	480,513	417,843	473,191	514,522	556,766	581,758	634,562	680,595
Sewer	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	1,429,209
Storm Water	92,985	136,527	94,247	108,399	126,294	145,907	186,719	163,747	225,113	190,935
Recycling	213,261	215,343	206,702	-	-	114,837	114,983	116,642	118,054	126,333
Cable Television	-	-	-	-	-	-	12,675	31,802	31,724	48,684
Interest and Fiscal Charges	-	-	7,604	5,705	1,900	899	-	-	-	-
<b>Total Business-Type Activities Expenses</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>2,475,756</b>
<b>Total Primary Government Expenses</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>\$ 11,672,181</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
General Government	\$ 566,117	\$ 349,569	\$ 549,384	\$ 551,026	\$ 482,883	\$ 646,284	\$ 692,254	\$ 736,643	\$ 770,750	\$ 947,851
Public Safety	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	2,947,439
Streets	-	2,368	3,495	18,149	165,503	128,402	2,998	3,933	5,108	385
Parks and Recreation	-	-	38,850	258,250	129,918	149,994	207,977	499,083	420,184	195,449
Recycling	70,955	75,073	75,272	77,455	81,224	-	-	-	-	-
Operating Grants and Contributions	380,034	451,329	486,881	715,225	586,891	627,650	925,968	732,114	671,059	1,174,782
Capital Grants and Contributions	505,300	-	77,478	721,962	18,806	11,187	22,060	13,549	1,070	609
<b>Total Governmental Activities Program Revenues</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>5,266,515</b>
<b>Business-Type Activities:</b>										
<b>Charges for Services:</b>										
Water	464,382	420,963	382,864	401,765	502,864	436,770	452,429	492,947	594,198	629,736
Sewer	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	1,408,480
Storm Water	159,242	143,621	240,258	250,197	242,563	314,415	318,787	527,255	538,870	289,643
Recycling	145,266	166,084	140,891	-	-	110,912	113,501	128,387	142,470	140,218
Cable Television	-	-	-	-	-	-	71,412	99,632	77,511	76,352
Operating Grants and Contributions	42,986	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	60,000	165,316	19,133	495	178,371	16,765	-	45,218
<b>Total Business-Type Activities Program Revenues</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>2,589,647</b>
<b>Total Primary Government Program Revenues</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>	<b>\$ 7,856,162</b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net Revenue (Expense):</b>										
Governmental Activities	\$ (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)	\$ (3,929,910)
Business-Type Activities	(149,468)	228,492	44,171	282,404	109,259	157,313	278,771	336,206	447,785	113,891
<b>Total Primary Government Net Expense</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>\$ (3,816,019)</b>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental Activities:</b>										
Property Taxes	\$ 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	\$ 5,268,854
Unrestricted Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Other General Revenues	570,846	526,115	293,916	186,397	139,494	214,876	17,337	44,051	149,388	53,207
Investment Earnings	396,321	219,268	215,289	121,403	126,298	(81,067)	215,606	144,252	109,752	114,356
Gain (Loss) on Sale of Capital Assets	16,742	11,592	22,369	20,813	-	24,410	7,961	6,466	45,518	38,738
Transfers	11,300	11,300	(1,396,672)	170,407	166,000	166,000	269,300	320,209	155,000	155,000
<b>Total Governmental Activities</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>5,630,155</b>
<b>Business-Type Activities:</b>										
Other General Revenues	39,078	85,531	203,874	201,462	183,619	130,550	163,719	141,546	160,967	185,909
Investment Earnings	188,880	165,563	62,482	59,653	59,096	(19,708)	124,098	67,076	57,319	54,443
Transfers	(11,300)	(11,300)	1,396,672	(170,407)	(166,000)	(166,000)	(269,300)	(320,209)	(155,000)	(155,000)
<b>Total Business-Type Activities</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>85,352</b>
<b>Total Primary Government</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>\$ 5,715,507</b>
<b>Change in Net Position:</b>										
Governmental Activities	\$ 570,785	\$ 503,379	\$ (641,386)	\$ 1,476,672	\$ 475,164	\$ 416,800	\$ 1,642,994	\$ 1,477,851	\$ 66,434	\$ 1,700,245
Business-Type Activities	67,190	468,286	1,707,199	373,112	185,974	102,155	297,288	224,619	511,071	199,243
<b>Total Primary Government</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>	<b>\$ 1,899,488</b>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 11,000	\$ 29,134	\$ 19,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,223,370	3,288,032	3,250,931	-	-	-	-	-	-	-
Nonspendable	-	-	-	31,213	66,296	30,909	40,532	74,800	25,376	13,277
Unassigned	-	-	-	3,509,254	3,133,691	3,354,809	3,886,128	4,233,687	4,400,222	4,433,559
Total General Fund	<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>	<u>\$ 4,446,836</u>
All Other Governmental Funds:										
Reserved	\$ 2,518,515	\$ 2,193,401	\$ 3,362,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:										
Special Revenue Funds	3,322,546	3,444,473	989,749	-	-	-	-	-	-	-
Capital Projects Funds	4,709,312	2,946,403	6,682,480	-	-	-	-	-	-	-
Debt Service Funds	(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	3,685,145
Assigned	-	-	-	3,646,933	3,888,083	4,133,893	4,029,776	2,951,616	3,358,915	3,148,848
Unassigned	-	-	-	-	-	-	-	(178,573)	(872,147)	(1,050,959)
Total All Other Governmental Funds	<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>	<u>\$ 5,783,034</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Taxes	\$ 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	\$ 5,258,546
Licenses and Permits	502,916	394,069	411,155	592,111	509,300	613,184	675,204	846,343	715,281	613,218
Intergovernmental	317,303	260,254	472,366	542,711	393,148	421,485	745,062	545,236	496,497	1,025,044
Charges for Services	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	3,165,196
Fines	117,291	140,621	182,719	141,304	159,673	175,321	153,821	134,754	133,354	101,824
Investment Earnings	396,321	219,268	199,131	110,215	114,624	61,335	195,862	133,204	97,843	105,079
Special Assessments	185,150	160,615	193,865	272,772	115,518	68,413	62,632	70,349	8,537	2,226
Miscellaneous	452,510	84,143	66,063	74,676	255,633	205,078	58,012	64,867	143,976	66,122
<b>Total Revenues</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>10,337,255</b>
<b>Expenditures:</b>										
General Government	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	1,474,265
Public Safety	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	5,298,939
Streets	539,372	496,787	450,403	458,040	425,192	508,544	454,964	496,239	480,765	486,138
Parks and Recreation	54,731	65,991	58,498	241,789	238,424	255,395	231,356	268,831	281,340	304,333
Recycling	100,385	97,920	100,352	106,649	104,046	-	4,572	-	-	1,590
Other	-	-	-	-	-	-	-	-	-	-
Capital Outlay	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	2,150,260
Debt Service:										
Principal	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	3,556,024
Interest	242,339	413,303	321,682	357,525	362,629	328,633	302,728	331,317	344,562	237,286
<b>Total Expenditures</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>13,508,835</b>
Excess of Revenues Over (Under) Expenditures	(772,482)	(1,939,707)	(128,256)	(1,379,938)	(1,296,756)	(1,093,315)	(3,754,938)	(880,978)	(722,292)	(3,171,580)
<b>Other Financing Sources (Uses):</b>										
Transfers In	11,300	1,299,776	3,063,840	530,407	1,752,437	866,000	905,848	1,451,397	1,565,385	1,262,405
Transfers Out	-	(1,288,476)	(4,998,351)	(360,000)	(1,586,437)	(700,000)	(636,548)	(1,131,188)	(1,410,385)	(1,107,405)
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	20,906	11,592	22,369	20,813	20,503	30,110	22,662	17,610	48,975	38,738
<b>Total Other Financing Sources (Uses)</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>193,738</b>
<b>Net Change in Fund Balances</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>\$ (2,977,842)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</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>	<b>33.7%</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>
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
2017	2,810,505,878	53,590,300	15,428,800	2,879,524,978	32,961,379	16.759	1.14

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	
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
2017	14.328	2.431	16.759	23.352	44.087	11.057	95.255

Source: Hennepin County Assessing Department

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

Taxpayer	2017			2008		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Private Residence	\$250,191	1	0.76 %	\$ 168,344	1	0.52 %
WJM Properties LLC	165,966	2	0.50	116,090	8	0.36
Private Residence	157,837	3	0.48	158,214	2	0.49
Metro Storage	131,288	4	0.40		4	
Private Residence	129,974	5	0.39	156,834	3	0.49
Private Residence	124,408	6	0.38	143,081	4	0.44
TonkaHome Holdings LLC	122,346	7	0.37		8	
Private Residence	117,029	8	0.36	128,971	5	0.40
Loco Partners, LLC	114,499	9	0.35			
Private Residence	114,233	10	0.35	123,750	6	0.38
Private Residence				115,434	9	0.36
Private Residence				106,034	10	0.33
Wayzata Country Club	<u>113,382</u>	11	<u>0.34</u>	<u>116,838</u>	7	<u>0.36</u>
<b>Total</b>	<b>\$ 1,541,153</b>		<b>4.68 %</b>	<b>\$ 1,333,590</b>		<b>4.13 %</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
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	4,954,480	4,968,026 *	100.27	(13,546)	4,954,480	100.00
2017	5,205,230	5,235,100 *	100.57	-	5,235,100	100.57

\* In 2016 and 2017 the City collected slightly more taxes than they levied for as some residents chose to prepay their property taxes

**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			
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
2017	7,660,000	-	-	-	1,045,000	8,705,000	1.20	1,068

(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)
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	-	1,189,565	9,430,435	0.39	1,239
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
2017	7,660,000	1,045,000	1,854,112	6,850,888	0.24	841

(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, 2017**

Governmental Unit	Total Debt Outstanding	Sinking Funds	Net Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Direct Debt:</b>					
City of Orono	\$ 7,660,000	\$ 1,854,112	\$ 5,805,888	100.00 %	\$ 5,805,888
<b>Overlapping Debt:</b>					
<b>School Districts:</b>					
ISD No. 278 (Orono)	74,335,000	87,718	74,247,282	51.53	38,259,624
ISD No. 276 (Minnetonka)	128,548,266	7,247,322	121,300,944	0.20	242,602
ISD No. 277 (Westonka)	43,725,000	531,796	43,193,204	27.13	11,718,316
ISD No. 284 (Wayzata)	156,210,000	8,081,417	148,128,583	0.97	1,436,847
Hennepin County	925,550,000	14,466,489	911,083,511	1.93	17,583,912
Hennepin Suburban Park	60,560,000	14,775,171	45,784,829	2.70	1,236,190
Hennepin Regional RR Authority	31,535,000	4,592,454	26,942,546	2.70	727,449
Metropolitan Council	188,620,614	176,014,034	12,606,580	0.99	124,805
<b>Total Overlapping Debt</b>	<b>1,609,083,880</b>	<b>225,796,401</b>	<b>1,383,287,479</b>		<b>71,329,746</b>
<b>Total Direct and Overlapping Debt</b>					<b>\$ 77,135,634</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 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	\$ 86,385,749
Total Net Debt Applicable to Limit	<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>	<u>8,705,000</u>
Legal Debt Margin	<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>	<u>\$ 77,680,749</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	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	\$ 2,879,524,978
Debt Limit (3% of Market Value) <sup>(1)</sup>	86,385,749
Debt Applicable to Limit:	
General Obligation Bonds	8,705,000
Less Amount Set Aside for Repayment of General Obligation Debt	
Total Net Debt Applicable to Limit	<u>8,705,000</u>
Legal Debt Margin	<u>\$ 77,680,749</u>

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

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

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

Fiscal Year	Water Revenue Bonds					
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	746,514	643,048	103,466	75,000	25,181	1.03

**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)
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
2017	8,147	724,455,244	88,923	47	-	2,807	2.6

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	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD No. 278 (Orono)	352	1	19.56 %	370	1	22.67 %
Wayzata Country Club	254	2	14.11	200	2	14.27
Woodhill Country Club	145	3	8.06	100	4	6.67
Jem Technical	106	4	5.89	–	–	–
Otten Brothers	98	5	5.44	100	3	6.67
Lunds	67	6	3.72	60	5	4.33
City of Orono	54	7	3.00	54	6	3.73
Culver's	50	8	2.78	30	8	2.27
Springhill Country Club	45	9	2.50	45	7	3.00
Morries' Automotive	27	10	1.50	–	–	–
Service 800	–	–	–	30	9	2.00
Snyders	–	–	–	20	10	1.46
<b>Total</b>	<b>1,198</b>		<b>66.56 %</b>	<b>1,009</b>		<b>67.07 %</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
General Government	7.0	7.0	7.0	7.0	7.0	7.0	6.8	7.8	8.0	8.0
Public Safety:										
Police:										
Officers	19.5	18.5	18.0	16.5	16.5	30.0	28.0	27.0	27.0	27.0
Civilians	3.7	3.7	3.7	3.0	3.0	4.0	4.0	4.0	4.0	4.0
Code Enforcement	6.6	6.6	6.6	5.6	5.6	5.6	6.0	6.0	5.0	4.0
Public Works	4.1	3.5	3.5	3.5	4.5	4.5	4.5	4.5	4.5	4.5
Water	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Sewer	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Storm Water	0.6	0.5	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	5.0	5.0	5.0	5.0
Total	<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>	<u>57.0</u>

Note: This table shows 57 employees while the Principal Employers schedule shows 54. This is due to them including part time employees in the count within the table above.

Source: City Budget Office

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

Function:	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police:										
Initial Reports	7,281	6,217	6,573	5,728	6,688	12,128	10,990	10,056	9,320	6,462
Citations	2,752	2,572	2,543	2,086	1,982	3,228	2,437	1,495	1,929	1,509
Building/Zoning										
Building Permits Issued	348	343	549	858	441	449	485	470	466	518
Land Use Applications	52	40	38	35	48	24	56	63	59	110
Water:										
Connections	978	984	1,005	998	1,003	1,036	1,036	1,023	1,036	1,041
Radio Read Meters – Start 2004	441	573	720	808	927	1,001	1,036	1,010	1,024	1,029
Annual Water Pumped (Thousands of Gallons)	112,642	129,277	107,831	116,370	125,005	108,486	96,066	95,701	96,936	108,627
Wastewater:										
Connections	2,141	2,189	2,173	2,215	2,231	2,225	2,218	2,238	2,243	2,256
Annual Sewer Flow (Thousands of Gallons)	195,000	172,300	172,780	173,649	177,360	186,310	190,710	201,000	211,900	173,840
Storm Water:										
Sweeping (Centerline Miles)	46	46	46	46	46	46	46	46	46	92
Drainage Projects	-	1	-	2	1	1	1	1	3	3
Golf:										
Rounds Played	10,300	14,771	13,927	12,041	10,607	6,990	10,890	14,334	11,976	11,387
N/A: Not Available										

Sources: Various City departments

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	11	11	11	11	11	14	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	135
Parks:										
Parks Acreage (1)	197	197	197	228	228	228	228	228	228	228
Parks	21	21	21	22	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	23
Water Plants	2	2	2	2	2	2	2	2	2	2
Wells	3	3	3	3	3	3	3	3	4	4
Maximum Daily Capacity (Thousands of Gallons)	2,160	2,160	2,160	2,160	2,160	2,160	2,160	2,160	3,800	3,800
Sewer:										
Sanitary Sewers (Miles)	47	47	47	47	47	47	47	47	47	61
Pumping Stations	45	45	46	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