



In the opinion of Pierce Atwood LLP, Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, adjusted current earnings of a corporation for the purpose of calculation of the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest paid on the Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

CITY OF BANGOR, MAINE
\$8,669,000
2014 SERIES A GENERAL OBLIGATION BONDS

Dated: March 1, 2014

Due: March 1, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2015	\$489,000	2.00%	0.20	2025	\$480,000	2.50%	100
2016	490,000	2.00	0.30	2026	480,000	2.75	2.60
2017	490,000	2.00	0.55	2027	450,000	3.00	2.80
2018	490,000	2.00	0.85	2028	450,000	3.25	2.90
2019	490,000	2.00	1.15	2029	450,000	3.25	3.00
2020	485,000	2.00	1.55	2030	300,000	3.50	3.15
2021	485,000	2.00	1.90	2031	300,000	3.50	3.30
2022	480,000	2.25	2.10	2032	300,000	3.75	3.50
2023	480,000	2.25	2.15	2033	300,000	3.75	3.60
2024	480,000	2.50	2.35	2034	300,000	4.00	3.65

The 2014 Series A Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and with one denomination of \$4,000 that will mature on March 1, 2015. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank, National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on September 1, 2014 and semi-annually on each March 1 and September 1 thereafter until maturity, or redemption prior to maturity.

The legal opinion of Pierce Atwood LLP, Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the City of Bangor, Maine (the "City") and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the City and taxable by it (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein), except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the City establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "CITY FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). Bonds issued for School Projects (as defined herein) are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Finance Director has certified that no agreements under Chapter 223, Subchapter V, of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality, now exist. The City has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the City has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the City, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on or before March 1, 2024 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2025 are subject to redemption prior to maturity, at the option of the City, on and after March 1, 2024 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein).

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP, Portland, Maine, Bond Counsel. U.S. Bank, National It is expected that the Bonds in definitive form will be available for delivery to DTC on or about March 27, 2014.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the City since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the City of Bangor, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the City and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by its Financial Advisor or by Pierce Atwood LLP, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Finance Director, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Finance Director and furnished at the closing.

This Official Statement is in a form “deemed final” by the issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Deborah A. Cyr
Finance Director
City of Bangor, Maine

**OFFICIAL STATEMENT
CITY OF BANGOR, MAINE
\$8,669,000 2014 SERIES A GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the City of Bangor, Maine (the “City” or “Bangor”) in connection with the sale of its 2014 Series A General Obligation Bonds (the “2014 Bonds” or the “Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and with one denomination of \$4,000 that will mature March 1, 2015. The Bonds will be dated March 1, 2014. The Bonds will bear interest, payable on September 1, 2014 and semi-annually thereafter on March 1 and September 1 of each year until maturity, or redemption prior to maturity. It is expected that the Bonds will be available for delivery at DTC on or about March 27, 2014. The Bonds will mature as follows:

<u>Amount</u>	<u>March 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>March 1,</u>	<u>CUSIP</u>
\$489,000	2015	0600955H5	\$480,000	2025	0600955T9
490,000	2016	0600955J1	480,000	2026	0600955U6
490,000	2017	0600955K8	450,000	2027	0600955V4
490,000	2018	0600955L6	450,000	2028	0600955W2
490,000	2019	0600955M4	450,000	2029	0600955X0
485,000	2020	0600955N2	300,000	2030	0600955Y8
485,000	2021	0600955P7	300,000	2031	0600955Z5
480,000	2022	0600955Q5	300,000	2032	0600956A9
480,000	2023	0600955R3	300,000	2033	0600956B7
480,000	2024	0600955S1	300,000	2034	0600956C5

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank, National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before March 1, 2024 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after March 1, 2024, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

In the case of every redemption of the Bonds, the City shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the City to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner. Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The City shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the City, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

Cancellation

All Bonds which have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the City or returned to the City at its request.

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected by the City by lot or in such other manner, as the City in its discretion may deem appropriate.

RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal Corporate Trust Office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding the last day that is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, Article VIII, Section 13(d) - (f) and Section 19 of the City's Charter (as defined herein; see "CITY OF BANGOR – GOVERNMENT" herein) and Council orders: 13-117 (passed by the City Council on April 8, 2013; and approved by voter referendum held on June 18, 2013); 13-157 (passed by the City Council on May 29, 2013); 13-250 (passed by the City Council on August 12, 2013); and 13-291 (passed by the City Council on September 9, 2013), (the "Orders") to provide funds to finance the respective project being defined herein.

Bond Referendum Requirement

On November 6, 2012, the voters of the City approved an amendment to the City Charter, adding Article VIII, Section 19, *Voter referendum required for certain City Council action*.

Article VIII, Section 19(a)(1) requires that, with certain exceptions, orders or resolves authorizing the issue of general obligation securities of the City in a principal amount of five one-hundredth of one percent of the last certified State Valuation of the City (currently being \$2,462,000,000 x 0.0005 = \$1,231,000) for a single capital improvement or item of capital equipment be submitted to voter referendum.

Article VIII, Section 19(a)(2) requires that, with certain exceptions, orders or resolves directly or indirectly obligating the City to expend, over a term greater than one municipal year, municipal tax funds in excess of an amount greater than seven and one-half one-hundredths of one percent of the last certified State Valuation of the City (currently being \$2,464,250,000 x 0.00075 = \$1,848,187.50) for a single capital improvement or item of capital equipment be submitted to voter referendum.

Article VIII, Section 19(b) provides that the voter referendum requirement does not apply to any order or resolve authorizing "...(i) the refunding of any securities or other obligations of the city; (ii) the issuance of general obligation securities, or other direct or indirect obligations, of the city for streets, sidewalks, or storm or sanitary sewers; or (iii) the issuance of general obligations securities, or other direct or indirect obligations, of the City for the City's self-sustaining enterprise funds...."

Except for the Library Roof Project (as defined herein; "CITY OF BANGOR – BANGOR PUBLIC LIBRARY" herein) that was approved by referendum vote held on June 18, 2013, each other project that is being financed by the Bonds is either less than the threshold amount pursuant to the requirements of Article VIII, Section 19(a)(1) or is an exception to the voter referendum requirement via Article VIII, Section 19(b)(i), (ii) or (iii).

Authorizations & Purpose

<u>The Projects</u>	<u>Order #</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>To be Financed</u>
Library Roof	13-117	Apr. 8, 2013	\$3,000,000	\$3,000,000
Cameron Stadium ⁽¹⁾	13-157	May 29, 2013	1,200,000	1,200,000
Equipment	13-250	Aug. 12, 2013	587,000	283,000 ⁽²⁾
Fire Engine	13-250	Aug. 12, 2013	300,000	151,000 ⁽²⁾
Streets & Bridges	13-250	Aug. 12, 2013	2,003,000	2,003,000
Police Station Demo	13-250	Aug. 12, 2013	1,550,000	1,550,000
WWTP Infrastructure	13-250	Aug. 12, 2013	300,000	300,000
City Hall Improvements	13-291	Sept. 9, 2013	<u>300,000</u>	<u>182,000</u> ⁽²⁾
			\$9,240,000	\$8,669,000

NOTE: ⁽¹⁾ A "School Project".

⁽²⁾ The remaining authorized amount will not be issued by the City. Costs of the respective projects that would be financed with such additional bonds instead will be financed by unused funds from the City's prior issues' and grant funds. Because the City will not issue the remaining, unissued bonds, no authorized but unissued debt for these respective projects will remain following this financing.

Amortization of Projects

<u>FY end</u>	<u>Due</u>		<u>Fire</u>	<u>Streets</u>	<u>Police</u>	<u>Cameron</u>		<u>City</u>		<u>Total</u>		<u>The</u>
<u>June 30,</u>	<u>March 1,</u>	<u>Equipment</u>	<u>Engine</u>	<u>& Bridges</u>	<u>Station</u>	<u>Stadium</u>	<u>Library</u>	<u>Hall</u>		<u>Gen'l Fund</u>	<u>WWTP</u>	<u>Bonds</u>
2015	2015	1	\$24,000	\$11,000	\$135,000	\$83,000	\$60,000	\$150,000	\$11,000	\$474,000	\$15,000	\$489,000
2016	2016	2	24,000	10,000	135,000	85,000	60,000	150,000	11,000	475,000	15,000	490,000
2017	2017	3	24,000	10,000	135,000	85,000	60,000	150,000	11,000	475,000	15,000	490,000
2018	2018	4	24,000	10,000	135,000	85,000	60,000	150,000	11,000	475,000	15,000	490,000
2019	2019	5	24,000	10,000	135,000	85,000	60,000	150,000	11,000	475,000	15,000	490,000
2020	2020	6	24,000	10,000	134,000	81,000	60,000	150,000	11,000	470,000	15,000	485,000
2021	2021	7	24,000	10,000	134,000	81,000	60,000	150,000	11,000	470,000	15,000	485,000
2022	2022	8	23,000	10,000	134,000	78,000	60,000	150,000	10,000	465,000	15,000	480,000
2023	2023	9	23,000	10,000	134,000	78,000	60,000	150,000	10,000	465,000	15,000	480,000
2024	2024	10	23,000	10,000	134,000	78,000	60,000	150,000	10,000	465,000	15,000	480,000
2025	2025	11	23,000	10,000	134,000	78,000	60,000	150,000	10,000	465,000	15,000	480,000
2026	2026	12	23,000	10,000	134,000	78,000	60,000	150,000	10,000	465,000	15,000	480,000
2027	2027	13		10,000	130,000	75,000	60,000	150,000	10,000	435,000	15,000	450,000
2028	2028	14		10,000	130,000	75,000	60,000	150,000	10,000	435,000	15,000	450,000
2029	2029	15		10,000	130,000	75,000	60,000	150,000	10,000	435,000	15,000	450,000
2030	2030	16				70,000	60,000	150,000	5,000	285,000	15,000	300,000
2031	2031	17				70,000	60,000	150,000	5,000	285,000	15,000	300,000
2032	2032	18				70,000	60,000	150,000	5,000	285,000	15,000	300,000
2033	2033	19				70,000	60,000	150,000	5,000	285,000	15,000	300,000
2034	2034	20				70,000	60,000	150,000	5,000	285,000	15,000	300,000
The Bonds			\$283,000	\$151,000	\$2,003,000	\$1,550,000	\$1,200,000	\$3,000,000	\$182,000	\$8,369,000	\$300,000	\$8,669,000

In the event that any proceeds of the Bonds remain unspent upon completion of a Project or the City abandons a Project, the City reserves the right to reallocate unspent proceeds to the costs of other eligible projects approved, or to be approved, by the City Council, or to apply unspent proceeds to the payment of debt service on the Bonds.

SOURCE OF PAYMENT AND REMEDIES

General Obligation Pledge

The Bonds are general obligations of the City and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the City and taxable by it (see “THE BONDS – SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein), except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the City establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “CITY FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). Bonds issued for School Projects are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Finance Director has certified that no agreements under Chapter 223, Subchapter V, of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality, now exist. The City has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the City has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the City, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity.

In the opinion of Bond Counsel, the City is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon. There has been no judicial determination as to whether statutory remedies available against towns are applicable to cities and Bond Counsel expresses no opinion thereon.

Funds to meet City expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State.

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as the “Property Tax Levy Limit”. With certain exceptions, a municipality may not increase its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor. Therefore, in cases where the amount of the prior year’s Property Tax Levy Limit exceeds the amount of the City’s actual property tax levy, the City may carry-forward that difference in establishing its future years’ property tax levy. See “CITY FINANCES - Property Tax Levy Limit” herein.

The growth limitation factor is: (a) the 10-year average real personal income growth (but no more than 2.75%) plus a property growth factor (when, as currently is the case, the state and local tax burden ranks in the highest 1/3 of all states); or (b) the 10-year average real personal income growth plus forecasted inflation plus a property growth factor (when the state and local tax burden ranks in the middle 1/3 of all states). In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new Revenue Sharing funds provided by the State.

The City may increase or exceed the Property Tax Levy Limit by a majority vote of the entire City Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council’s vote. However, the opportunity for the voters to petition for a referendum vote on the council’s decision is not provided if the municipal charter “prohibits a petition and referendum process”.

Article V, Section 2 of the City’s Charter states “The right of initiative or referendum provided herein shall not apply to ordinances, orders or resolves providing for the appropriation of money, the municipal budget, the levy of taxes, or the wages or hours of City Employees”. Therefore, Bangor’s ability to exceed the Property Tax Levy Limit is not subject to override by voter initiative under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended.

In lieu of increasing the Property Tax Levy Limit, the City Council may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances are circumstances outside the control of the City Council and include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens’ initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended.

The debt service on school projects is includable in the school budget and the City is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on all other bonds issued for school projects.

The City does not expect that the Property Tax Levy Limit will have a material adverse effect on the City's financial condition or on the ability of the City to pay the principal of, and premiums, if any, and interest on the Bonds when due.

TAX MATTERS

The Bonds

In the opinion of Pierce Atwood LLP, Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations; however, interest on the Bonds will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax.

Bond Counsel's opinion will state that the Code, establishes certain requirements regarding the use, expenditure and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Finance Director of the City and the Issuer's Certificate Regarding Bank Qualified and Designated Status (collectively the "Tax Certificates") delivered concurrently with the Bonds which will contain provisions and procedures regarding compliance with the requirements of the Code. The City, in executing the Tax Certificates, will certify to the effect that the City will comply with the provisions and procedures set forth in the Tax Certificates and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds will be excludable from gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the City set forth in the Tax Certificates and assume that the City will comply with the provisions and procedures set forth in the Tax Certificates.

Exemption of Interest on the Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, interest paid on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See "PROPOSED FORM OF LEGAL OPINIONS" in APPENDIX B herein.

Qualified Tax-Exempt Obligations

The City *will designate* the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest

paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Federal Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to section 57 of the Code and (c) the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are

registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC’s records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant

and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

RATINGS

The Bonds are rated "Aa2" by Moody's Investors Service ("Moody's") and "AA-" by Standard & Poor's, Public Finance Ratings ("S&P" and, collectively, with Moody's, the "Rating Agencies" and, individually, each a "Rating Agency"). The City has furnished the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement. Generally, a Rating Agency bases any rating established by it on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. Each rating reflects only the view of the Rating Agency publishing it and will be subject to revision or withdrawal, which could affect the market price of the Bonds. A Rating Agency should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding state and local debt obligations, including the Bonds.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX C and referred to under "THE BONDS – CONTINUING DISCLOSURE" herein, the City has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

In order to the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule"), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. Except as discussed below, the City has never failed

to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

Late Filings

The Rule was changed such that on and after July 1, 2009, filings were no longer to be filed with the four former Nationally Recognized Municipal Securities Information Repository (each a “NRMSIR”)) but were instead to be filed with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”). As a general matter, the City files its Annual Financial Report in mid-January to mid-February of each year, thus within the applicable 270-day filing period, including the 2009 filing. However, following the 2009 Rule change, the City inadvertently continued to file with the NRMSIRs, but not with EMMA. (Bloomberg Municipal Repositories (a former NRMSIR) reports that the City’s 2009 filing was received June 21, 2010 (356 days after the end of the 2009 period). While the City believes that it followed its regular filing procedures (i.e., mid-January to mid-February), and that any delay was attributable to the NRMSIR the City is unable to provide documentation to prove that the 2009 filing was received in a timely manner, and the City, therefore, accepts that this was a “late filing”. Such delay caused the City to make a second submission to the NRMSIR in June 2010, of the 2009 filing, as the first filing apparently was not posted by the NRMSIR in a timely manner and to also post on EMMA, on October 11, 2012, as a duplicate filing, when this was discovered.

City’s Filings History

The City has posted timely filings with EMMA for each subsequent fiscal years 2010 through 2013, inclusive. The City Council has adopted a post-issuance compliance policy that provides for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings. The following table lists the filings history of the City over the last five years:

<u>Financial Statements</u> <u>FY ended June 30,</u>	<u>Date</u> <u>Filed</u>	<u>Days after</u> <u>Fiscal Period end</u>	<u>Filed With</u>
2013	12/31/2013	184	EMMA
2012	12/31/2012	184	EMMA
2011	01/03/2012	187	EMMA
2010	01/18/2011	202	EMMA
2009	06/21/2010	356 ⁽¹⁾	NRMSIRs

NOTE: ⁽¹⁾ Also subsequently filed with EMMA. See preceding discussion and explanations.
Whereas filings may not be cross-populated on all issues, search on EMMA for CUSIP 0600952S4.

FINANCIAL ADVISOR

Moors & Cabot, Inc. has acted as Financial Advisor to the City with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid on, or participate in an underwriting syndicate for, the public distribution of the Bonds.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the City provided, however, that the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

No Litigation

Upon delivery of the Bonds, the City shall deliver or cause to be delivered a certificate of the Finance Director, and attested to by the City Clerk, dated the date of delivery, to the effect that there is no litigation pending or, to the knowledge of such official, threatened, affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the City, nor the title of any of said officers to their respective offices, is being contested.

Approval of Legality

The legality of the Bonds will be approved by Pierce Atwood LLP, Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINIONS" in APPENDIX B herein.

Certificate With Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Finance Director to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of her knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading.

Certificate With Respect to Debt Limits

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Finance Director which certifies that the City has not exceeded its debt limit under Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, and that issuance of the Bonds will not cause the City to exceed such debt limit.

CITY OF BANGOR

GENERAL

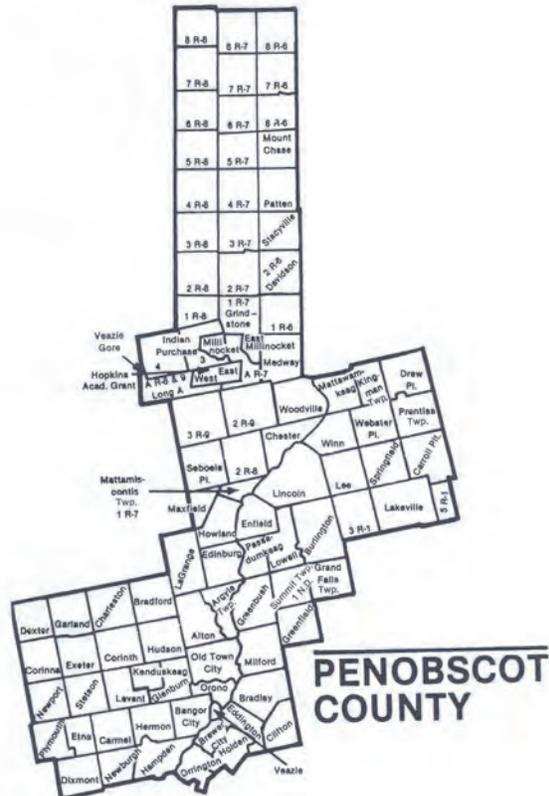
The City of Bangor is located in the south-central section of the County of Penobscot, in the eastern section of the State of Maine. The City is approximately 235 miles north-northeast of Boston, Massachusetts, 140 miles northeast of Portland, Maine, the State's largest city, and approximately 76 miles northeast of Augusta, the State's capital. The City is the hub of an 11-municipality employment and commercial center, as well as the commercial and cultural center for more than a third of the State's population. Bangor is the county seat of Penobscot County and is the third largest of Maine's 22 cities.

Bangor is situated on the western shore of the Penobscot River, which forms its southeastern border, separating it from the City of Brewer across the river. The Town of Veazie is contiguous to Bangor on its east. The Town of Orono, home of the main campus for the University of Maine System, forms the City's northeastern border. The Town of Glenburn borders Bangor on the north, the Town of Hermon on the west and the Town of Hampden forms its southern border. Convenient access to Bangor is provided with seven exits from U.S.

Interstate Route 95, which bisects the City diagonally through its center. U.S. Routes 1A, 2 and State Routes 15, 100, 221 and 222 all intersect the City from various directions. The Bangor International Airport, located in the City, provides both domestic and international air service for the entire region. See also "CITY OF BANGOR – FORMER BANGOR MSA" herein.

The City was incorporated on February 25, 1791, first as a town, and as the City on February 12, 1834, the name being derived from a hymn entitled "Bangor" conferred by Rev. Seth Noble, an early settler. The City is the major trade, distribution, service and commercial center for the eastern and northern Maine region and is the home of Husson College, Eastern Maine Technical College, the Bass Park Complex and four medical centers, including St. Joseph's Hospital and the Eastern Maine Medical Center. Bangor has four local television stations, 12 radio stations and is the home of the fourth largest morning newspaper in New England, the "Bangor Daily News". The City enjoys numerous parks, monuments, historical sites and has several hotels and numerous restaurants.

The City of Bangor is an urban, commercial, industrial and residential community with some rural characteristics. The land area of the City includes tracts of forest and farmlands, open space and riverfront areas, with a developed "downtown". Located on various parts of the City's perimeter the Bangor Mall, Airport Mall, Broadway Shopping Center and Bangor Mini Malls have established Bangor as the regional retail hub of the eight-county eastern Maine retail market. The City is comprised of residential, business, industrial, commercial and resource protection zones, totaling 34.59 square miles.



GOVERNMENT

There are two basic forms of local government in Maine: the “Direct” form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passes laws and approves the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* Form of Government, the most common in Maine currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (36 cities or towns) and *Council/Mayor/Administrator* (five cities in Maine).

The City operates under a charter initially adopted as Chapter 54 of the Private and Special Laws of Maine (1931), as amended and supplemented, most recently on November 6, 2012 (the “Charter”). The Charter provides for a Council-Manager form of government with a nine-member City Council whose members are elected from the registered voters of the entire City at-large for three-year staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City’s property, affairs and government; to preserve the public peace, health and safety; to establish personnel policies; to give effect to any vote of the City; and to authorize the issuance of debt. The entire Council adopts an annual budget and provides for an annual audit. The City Manager is the chief administrative officer of the City.

MUNICIPAL SERVICES

The City provides general governmental services for the territory within its boundaries, including police and fire protection, highways, streets and sidewalks, parks, recreation and riverfront areas. Public education is provided for grades Kindergarten (“K”) through 12. The City operates its own sewer system. Water service is provided by the Bangor Water District, a quasi-municipal entity whose operations and direct obligations are not part of the City.

Public Safety

The Police Department is staffed by employees who include a Chief of Police, a Deputy Police Chief, five Lieutenants, 12 Sergeants, 12 Detectives and approximately 52 Police Officers. The Police Department operates from its newly constructed downtown Police Station. The Police Department operates 47 vehicles, which are in good repair.

The Fire Department is staffed by employees who include a Fire Chief, four Assistant Chiefs, six Captains, 10 Lieutenants, a Public Education Officer, a Fire Inspector and approximately 68 firefighters. The Fire Department operates from three fire stations and maintains approximately 22 vehicles or pieces of equipment, all of which are in good repair. Emergency Medical Service is provided by the Fire Department.

Public Works

The Public Works Department provides for a number of services including highway maintenance and recycling. The Department is staffed with one Public Works Director and approximately 71 full-time employees. The Department utilizes approximately 95 vehicles, which are in good repair.

On January 1, 1988 the City began transporting solid waste to the Penobscot Energy Recovery Company's ("PERC") waste-to-energy facility in Orrington. The City currently pays a base tipping fee of \$76.00/ton and gross fee of \$78.78/ton of solid waste disposed. The tipping fee is adjusted quarterly based upon a formula set forth in an agreement between PERC and the City that expires in 2018. The City's Assistant City Manager is one of the nine members of a Municipal Review Committee (the "Review Committee") elected from the 130 charter communities who send waste to PERC (the "Charter Communities"). The Review Committee oversees PERC's management in an advisory capacity to ensure that the Charter Communities' interests are protected. As a Charter Community of PERC, the City also receives a quarterly performance credit. The credits scheduled for fiscal years 2012/2013 and 2013/2014 bring the net tipping fee to \$48 and \$51 per ton, respectively. The Charter Communities currently own approximately a 23% share of the limited partnership interest in the facility. The limited partnership interests total 90% of ownership interest; the general partnership interest comprises the remaining 10% ownership interest. The Charter Communities are currently working together to develop a plan for post-2018, when the current agreements with PERC expire.

Sewer Department

The Sewer Department is established as an Enterprise Activity with the intent that the department provides services on a continuing basis, financed entirely through user charges. As of June 30, 2013 total net assets for the Sewer Utility Fund were \$56.4 million. Sewer rates are reviewed annually to ensure that the fee structure is sufficient to cover costs. Effective July 1, 2013, sewer rates were increased by 3.5%, to \$5.90 per 100 cubic feet. One superintendent and approximately 23 employees staff the Sewer Department. The Sewer Department maintains one plant, five pumping stations and approximately 166 miles of 8" to 72" sewer lines.

Bangor International Airport

The City owns the land encompassing the Bangor International Airport ("BIA"), the domestic and international terminal building and several properties that are leased to various commercial/industrial concerns. Through BIA, the City serves in the capacity of a fixed-base operator, in that it provides certain operating/maintenance functions as well as serves as a fuel vendor for aircraft. The BIA is unique as a municipal facility in that the airport services domestic carriers but also caters to numerous international carriers for purchase of fuel and passenger handling, thus diversifying its revenue base to support its operations. At the fiscal year ended June 30, 2013 BIA's net assets were \$128.5 million.

BIA is also the home of the 101st Air National Guard Refueling Wing (the "ANG"). The relationship between BIA and the ANG is formally expressed through a contractual agreement under which the ANG provides BIA with all crash and fire rescue services at the airport and shares in the cost of snow plowing. The ANG has, in the past, shared in the cost of several capital projects at the airport on a non-contractual basis, from time to time. The City expects that this voluntary contribution will continue in the future.

Park Woods

The City acquired a 60-unit housing complex from the federal government in 1995 ("Park Woods"). Park Woods offers safe, affordable transitional housing and case management services to homeless individuals and families. The majority of units are leased directly from the City to tenants through the City's Health and Welfare Department. The remaining units are leased to social service agencies that are responsible for remitting lease payments to the City. The City has established its operations as an Enterprise Fund, reflecting the City's intent to finance the facility primarily through user charges.

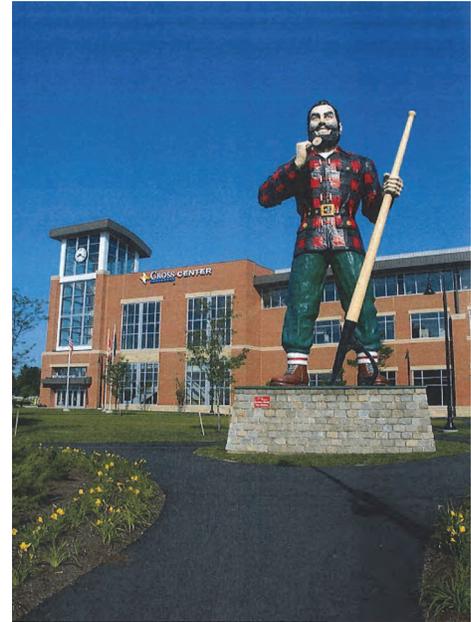
Pickering Square Parking Garage

The City owns a 500-car municipal parking garage (the “Garage”). The Garage opened in September 1989, and resulted in the establishment of an Enterprise Fund with the City’s intent that all of its parking operations, including the Garage, provide services on a continuing basis, financed entirely through fees or user charges.

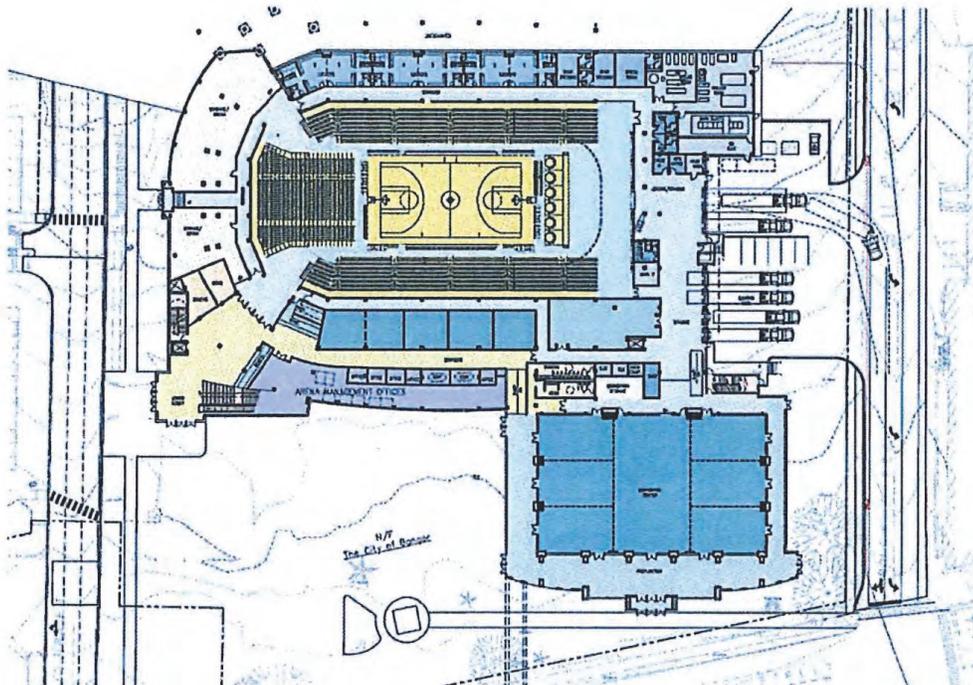
Bass Park Complex

The Bass Park Complex (“Bass Park”) encompasses the Bangor Raceway, Bangor State Fair and the recently constructed Cross Insurance Center (the “Center”). Bass Park is established as an Enterprise activity with the intent of the City that services provided are financed primarily through user charges.

On August 15, 2012 the City issued \$53,800,000 of its 2012 General Obligation Bonds (the “Arena Project Bonds”) to provide \$56,500,000 in funds to finance a portion of a \$68,600,000 state-of-the-art 5,800-seat arena and adjoining convention center at the Cross Insurance Center. The City expects to receive sufficient revenues to pay debt service on the Arena Project Bonds from arena fund revenues and from the City’s Downtown Development Tax Increment Finance District revenues.



The Cross Insurance Center Floor Plan



Municipal Golf Course

The City owns and operates the Municipal Golf Course (the “Golf Course”), a 27-hole championship course. The facility includes a clubhouse, snack bar and locker room. Two pros and three full-time employees staff the course. The Golf Course is established as an Enterprise Activity with the intent that the Golf Course provides service on a continuing basis, financed entirely through user charges.

PUBLIC EDUCATION

The City operates its educational program for grades K through 12 under its own supervision. Article II-A of the City’s Charter, as amended, provides that the Department of Education for the City be administered by a Superintending School Committee (the “School Committee”) comprised of seven members, who are elected by the voters of the City at-large for three-year staggered terms. The School Committee performs all duties and functions in regard to the care and management of the public schools of the City. The School Committee prepares and submits its budget to the City Manager, who includes it in the budget process. See also “CITY FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, an Assistant Superintendent, one Director of Pupil Services, nine full-time principals, approximately 580 full-time equivalent teachers and various other professional and non-professional staff. The City’s schools and enrollment trends are listed below:

School	Grade	Estimated Capacity	Enrollment
Abraham Lincoln	K - 3	340	237
Downeast	K - 3	400	387
Fourteenth Street	K - 3	200	157
Fruit Street	K - 3	385	346
Vine Street	K - 3	385	205
Fairmount	4 - 5	430	269
Mary Snow	4 - 5	410	246
James F. Doughty	6 - 8	630	391
William S. Cohen	6 - 8	640	402
Bangor High School	9 - 12	1,500	1,185

April 1,	Grades					Total Enrollment
	K-3	4-5	6-8	9-12	Other	
2013	1,262	487	750	1,316	NA	3,875
2012	1,281	568	771	1,199	NA	3,819
2011	1,292	530	780	1,228	NA	3,830
2010	1,296	480	802	1,243	NA	3,821
2009	1,024	471	748	1,246	382	3,878
2008	1,049	474	733	1,282	348	3,886
2007	999	519	691	1,339	427	3,975
2006	1,132	543	840	1,261	24	3,800
2005	1,075	531	937	1,250	52	3,845
2004	1,075	548	980	1,247	0	3,850

Cameron Stadium Improvements

The City Council authorized issuance of bonds to provide a portion of the funds to finance replacement of the existing bleachers, including the press box, construct restroom and cold storage facilities and upgrade the current electrical service at the Cameron Stadium located behind the William S. Cohen School on Garland Street in the City. The total estimated cost of the project is \$1,625,000. A portion of the

proceeds of the Bonds, in an amount of \$1,200,000, will be issued to provide funds for the City to finance a portion of the costs of this project. In addition to the proposed bond funding, the City expects to appropriate \$355,000 from an existing Cameron Stadium Reserve as well as approximately \$70,000 in private donations.

Other Education

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for “career and technical education” or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via a center (a “Center”), a satellite program (a “Satellite Program”) or a region (a “Region”). A Region is a quasi-municipal corporation established by the Legislature to provide career and technical education to secondary students that is comprised of all the School Administrative Units (“SAU”) within the geographical boundaries set forth for each career and technical education region and is governed by a cooperative board formed and operating in accordance with this chapter. Each SAU is responsible for its proportionate share of a Region’s operating expenses, including debt repayment, which is included in the respective SAU’s annual assessment to the Region.

The City is a member of the *United Technologies Center, Region #4* (“Region #4”), a Region. Region #4’s territory encompasses three cities, including Bangor, 11 towns, one plantation, four School Administrative Districts (“SADs”) and one Community School District (“CSD”). The City currently sends 124 students to Region #4, or 22.8% of the 543 total current student enrollment. The City is responsible for its proportionate share of Region #4’s operating expenses, including debt service, which is assessed to the City annually. The City’s share of Region #4’s 2013/2014 assessment is \$429,134 or 17% of Region #4’s total assessments of \$2,510,839.

Furthermore, along with ten SAUs in the region, the City of Bangor participates in the *Southern Penobscot Regional Program for Exceptional Children*. Through this program, the following specialized classifications of educational curriculum (and their locations) are offered: “Hearing Impaired” (Bangor); “Multiple Handicapped” (Bangor); “Severe Behavioral/Emotionally Disturbed” (Old Town); and “Moderate to Severe Development Disability” (Brewer).

BANGOR PUBLIC LIBRARY

The Bangor Public Library (the “Library”) was established in 1883 as a union between the Bangor Mechanic Association and the Trustees of the Samuel F. Hersey Fund (administered by the City). The Library is a non-profit corporation governed by a Board of Managers and a Board of Trustees consisting of nine members. Four of the board’s members are the officers of the Bangor Mechanic Association, four are appointed as Trustees of the Hersey Fund by the Bangor City Council and the ninth member is the chief financial officer of the City.

The Library occupies a 67,000 square foot building with a Greco-Roman façade, which opened in 1913, and was designed by Peabody and Stearns of Boston with a 27,000 square foot addition to the facility, in 1998. The Library houses over 500,000 volumes of books, periodicals, government documents and other materials, has over 44,000 registered borrowers and lends over 22,000 volumes per year. The Library is staffed by a director and approximately 20 full-time and ten part-time employees. Approximately 55% of its funding is derived from the City, 35% from endowment funds and 10% from the State Library.

The Library is undergoing a \$9 million campaign to provide funds to renovate its interior, replacing its century-old copper roof and to grow its endowment. The copper roof project (the “Library Roof Project”) is expected to cost \$3 million. The Library will raise \$3 million for the interior renovations and

endowment fund. The famous literary authors, Stephen and Tabitha King, residents of the City, have pledged to match an additional \$3 million to this campaign. A portion of the proceeds of the Bonds, in an amount of \$3,000,000, will be issued to provide funds for the Library Roof Project.

LABOR RELATIONS

The City employs approximately 1,100 full-time equivalent employees, approximately 580 of whom are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. City employees not included in the below table are not represented by unions.

The various contracts for employees represented by unions are effective and expire as follows:

Union ⁽¹⁾	Approximate # Employees	Bargaining Unit	Date of Contract	
			Effective	Expiration
MAP	14	Police Command Staff	7/1/12	6/30/15
MAP	60	Police Officers	7/1/12	6/30/15
Teamsters	14	Police Support Staff	7/1/12	6/30/15
IAFF	87	Firefighters	7/1/12	6/30/15
BFPE-AFT	13	Motor Pool	7/1/12	6/30/15
AFSCME	4	Airport Aircraft Mechanics	7/1/12	6/30/15
AFSCME	6	Aircraft Weather Observers	7/1/12	6/30/15
AFSCME	23	Ramp Supervisors & Attendants	7/1/12	6/30/15
AFSCME	14	Airfield & Building Maintenance	7/1/12	6/30/15
AFSCME	10	Airport CSRs & PT Ramp Attend.	7/1/10	6/30/12 ⁽²⁾
AFSCME	55	Public Works	7/1/12	6/30/15
ATU (Local 714)	35	Community Connector Bus Drivers	NA ⁽³⁾	NA ⁽³⁾
MEA	250	School Teachers	9/1/12	8/31/15
MEA	34	School Instructional Assistants	7/1/12	6/30/15
AFL/CIO	17	School Administrators	7/1/12	6/30/15
MEA	40	School Support Staff	7/1/12	6/30/15

NOTE: ⁽¹⁾ “AFSCME” indicates the American Federation of State, County and Municipal Employees; “IAFF” indicates the International Association of Firefighters. All AFSCME and IAFF units are affiliated with the American Federation of Labor & Congress of Industrial Organizations (“AFL-CIO”), as separate bargaining units. “ATU” indicates Amalgamated Transit Union, affiliated the AFL-CIO, as a separate bargaining unit. “BFPE” indicates the Bangor Federation of Public Employees, division of the American Federation of Teachers (“AFT”), affiliated with the AFL-CIO. “MAP” indicates Maine Association of Police, affiliated as separate bargaining units. “MEA” indicates the Maine Education Association of which the various components of the Bangor Education Association (“BEA”) are affiliated, as separate bargaining units.

⁽²⁾ The respective unit and the City is negotiating the terms of a new contract. The employees continue to perform duties pursuant to the terms of the expired contract. The City has provided in its budget amounts that it expects that the City would incur in the successor contract.

⁽³⁾ “NA” indicates not yet available. ATU is a new bargaining unit. The City is currently in the process of negotiating an initial collective bargaining agreement. The City has provided in its budget amounts that it expects that the City would incur in the contract.

ECONOMIC CHARACTERISTICS

Population	City of Bangor	% Change		
		City	State	USA
1970	33,168	(14.8)	2.4	13.4
1980	31,643	(4.6)	13.4	11.4
1990	33,181	4.9	9.2	9.8
2000	31,473	(5.1)	3.8	13.2
2010	33,039	5.0	4.2	8.9

SOURCE: Respective census, U.S. Department of Commerce, Bureau of the Census.

Population Characteristics	City of Bangor	Penobscot County	State of Maine	USA
Median age (years)	36.7	39.9	42.7	37.2
% school age	16.9%	18.6%	18.2%	20.4%
% working age	67.8%	65.8%	63.4%	62.9%
% 65 and over	14.4%	14.5%	15.9%	13.0%
Persons/household	2.10	2.33	2.32	2.58

Income	City of Bangor	Penobscot County	State of Maine	USA
Median family income	\$56,955	\$54,271	\$58,185	\$62,982
% below poverty level	18.7%	15.7%	12.6%	13.8%
Per capita income	\$24,179	\$22,977	\$25,385	\$27,334

Housing	City of Bangor	Penobscot County	State of Maine	USA
% owner occupied	50.0%	70.5%	73.1%	66.6%
% Built before 1939	40.6%	25.3%	28.1%	14.1%
% Built since 2000	5.6%	9.7%	8.9%	12.8%
Owner occupied med. value	\$146,400	\$133,600	\$176,200	\$188,400
Median gross rent	\$694	\$669	\$707	\$841
Occupied housing units	14,342	62,282	551,125	-

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	City of Bangor	Penobscot County	State of Maine	USA
2012	6.9%	7.8%	7.3%	8.1%
2011	7.2	8.1	7.5	8.9
2010	7.5	8.3	7.9	9.6
2009	7.2	8.1	8.0	9.3
2008	5.0	5.6	5.4	5.8
2007	4.7	5.2	4.6	4.7
2006	4.3	5.0	4.6	4.6
2005	4.6	5.1	4.8	5.1
2004	4.5	5.6	4.6	5.5
2003	3.4	6.1	5.1	6.0

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

FORMER BANGOR METROPOLITAN STATISTICAL AREA

The U.S. Department of Commerce, Bureau of the Census formerly defined a metropolitan statistical area (“MSA”) as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England). Additional cities and towns were included in the MSA if they met specified requirements of commuting to the central area and other selected requirements of metropolitan character (such as population density and percent urban). An MSA was also considered a labor market area. The map displays the 14 cities or towns and one reservation that comprised the former Bangor MSA.



Transportation Center

The City of Bangor is the major transportation and distribution center for the eight northeastern counties of the State of Maine.

The Bangor International Airport has scheduled domestic air service offered by three airlines, Allegiant, Delta Connection and USAirways Express, with approximately 26 scheduled daily flights during peak season. In addition, the Airport serves as a transit and diversion Airport for numerous domestic and international carriers. The Montreal, Maine & Atlantic, Ltd (formerly Bangor and Aroostook) and PanAm (formerly Maine Central) railroads offer rail freight connections from Bangor. U.S. Interstate Route 95 facilitates the shipment of freight by truck. Greyhound Travel Services and Concord Trailways offer nationwide bus transportation and package delivery from their Bangor terminals.

Commuter Patterns

Residents of Bangor who work in:	Number of Workers	% Bangor's Workers	Commuters to Bangor who live in:	Number of Workers	% Bangor's Workforce
Bangor	11,878	71.46%	Bangor	11,878	31.99%
Brewer	1,028	6.18	Brewer	2,262	6.09
Orono	1,006	6.05	Hampden	2,028	5.46
Hampden	434	2.61	Old Town	1,538	4.14
Hermon	368	2.21	Hermon	1,446	3.89
Old Town	215	1.29	Glenburn	1,440	3.88
Lincoln	124	0.75	Orono	1,349	3.63
Ellsworth	110	0.66	Orrington	994	2.68
Augusta	78	0.47	Levant	816	2.20
Eddington	76	0.46	Carmel	730	1.97
Orrington	76	0.46	Winterport	724	1.95
Bucksport	65	0.39	Milford	665	1.79
Belfast	63	0.38	Holden	652	1.76
Glenburn	62	0.37	Veazie	608	1.64
Machias	62	0.37	Corinth	531	1.43
All other	978	5.88	All other	9,468	25.50
	16,623	100.00%		37,129	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census, 2010 Census.

Employment Center

The City, a center for retail, wholesale, distribution, transportation, banking, legal, medical, recreational, and other major services for its own base market, plus a large area of the State. The area includes 11 contiguous communities surrounding the City, and major employers in the former Bangor MSA are:

Employees	Major Employers	City or Town	Business
1,000 to 4,000	Eastern Maine Medical Center	Bangor	Health Care Center
	Bangor Mall	Bangor	Shopping Complex
	University of Maine	Orono	University
	City of Bangor	Bangor	Municipal Government
	Hannaford Supermarkets	Throughout	Grocery Chain
	Cianbro Corporation	Throughout	Construction
	WalMart	Throughout	Retail Sales
500 - 999	Bangor Savings Bank	Bangor	Bank
	L.L. Bean	Bangor	Sporting Goods
	Microdyne	Orono	Telephone Call Center
	Acadia Hospital	Bangor	Mental Health Center
	Verso Corp Paper Mill	Bucksport	Paper Producer
	St. Joseph Hospital	Bangor	Health Care Center
	Community Health & Counseling	Bangor	Health Care

SOURCE: City of Bangor Community and Economic Development Department – Bangor, Maine Community and Economic Profile Report.

Commercial Center

The City's *Primary Market* is an area within 20 miles of the City center, comprised of 28 communities, over 100,000 people, approximately 38,000 households, and includes the 11 communities of the *Greater Bangor Area*. Residents of the Primary Market Area utilize the Bangor Center for their regular shopping and services on a daily or weekly basis and as an employment center. The Bangor *Secondary Market* is a region covering more than six counties in eastern and northern Maine, comprised of approximately 387,000 people and over 120,000 households which use the Bangor Center for major shopping and services many times annually. The Bangor *Tertiary Market* encompasses the Canadian Maritime Provinces and eastern Quebec Province, with approximately 2.96 million people, over 870,000 households, which utilize the Bangor region as a distribution and transportation point, and for selected shopping and services on a special-trip basis, such as during holidays, vacations and other occasions.

Encompassing the State's eight eastern and northern counties, Bangor has the second largest retail market in Maine, following the Portland area. With less than 3% of the State's population, the City's share of the State's retail sales is proportionally higher. In 2013, Bangor realized 7% of the State's retail sales; and 75% of Penobscot County's.

The following table displays the growth in certain sectors of the City's economy, as measured by retail sales, by product group and by consumer sales:

Retail Sales by Product Group and Consumer Sales (\$/000) for the City of Bangor

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2013	73,395	145,205	56,623	345,113	111,619	328,672	185,346	1,245,973	1,172,578
2012	75,746	135,242	55,498	349,922	108,591	304,959	178,906	1,208,864	1,133,119
2011	81,961	135,459	54,776	354,738	107,018	306,956	170,994	1,211,901	1,129,940
2010	80,533	118,552	54,081	353,260	106,308	288,042	165,083	1,165,860	1,085,326
2009	81,442	119,879	57,043	334,884	102,791	281,097	158,112	1,135,248	1,053,806
2008	103,073	146,425	56,174	339,196	109,475	301,917	153,231	1,209,492	1,106,419
2007	110,803	162,274	54,968	341,365	110,740	311,844	151,890	1,243,884	1,133,081
2006	111,732	167,502	53,845	332,446	127,291	322,285	146,400	1,261,500	1,149,769
2005	109,874	164,050	51,848	322,789	131,096	320,077	143,780	1,243,515	1,133,641
2004	97,674	158,058	49,404	307,286	120,828	318,600	138,651	1,190,501	1,092,827

SOURCE: State of Maine, Department of Taxation, Sales Tax Section.

Building Permits

Calendar Year	Permits			Est. Cost of Construction
	Residential	Non-Resid't'l	Total	
2013	143	136	279	\$132,227,792 ⁽¹⁾
2012	137	178	315	24,795,673
2011	130	145	275	102,434,811 ⁽²⁾
2010	156	205	361	39,936,826
2009	145	196	241	39,730,383
2008	105	169	274	67,284,359
2007	136	169	205	114,805,564 ⁽³⁾
2006	167	206	373	47,717,741
2005	164	208	372	67,027,954
2004	155	194	349	43,696,735
2003	155	38	193	34,662,800

NOTE: ⁽¹⁾ Major component comprised of Eastern Maine Medical Center Modernization Project.

⁽²⁾ Major component comprised of Cross Insurance Center Project

⁽³⁾ Major component comprised of Hollywood Casino & Hotel Project

Post-secondary School Education

Post-secondary schools located in the Greater Bangor Area by location and approximate enrollment:

Location	School	Enrollment	Faculty
Orono	University of Maine	8,911 ⁽¹⁾	789 ⁽¹⁾
Bangor	Eastern Maine Community College	1,923 ⁽¹⁾	142 ⁽¹⁾
Bangor	Husson University	2,409 ⁽¹⁾	320 ⁽¹⁾
Bangor	University College of Bangor, campus of UMA	1,000 ⁽²⁾	73 ⁽²⁾
Bangor	New England School of Communication	499 ⁽¹⁾	73 ⁽¹⁾
Bangor	Beal College	411 ⁽¹⁾	12 ⁽¹⁾
Bangor	Bangor Theological Seminary	159 ⁽³⁾	18 ⁽³⁾

NOTE: ⁽¹⁾ Source: 2014 Peterson's[®], a part of The Thompson Corporation.

⁽²⁾ Source: www.uma.edu/UCB.

⁽³⁾ Source: www.bts.edu.

CITY FINANCES

BUDGETARY PROCESS

Article VIII, Section 7 of the City’s Charter provides for a budget process. The fiscal year (or “budget year”) of the City begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter provides that the City Manager submit a budget to the Council not later than the second Monday in April before the end of the fiscal year. The budget contains (1) an estimate of all revenue cash receipts anticipated from sources other than the tax levy for the budget year; (2) the estimated expenditures necessary for the operation of the City; (3) debt service requirements for the budget year; (4) estimated tax levy for the budget year; and (5) a balanced relationship between total estimated expenditures and revenues (including tax levy, without overlay). The Council may modify the expenditures of the proposed budget. If the Council fails to adopt a budget by the beginning date of the fiscal year, the Charter directs that the City Manager’s proposed budget shall automatically become the budget for the next fiscal year. If the Appropriation Resolve establishes a property tax levy that exceeds the Property Tax Levy Limit (as defined herein), then the excess of the appropriation must be approved in a separate article by a majority of the entire Town Council (i.e., a “super majority”). The Property Tax Levy Limit of one year may not exceed the Property Tax Levy Limit from the prior year by more than a specified Growth Limitation Factor (see “THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy” herein). The school budget is voted on by the School Board, then presented to the City Council at a Budget Meeting and is then subject to referendum by the voters of the City through a Budget Validation process. Upon adoption of the budget, a property tax levy is then established and filed with the City Assessor. The following table sets forth the trends in the General Fund’s budgets for the City for the last four fiscal years and the current fiscal year.

General Fund Budgets Fiscal Year Ending June 30, (000)

	2010	2011	2012	2013	2014
Revenues					
Taxes	\$49,754	\$50,428	\$50,630	\$51,751	\$55,013
Intergovernmental	27,226	26,326	25,245	25,447	24,185
Licenses and Permits	606	653	656	677	677
Charges for Services	11,361	11,250	11,550	11,827	11,436
Fines, Forfeits and Penalties	37	37	33	33	32
Use of Property	818	656	709	689	721
Other Sources	1,448	1,341	1,348	1,475	1,482
Total Revenues	91,250	90,691	\$90,171	91,899	93,546
Expenditures					
General Government	7,406	7,293	7,549	7,469	7,567
Public Safety	15,506	15,947	16,078	16,436	16,767
Health, Welfare and Recreation	4,509	4,388	4,949	5,670	4,992
Public Services	10,589	10,159	10,287	10,296	10,284
Other Agencies	4,288	4,251	4,341	4,327	4,493
Education	42,915	42,536	40,917	41,419	42,803
Other	3,012	2,769	2,641	2,865	2,987
Debt Service	3,025	3,348	3,409	3,417	3,653
Total Expenditures	\$91,250	\$90,691	\$90,171	\$91,899	\$93,546

CAPITAL IMPROVEMENT PLAN

The City's Capital Improvement Program ("CIP") is an integral part of the annual budget process. A complete list of near term improvements is included as part of the City Manager's budget submission for all City functions, as required by Article VIII, Section 7 of the City's Charter. The plan includes projects anticipated within the ensuing one-to-two year period with an indication of how the City anticipates funding the improvement(s). Certain CIP items are longer term in nature, and while the near-term projects are specified within the budget submission, the longer term goals are updated, reviewed and approved via the City's Committee structure on a regular basis. The issuance of debt, however, is subject to the review and approval of the City Council.

PROPERTY TAX LEVY LIMIT

Unless the City follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, the City is limited to an increase in the City's property tax levy from one year to the next to an amount not more than its Municipal Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The City's Municipal Property Tax Limit for subsequent fiscal years is the Municipal Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor. Therefore, in cases where the amount of the prior year's Municipal Property Tax Levy Limit exceeds the amount of the City's actual property tax levy ("Property Tax Levy"), the City may carry-forward that difference in establishing its future years' property tax levy. The following table displays the City's limitation on Municipal Property Tax Levy:

Fiscal year:	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
State Personal Income Factor:	2.28%	1.78%	1.66%	1.43%	1.05%
City Property Growth Factor:	<u>5.29%</u>	<u>5.34%</u>	<u>3.14%</u>	<u>3.44%</u>	<u>3.42%</u>
Growth Limitation Factor:	7.57%	7.12%	4.80%	4.87%	4.47%
Property Tax Levy Limit:	\$22,554,913	\$24,160,432	\$25,320,961	\$26,554,981	\$27,741,178
Property Tax Levy:	<u>21,414,760</u>	<u>21,996,254</u>	<u>21,143,656</u>	<u>21,794,144</u>	<u>23,666,134</u>
Over/(under) Property Tax Levy Limit:	(\$1,551,704)	(\$2,892,671)	(\$4,177,035)	(\$4,760,837)	(\$4,075,044)

FUND BALANCE POLICY

Pursuant to Governmental Accounting Standards Board ("GASB") Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), the City Council adopted a new Fund Balance Policy which supersedes all prior council adopted policies related to fund balances. The purpose of the policy is to provide guidance related to the City's various fund balances as part of the City Council's and management's fiduciary responsibility to ensure the long-term sound financial management of the City. The policy provides definitions, background information, limitation on use or balances (if any), target levels, funding mechanisms and identifies the responsible City official by fund balance. This policy applies to the fund balances of the City's Government funds only.

Article VIII, Section 16 of the City's Charter was amended by the City's voters at a referendum election held on November 6, 2012. The amendment revised the target for undesignated fund balance of no more than 10% and no less than 5% of prior year's expenditures (less debt service), to no more than 16.66% and no less than 8.33% of prior year expenditures.

The following table displays the last five audited fiscal years' compliance with the provision:

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$12,922,086	\$13,202,140	\$12,522,640	\$12,352,764	\$11,920,429
Prior Years' Expenses (less Debt Service)	84,428,098	85,088,991	88,013,947	86,633,312	86,862,545
Fund Bal as % Prior Years' Expenses	15.31%	15.52%	14.23%	14.26%	13.72%
Unassigned ⁽²⁾ General Fund Balance	\$8,743,388	\$8,499,692	\$8,017,940	\$7,563,658	\$7,727,014
Prior Years' Expenses (less Debt Service)	84,428,098	85,088,991	88,013,947	86,633,312	86,862,545
Fund Bal as % Prior Years' Expenses	10.36%	9.99%	9.11%	8.73%	8.90%

NOTE: ⁽¹⁾ The City implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Unreserved".

⁽²⁾ The City implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Undesignated".

INVESTMENT POLICY

The City adopted and has followed a formal Investment Policy since 2002. Pursuant to its Investment Policy and Title 30-A, Section 5706 *et seq.* of the Maine Revised Statutes, as amended, all investments of the City must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the City's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The City is invested principally in direct obligations of the United States government and its agencies. The City is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article VIII, Section 2 of the City's Charter provide for independent annual audits of the City's accounts and establishes procedures for such audits. The City, in conformance with this statute and its Charter currently engages the services of Runyon Kersteen Ouellette, Certified Public Accountants ("RKO"). The City's fiscal year 2013 Financial Statements, audited by RKO, are presented as APPENDIX A to this Official Statement. The City has not requested the consent of RKO for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

FUNDS

The accounts of the City are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The City has the following fund types:

Governmental Funds are used to account for most governmental functions of the City. Governmental Funds include the following fund types:

General Fund 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.

Special Revenue Funds account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments' programs.

Proprietary Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's Fiduciary Funds include **Agency Funds**: custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

CITY OF BANGOR
COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)

	2013	2012	2011	2010	2009
ASSETS					
Cash	\$8,058,272	\$13,164,922	\$13,518,284	\$12,953,810	\$433,563
Investments	50,000	50,000	50,000	50,000	12,203,155
Receivables:					
Taxes	2,810,832	2,674,944	2,555,470	2,412,585	2,227,194
Accounts (net of allowances)	1,246,085	725,537	1,425,307	657,371	954,359
Inter-fund loans	6,415,524	4,528,785	3,251,585	3,293,510	3,055,385
Intergovernmental	2,625,755	2,116,745	2,823,413	1,917,845	1,792,720
Loan	820,615	884,339	945,289	996,806	1,045,178
Inventory, at cost	797,655	819,345	912,743	855,035	806,288
Prepaid items	76,059	40,842	51,027	84,252	27,717
TOTAL ASSETS	22,900,797	25,005,459	25,533,118	23,221,214	22,545,559
LIABILITIES					
Accounts payable	996,982	1,740,176	1,111,343	987,276	1,235,546
Accrued wages and benefits	4,013,128	3,993,853	5,091,810	3,991,851	3,771,990
Unearned revenues	45,161	-	-	-	-
TOTAL LIABILITIES	5,055,271	5,734,029	6,203,153	4,979,127	5,007,536
DEFERRED RESOURCES	2,664,910	2,498,706	2,305,395	2,319,816	2,078,764
FUND BALANCE					
Reserved:					
Prepaid	-	-	-	967,379	858,956
Encumbrances	-	-	-	84,252	27,717
Inter-fund loans or advances	-	-	-	1,650,500	1,650,500
Unreserved:					
Designated	-	-	-	4,720,448	4,178,698
Undesignated	-	-	-	8,499,692	8,743,388
Non-spendable ⁽¹⁾	2,774,214	2,760,687	2,864,270	-	-
Restricted ⁽¹⁾	475,390	1,285,520	1,618,627	-	-
Committed ⁽¹⁾	10,583	373,753	19,033	-	-
Assigned ⁽¹⁾	4,193,415	4,789,106	4,504,700	-	-
Unassigned ⁽¹⁾	7,727,014	7,563,658	8,017,940	-	-
TOTAL FUND BALANCE	15,180,616	16,772,724	17,024,570	15,922,271	15,459,259
TOTAL LIABILITIES AND FUND BALANCE	\$22,900,797	\$25,005,459	\$25,533,118	\$23,221,214	\$22,545,559

Prepared from Audited Financial Statements
NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

CITY OF BANGOR
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)

	2013	2012	2011	2010	2009
REVENUES					
Taxes	\$51,862,260	\$50,707,941	\$50,578,542	\$49,976,511	\$49,432,293
Intergovernmental	30,157,317	32,916,799	34,312,276	34,253,927	33,257,147
Licenses and permits	576,559	948,267	601,202	633,339	644,621
Charges for services	13,019,247	12,548,967	14,141,121	12,735,266	12,467,845
Revenue from use of property	833,643	947,722	810,705	1,021,850	1,269,847
Other	32,696	41,628	39,090	30,657	43,706
TOTAL REVENUES	96,481,722	98,111,324	100,482,936	98,651,550	97,115,459
EXPENDITURES					
General government	5,612,408	5,390,049	4,858,721	5,422,805	5,103,378
Public safety	16,209,402	16,028,180	15,800,938	15,287,575	14,400,420
Health, com. serv. and recreation	4,945,994	5,383,295	5,584,184	4,720,477	4,414,673
Public buildings and services	9,835,549	9,842,829	10,196,576	10,055,161	10,048,539
Other agencies	4,382,776	4,409,545	4,347,617	4,291,329	4,294,283
Education	49,880,770	50,159,407	51,391,657	51,590,324	50,380,309
TIF	550,308	524,013	165,133	432,033	215,483
Unclassified	122,772	33,100	56,882	48,010	47,989
Capital outlay	1,027,506	366,021	529,990	427,746	371,509
Debt service	4,871,912	4,822,905	4,813,592	4,490,927	4,429,337
TOTAL EXPENDITURES	97,439,397	96,959,344	97,745,290	96,766,387	93,705,920
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	(957,675)	1,151,980	2,737,646	1,885,163	3,409,539
OTHER FINANCING SOURCES (USES)	(634,433)	(1,403,826)	(1,635,347)	(1,422,151)	(2,189,590)
EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES	(1,592,108)	(251,846)	1,102,299	463,012	1,219,949
BEGINNING FUND BALANCE	16,772,724	17,024,570	15,922,271	15,459,259	14,239,310
ENDING FUND BALANCE	\$15,180,616	\$16,772,724	\$17,024,570	\$15,922,271	\$15,459,259

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the City is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The City's Tax Collector receives the tax commitment from the City Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due. For fiscal 2013/2014 the tax due dates are September 16, 2013 and March 15, 2014. All taxes paid after the due dates are subject to interest, at the rate of 7.0% per annum.

Real Estate Tax

Collection of real estate taxes is ordinarily enforced in the City by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real estate tax liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the City.

Business Personal Property Tax

Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended (the "BETE Act"), provides for an eligible business equipment tax exemption for certain types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: office furniture; lamps and lighting fixtures used to provide general purpose office or worker lighting; property owned or used by public utilities and persons providing certain television/telecommunications services; telecommunications personal property subject to the tax imposed by section 457 of Title 36; gambling machines or devices and associated equipment; property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State; and certain energy and pollution control facilities.

Pursuant to the BETE Act, the State reimburses municipalities with respect to the lost property taxes associated with this exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by the BETE Act in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property

taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district. The following table identifies the value of the property subject to BETE reimbursement:

<u>Fiscal Year ended June 30,</u>	<u>BETE Exempt Value</u>
2014	\$72,600,700
2013	66,043,600
2012	57,635,300
2011	41,980,400
2010	27,467,500

The value of all property made exempt by the BETE Act in the City is also considered part of that municipality's equalized State Valuation to the extent the City is being reimbursed for its lost property taxes by the State with an additional adjustment for property in a tax increment financing district. The BETE Act provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (per 000)	Gross Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 08/31/13
2014	\$2,464,250	\$2,603,586	\$20.80	\$53,057	----- In Process -----		
2013	2,462,650	2,582,242	19.65	49,690	\$48,276	97.37%	97.37%
2012	2,456,450	2,576,995	19.20	48,530	47,026	97.25	98.72
2011	2,466,650	2,578,274	19.20	48,363	46,858	97.23	99.53
2010	2,436,000	2,626,791	19.05	48,720	46,205	96.00	100.00
2009	2,377,800	2,544,916	19.05	47,235	45,689	97.29	100.00
2008	2,358,250	2,406,089	18.80	44,082	42,848	97.96	100.00
2007	2,213,950	2,224,049	19.40	41,991	40,820	97.84	100.00
2006	2,063,300	2,059,677	20.40	41,099	39,717	98.14	100.00
2005	1,861,350	1,868,245	22.05	40,474	39,206	97.25	100.00

LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2013 (\$ in thousands)				
		Real Estate	Personal Property	Assessed Total	Property Tax	% Total Levy
Bangor Historic Track	Casino/Hotel/Raceway	\$89,189,500	\$23,678,000	\$112,867,500	\$2,347,644	4.42%
General Electric	Steam Turbine Manuf	30,584,000	31,976,500	62,560,500	1,301,258	2.45
Bangor Mall LLC	Shopping Mall	59,400,100	-	59,400,100	1,235,522	2.33
Bangor Hydro	Utility	33,489,000	5,455,700	38,944,700	810,050	1.53
Inland Western	Shopping Mall	29,586,400	13,200	29,599,600	615,672	1.16
Wal Mart Real Estate	Retailer	18,406,400	3,301,200	21,707,600	451,518	0.85
QV Realty Trust	Shopping Mall	16,150,600	-	16,150,600	335,932	0.63
Bangor Gas	Utility	15,148,900	625,900	15,774,800	328,116	0.62
Harvest Sunbury	Retirement	14,759,500	224,400	14,983,900	311,665	0.59
Grant Trailer Sales	Real Estate	<u>13,748,600</u>	<u>369,800</u>	<u>14,118,400</u>	<u>293,663</u>	<u>0.55</u>
Top Ten Taxpayers		\$320,463,000	65,644,700	\$386,107,700	\$8,031,040	15.14%

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE DEVELOPMENT HOUSING DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing development districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, section, 3403, subsection 3 of the Maine Revised Statutes, as amended or transit oriented development districts.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended.

On June 14, 2011 the Maine Legislature enacted Private & Special Law, Chapter 15, First Regular Session, 125th Maine Legislature (LD 895) *An Act to Allow the City of Bangor to Replace the Bangor Auditorium and Civic Center at the Bass Park Complex* (“P&SL 15”). P&SL 15 authorized the City to use tax increment financing revenue to fund debt service for the Arena Project for up to 30 years and excluded such indebtedness from both the City’s statutory debt limit under Title 30-A, Section 5702 of Maine Revised Statutes, as amended, and the aggregate value of municipal general obligation indebtedness that could be financed with tax increment financing revenue within Penobscot County under Title 30-A, Section 5223(3)(D) of Maine Revised Statutes, as amended. See “INDEBTEDNESS – LIMITATIONS AND EXCLUSIONS” herein. P&SL 15 also removed the Arena Project from a provision of State law that imposes a five-year deadline for completion of projects financed with tax increment financing revenue.

The City has designated various tax increment financing districts and may consider proposals for other districts on an ongoing basis. All districts will be evaluated based upon the City’s comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will

the City’s districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

REVENUES FROM THE STATE

The State provides revenue to the City in a number of areas including aid to the City in the areas of education and road maintenance, reimbursement for general assistance, homestead exemption and BETE and revenue sharing. The amount of revenue in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State disbursements are governed by laws that may be changed by the State Legislature and are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units (“SAU”) through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for SAUs are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process.

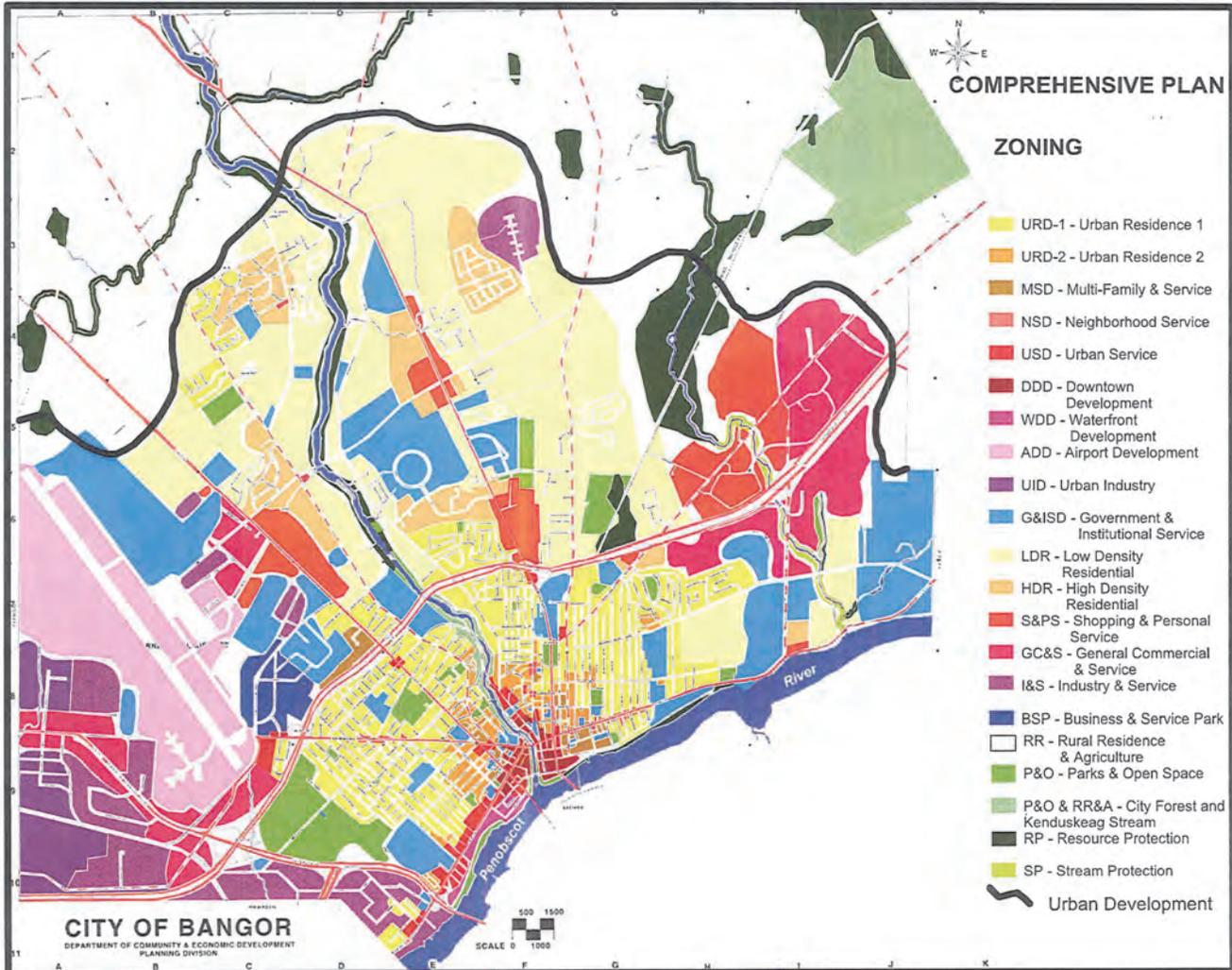
The Homestead Exemption Program is administered locally. Since the beginning of the program, the State has frequently modified both the exemption amount and the amount it reimburses municipalities. Originally the exemption amount was \$7,000 in value of the primary residence of a Maine resident property taxpayer was exempt from property taxation. Further, the State reimbursed each municipality 100% of the property tax exempted under the program and a portion of the municipality’s administrative costs. For the fiscal year beginning July 1, 2011, the maximum amount of the exemption is \$10,000, with the State reimbursing 50% of the property tax reduction due to the exemption. The State annually estimates state aid but actual payments may vary from the estimate. The following table displays revenues received by the City from the State for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	State School Subsidy	Other School	BETE	Homestead Exemption	Other State	Total From State
2013	\$3,513,711	\$16,208,643	\$3,571,471	\$787,746	\$530,369	\$1,648,274 ⁽¹⁾	\$26,260,214
2012	3,637,838	16,812,421	4,599,927	777,196	521,123	2,325,675	28,674,180
2011	3,670,723	18,517,665	3,456,485	645,033	518,306	2,787,262	29,595,474
2010	3,832,933	17,759,621	5,333,857	472,683	670,156	1,925,578	29,994,828
2009	4,411,277	17,611,968	4,464,488	162,562	662,997	1,689,495	29,002,787

NOTE: ⁽¹⁾ The significant reduction in “Other State Aid” is related to a decrease in the amount paid for General Assistance claims by the State establishing certain caps paid to recipients, which in turn results lower benefits paid by the City and a lower respective reimbursement from the State.

ZONING

The Zoning Map displays the composition of land area available for current and future tax base.



TAX BASE AND TAX BASE GROWTH

The City's land area is comprised of 22,032 acres. The below table and chart displays the acreage available for potential increase in tax base by the conversion of undeveloped or exempt land to developed.

<u>By Land Area (acres)</u>		<u>% Total</u>
Greenspace	2,608	11.84%
Exempt	<u>5,298</u>	<u>24.05%</u>
Sub-total	7,906	35.89%
Undeveloped	5,791	26.28%
Developed	<u>8,335</u>	<u>37.83%</u>
Sub-total	15,126	64.11%
Total City	22,032	100.00%



INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.” In addition, pursuant to P&SL 15, the City’s \$53,800,000 Arena Project Bonds are excluded from the debt limit pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended. See “CITY FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE DEVELOPMENT HOUSING DISTRICTS” herein.

The City’s 2014 equalized state valuation (“equalized State Valuation”) is listed at \$2,464,250,000. The 15% debt limit is \$369,637,500. As of June 30, 2013 the City’s long term general obligation debt outstanding was \$145,219,790, or 5.89% of the equalized State Valuation.

The City will certify on the date of issue of the Bonds that the City has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the City to exceed the debt limit.

DEBT SUMMARY

Year Issued	Amount Issued (\$/000)	Final Date	Balance A/O June 30, 2013			Projected, June 30, 2014		
			General Fund		Enterprise	Total	Payments	Balance Due
			City	School	Funds	Debt		
1993A	1,864.0	10/1/2013			93,200	93,200	(93,200)	0
1993B	1,986.0	10/1/2013			99,300	99,300	(99,300)	0
1996B	2,942.9	10/1/2016			728,552	728,552	(173,400)	555,152
1996 ⁽¹⁾	975.0	5/1/2016	293,580			293,580	(47,290)	246,290
1997A	2,452.4	10/1/2017			724,081	724,081	(137,227)	586,854
1998 ⁽¹⁾	280.0	11/1/2017	101,704			101,704	(20,874)	80,830
1999A ⁽²⁾	259.8	7/17/2017			90,273	90,273	(16,337)	73,936
2001 ⁽¹⁾	699.9	9/1/2021	413,255			413,255	(38,240)	375,015
2003A&B	6,910.0	11/1/2023	24,902		98	25,000	(25,000)	0
2003(SRF) ⁽³⁾	3,000.0	10/1/2022			1,605,779	1,605,779	(149,567)	1,456,212
2003 ⁽¹⁾	200.0	7/1/2014	34,530			34,530	(17,350)	17,180
2003 ⁽⁴⁾	1,300.0	3/1/2023			820,615	820,615	(66,624)	753,991
2004	9,227.0	11/1/2023	420,000			420,000	(210,000)	210,000
2005(SRF) ⁽³⁾	2,650.0	10/1/2024			1,710,284	1,710,284	(127,949)	1,582,335
2005A	3,650.0	11/1/2024	310,000		100,000	410,000	(205,000)	205,000
2005B	2,315.0	10/1/2024			230,000	230,000	(115,000)	115,000
2006 ⁽²⁾	2,250.0	12/1/2025			1,695,969	1,695,969	(95,747)	1,600,222
2006	4,933.0	9/1/2025	1,188,625		121,375	1,310,000	(330,000)	980,000
2006(SRF) ⁽³⁾	2,000.0	4/1/2027			1,466,717	1,466,717	(94,051)	1,372,666
2007	3,555.0	9/1/2026	2,355,000			2,355,000	(200,000)	2,155,000
2007(SRF) ⁽³⁾	2,000.0	4/1/2028			1,565,129	1,565,129	(91,754)	1,473,375
2009A	3,100.0	9/1/2028	2,480,000			2,480,000	(155,000)	2,325,000
2009ARRA ⁽⁵⁾	1,960.0	4/1/2029			775,126	775,126	(48,445)	726,681
2009ARRA ⁽⁵⁾	1,040.0	4/1/2030			436,696	436,696	(25,688)	411,008
2009B	14,425.0	9/1/2019	3,272,582	5,790,846	986,572	10,050,000	(1,620,000)	8,430,000
2011	6,391.0	4/1/2021	1,623,278		3,541,722	5,165,000	(605,000)	4,560,000
2011 QSCB	5,610.0	7/15/2028		5,610,000		5,610,000	0	5,610,000
2012	6,525.0	4/1/2022	2,375,839	2,047,145	1,322,016	5,745,000	(750,000)	4,995,000
2012B	53,800.0	7/15/2042			53,800,000	53,800,000	0	53,800,000
2012 QSCB	2,800.0	7/15/2035		2,800,000		2,800,000	0	2,800,000
2013A	9,030.0	11/1/2032	7,578,985		1,451,015	9,030,000	(305,000)	8,725,000
2013B	4,300.0	11/1/2033			4,300,000	4,300,000	0	4,300,000
	Sub-totals		22,472,280	16,247,991	77,664,519	116,384,790	(5,863,043)	110,521,747
2002(POB) ⁽⁶⁾	34,030.0	6/1/2026	22,567,322	1,439,974	4,827,704	28,835,000	(1,025,000)	27,810,000
	Sub-totals		45,039,602	17,687,965	82,492,223	145,219,790	(6,888,043)	138,331,747
2014A	8,669.0	3/1/2034						8,669,000
	Total Projected Debt		45,039,602	17,687,965	82,492,223	145,219,790	(6,888,043)	147,000,747

NOTE: ⁽¹⁾ Indicates series of general obligation notes held as investments by the City’s Airport Fund at fixed, taxable market rates of interest. The notes are structured with a put feature, which, upon certain precedent conditions, allows the Airport to present the notes for redemption to the City’s General Fund. It is the City’s intention, should a put occur, to fund the put by issuing a note to its Sewer Fund, converted to a three to five year note with level debt service, without put option.

⁽²⁾ Privately placed note, with specific terms of repayment and no put option.

⁽³⁾ Indicates State Revolving Loan Fund Program (the “SRF”) administered jointly by the Maine Municipal Bond Bank (the “MMBB”) and the State of Maine, acting by and through its Department of Environmental Protection.

⁽⁴⁾ The Briggs Building Note is a 20-year obligation funded by the City’s Workers Compensation Reserve.

⁽⁵⁾ “ARRA” indicates American Recovery and Reinvestment Act of 2009 loans administered through the Maine Municipal Bond Bank. Portions of principal are forgiven; the loan is at 0%.

⁽⁶⁾ “POB” indicates Pension Obligation Bonds.

**CITY OF BANGOR, MAINE
GENERAL OBLIGATION BONDS
PROJECTED PRINCIPAL PAYMENTS BY ISSUE
(\$/000)**

FY	1993	1993	1996	1997	2002	2003	2003	2004	2005	2005	2006	2007	2008	2009	2009	2009	2009	2009	2011	2012	2012	2012	2012	2013	2013	2014	Total	
End	A	B	A	A	POB	A	SRF	SRF	A	BIA	SRF	SRF	SRF	A	B	ARRA	ARRA	ARRA	QSCB	2012	Sr+B	QSCB	Sr+A	Sr+B	Sr+A	Sr+A	Debt	
June 30,																												
2014	93.2	99.3	173.4	137.2	1,025.0	25.0	127.9	210.0	205.0	115.0	330.0	94.1	91.8	155.0	1,620.0	48.4	25.7	605.0	0.0	750.0	0.0	0.0	305.0	0.0	0.0	0.0	6,585.6	
2015			179.0	140.8	1,180.0	151.7	130.4	210.0	205.0	115.0	335.0	95.6	93.4	155.0	1,625.0	48.4	25.7	625.0	0.0	660.0	980.0	0.0	335.0	150.0	489.0	0.0	8,129.2	
2016			184.9	144.6	1,345.0	154.0	133.0	210.0	205.0	115.0	335.0	97.2	95.1	155.0	1,625.0	48.4	25.7	650.0	0.0	655.0	1,025.0	0.0	735.0	260.0	490.0	0.0	8,357.9	
2017			191.2	148.6	1,520.0	156.4	135.5	210.0	205.0	115.0	310.0	98.8	96.8	155.0	1,635.0	48.4	25.7	655.0	5.0	645.0	1,080.0	0.0	675.0	255.0	490.0	0.0	8,526.4	
2018				152.8	1,665.0	158.8	138.2	1,665.0	158.8	166.5	158.8	100.4	98.6	155.0	1,645.0	48.4	25.7	675.0	5.0	630.0	1,135.0	5.0	820.0	255.0	490.0	0.0	8,402.9	
2019					1,865.0	161.4	140.9	161.4	140.9	161.4	102.0	102.0	100.4	155.0	985.0	48.4	25.7	700.0	5.0	620.0	1,190.0	5.0	750.0	250.0	490.0	0.0	7,788.8	
2020					2,085.0	164.1	143.6	164.1	143.6	164.1	103.7	103.7	104.0	155.0	915.0	48.4	25.7	730.0	5.0	605.0	1,255.0	5.0	740.0	250.0	485.0	0.0	7,962.7	
2021					2,320.0	166.9	146.4	166.9	146.4	166.9	105.4	105.4	104.0	155.0	915.0	48.4	25.7	730.0	5.0	595.0	1,315.0	5.0	735.0	250.0	485.0	0.0	7,131.8	
2022					2,575.0	169.9	149.2	169.9	149.2	169.9	107.1	107.1	105.9	155.0	915.0	48.4	25.7	730.0	5.0	585.0	1,385.0	5.0	730.0	250.0	480.0	0.0	6,921.2	
2023					2,850.0	172.9	152.1	172.9	152.1	172.9	108.9	108.9	107.8	155.0	915.0	48.4	25.7	730.0	5.0	575.0	1,455.0	5.0	725.0	250.0	480.0	0.0	6,685.9	
2024					3,145.0	175.9	155.1	175.9	155.1	175.9	110.7	110.7	109.8	155.0	915.0	48.4	25.7	730.0	5.0	565.0	1,520.0	5.0	720.0	250.0	480.0	0.0	6,874.6	
2025					3,460.0	178.9	158.1	178.9	158.1	178.9	112.5	112.5	111.8	155.0	915.0	48.4	25.7	730.0	5.0	555.0	1,585.0	5.0	715.0	250.0	480.0	0.0	7,106.4	
2026					3,800.0	181.9	161.1	181.9	161.1	181.9	114.3	114.3	113.8	155.0	915.0	48.4	25.7	730.0	5.0	545.0	1,650.0	5.0	710.0	250.0	480.0	0.0	7,107.2	
2027											116.2	116.2	115.9	915.0	48.4	25.7	730.0	5.0	535.0	1,715.0	5.0	705.0	250.0	480.0	0.0	3,226.2		
2028													117.9	915.0	48.4	25.7	730.0	5.0	525.0	1,780.0	5.0	700.0	250.0	480.0	0.0	3,037.1		
2029														155.0	48.4	25.7	730.0	5.0	515.0	1,830.0	5.0	700.0	250.0	480.0	0.0	8,274.1		
2030														155.0	48.4	25.7	730.0	5.0	505.0	1,890.0	5.0	700.0	250.0	480.0	0.0	2,440.7		
2031														155.0	48.4	25.7	730.0	5.0	495.0	1,945.0	5.0	700.0	250.0	480.0	0.0	2,480.0		
2032														155.0	48.4	25.7	730.0	5.0	485.0	2,005.0	5.0	700.0	250.0	480.0	0.0	2,550.0		
2033														155.0	48.4	25.7	730.0	5.0	475.0	2,065.0	5.0	700.0	250.0	480.0	0.0	2,620.0		
2034														155.0	48.4	25.7	730.0	5.0	465.0	2,135.0	5.0	700.0	250.0	480.0	0.0	2,655.0		
2035														155.0	48.4	25.7	730.0	5.0	455.0	2,205.0	5.0	700.0	250.0	480.0	0.0	2,710.0		
2036														155.0	48.4	25.7	730.0	5.0	445.0	2,275.0	2,710.0	0.0	700.0	250.0	480.0	0.0	4,985.0	
2037														155.0	48.4	25.7	730.0	5.0	435.0	2,350.0	0.0	700.0	250.0	480.0	0.0	2,350.0		
2038														155.0	48.4	25.7	730.0	5.0	425.0	2,435.0	0.0	700.0	250.0	480.0	0.0	2,435.0		
2039														155.0	48.4	25.7	730.0	5.0	415.0	2,520.0	0.0	700.0	250.0	480.0	0.0	2,520.0		
2040														155.0	48.4	25.7	730.0	5.0	405.0	2,610.0	0.0	700.0	250.0	480.0	0.0	2,610.0		
2041														155.0	48.4	25.7	730.0	5.0	395.0	2,710.0	0.0	700.0	250.0	480.0	0.0	2,710.0		
2042														155.0	48.4	25.7	730.0	5.0	385.0	2,820.0	0.0	700.0	250.0	480.0	0.0	2,820.0		
2043														155.0	48.4	25.7	730.0	5.0	375.0	2,935.0	0.0	700.0	250.0	480.0	0.0	2,935.0		
07/01/13	93.2	99.3	728.6	724.1	28,835.0	25.0	1,605.8	420.0	1,710.3	410.0	1,310.0	1,466.7	1,565.1	2,480.0	10,050.0	775.1	436.7	5,165.0	5,610.0	5,745.0	53,800.0	2,800.0	9,030.0	4,300.0	8,669.0	0.0	150,438.9	
pd13/14	(93.2)	(99.3)	(173.4)	(137.2)	(1,025.0)	(25.0)	(149.6)	(210.0)	(127.9)	(205.0)	(330.0)	(94.1)	(200.0)	(91.8)	(1,620.0)	(48.4)	(25.7)	(605.0)	0.0	(750.0)	0.0	0.0	(305.0)	0.0	0.0	0.0	(6,585.6)	
07/01/14	0.0	0.0	555.2	586.9	27,810.0	0.0	1,456.2	210.0	1,582.3	205.0	980.0	1,372.7	1,473.4	2,325.0	8,430.0	726.7	411.0	4,560.0	5,610.0	4,995.0	53,800.0	2,800.0	8,725.0	4,300.0	8,669.0	0.0	143,853.3	
																											Private Loans:	
																												Gross Principal: 147,000.7

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt				The Bonds			Total Debt Service
	Principal	Interest (and fees)	POBs (Total D/S)	Total Debt	Principal	Interest	The Bonds	
2014	\$5,909,292	\$3,447,440	\$2,884,858	\$12,241,590	\$0	\$0	\$0	\$12,241,590
2015	6,824,261	3,326,728	2,973,745	13,124,733	489,000	225,430	714,430	13,839,163
2016	6,886,151	3,125,935	3,062,635	13,074,721	490,000	215,650	705,650	13,780,371
2017	6,789,827	2,934,230	3,150,882	12,874,939	490,000	205,850	695,850	13,570,789
2018	6,521,680	2,723,668	3,197,842	12,443,191	490,000	196,050	686,050	13,129,241
2019	5,686,877	2,527,288	3,290,450	11,504,615	490,000	186,250	676,250	12,180,865
2020	5,657,832	2,341,235	3,390,158	11,389,225	485,000	176,450	661,450	12,050,675
2021	4,604,588	2,166,515	3,490,675	10,261,777	485,000	166,750	651,750	10,913,527
2022	4,157,367	2,005,859	3,596,035	9,759,261	480,000	157,050	637,050	10,396,311
2023	3,603,833	1,855,273	3,704,948	9,164,054	480,000	146,250	626,250	9,790,304
2024	3,405,595	1,724,045	3,816,122	8,945,762	480,000	135,450	615,450	9,561,212
2025	3,330,204	1,604,667	3,928,270	8,863,141	480,000	123,450	603,450	9,466,591
2026	2,999,197	1,491,160	4,045,100	8,535,457	480,000	111,450	591,450	9,126,907
2027	2,776,184	1,385,201		4,161,386	450,000	98,250	548,250	4,709,636
2028	2,587,080	1,297,840		3,884,921	450,000	84,750	534,750	4,419,671
2029	7,824,133	1,221,147		9,045,280	450,000	70,125	520,125	9,565,405
2030	2,140,688	1,150,144		3,290,832	300,000	55,500	355,500	3,646,332
2031	2,180,000	1,083,163		3,263,163	300,000	45,000	345,000	3,608,163
2032	2,250,000	1,014,038		3,264,038	300,000	34,500	334,500	3,598,538
2033	2,320,000	941,397		3,261,397	300,000	23,250	323,250	3,584,647
2034	2,355,000	864,613		3,219,613	300,000	12,000	312,000	3,531,613
2035	2,210,000	789,519		2,999,519				2,999,519
2036	4,985,000	716,719		5,701,719				5,701,719
2037	2,350,000	641,563		2,991,563				2,991,563
2038	2,435,000	560,763		2,995,763				2,995,763
2039	2,520,000	474,050		2,994,050				2,994,050
2040	2,610,000	384,275		2,994,275				2,994,275
2041	2,710,000	284,400		2,994,400				2,994,400
2042	2,820,000	173,800		2,993,800				2,993,800
2043	2,935,000	58,700		2,993,700				2,993,700
TOTAL	\$116,384,790	\$44,315,372	\$44,531,720	\$205,231,882	\$8,669,000	\$2,469,455	\$11,138,455	\$216,370,337

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

(\$ in thousands)	Audited					Budgeted
	2009	2010	2011	2012	2013	2014
Gross Current Debt Service:	\$11,940	\$17,271	\$14,694	\$16,994	\$11,779	\$12,242
(less Self Support Enterprise):	(4,456)	(4,389)	(4,130)	(4,272)	(4,279)	(4,804)
(less State Qual. School):	(679)	(616)	(375)	(357)	(311)	(0)
(less POB):	(2,661)	(2,572)	(2,646)	(2,723)	(2,803)	(2,885)
(less Refunded Debt):	0	(5,750)	(5,075)	(5,230)	0	(0)
Tax Backed Current Debt Service:	\$4,144	\$3,944	\$2,468	\$4,412	\$4,386	\$4,553
Budgeted Operating Expense:	\$88,922	\$91,250	\$90,691	\$90,171	91,899	93,546
Debt Service as % Oper. Expense:	4.66%	4.32%	2.72%	4.89%	4.77%	4.87%

DEBT RATIOS

Bonded Debt to Equalized State Valuation and Per Capita Debt Ratios

Fiscal Yr. End June 30,	Pop	Equal. State Val. (000)	Assessed Valuation (000)	Total Debt (000)	Gross Debt		Net of POB	
					as % Eq. Val.	Per Capita	as % Eq. Val.	Per Capita
2013	33,039	\$2,462,650	\$2,582,242	\$145,219	5.90%	\$4,395	4.73%	\$3,523
2012	33,039	2,456,450	2,576,995	89,382	3.64%	2,705	2.42%	1,806
2011	33,039	2,466,650	2,578,274	90,441	3.67%	2,737	2.17%	1,815
2010	31,074	2,436,000	2,626,791	96,645	3.97%	2,925	2.69%	1,983
2009	31,074	2,377,800	2,544,916	94,311	3.87%	3,035	2.57%	2,015
2008	31,074	2,358,250	2,406,089	98,721	4.19%	3,177	2.82%	2,138
2007	31,074	2,213,950	2,224,049	104,132	4.70%	3,351	4.70%	2,272
2006	31,074	2,063,300	2,060,055	106,785	5.18%	3,436	3.53%	2,344
2005	31,595	1,861,350	1,868,245	106,193	5.71%	3,361	3.88%	2,284
2004	31,550	1,741,600	1,740,329	108,874	6.25%	3,451	4.33%	2,375

Bonded Debt to Equalized State Valuation and Per Capita Debt Ratios by Fund Type

Fiscal Yr. End June 30,	Debt, by Fund Type (\$/ 000)				As % Valuation, by Fund Type				Per Capita, by Fund Type (\$)			
	General Fund		Ent'p Fund	Total Debt	General Fund		Ent'p Fund	Total Debt	General Fund		Ent'p Fund	Total Debt
	City	School			City	School			City	School		
2013	\$45,039	\$17,688	\$82,492	\$145,219	1.8%	0.7%	3.4%	5.9%	\$1,363	\$535	\$2,497	\$4,395
2012	44,434	16,240	28,708	89,382	1.8%	0.7%	1.2%	3.6%	1,345	492	869	2,705
2011	46,585	11,870	31,985	90,441	1.9%	0.5%	1.3%	3.7%	1,410	359	968	2,737
2010	48,509	13,181	34,957	96,645	1.9%	0.5%	1.4%	3.9%	1,468	399	1,058	2,925
2009	48,390	8,298	37,623	94,311	2.0%	0.3%	1.6%	3.9%	1,557	267	1,211	3,035
2008	47,552	9,446	41,723	98,721	2.0%	0.4%	1.8%	4.2%	1,530	304	1,343	3,177
2007	49,711	10,610	43,810	104,131	2.2%	0.5%	2.0%	4.7%	1,600	341	1,410	3,351
2006	49,231	11,772	45,781	106,785	2.4%	0.6%	2.2%	5.2%	1,584	379	1,473	3,436
2005	46,493	12,926	46,774	106,193	2.5%	0.7%	2.5%	5.7%	1,472	409	1,480	3,361
2004	45,391	15,488	47,994	108,874	2.6%	0.9%	2.8%	6.3%	1,439	491	1,521	3,451

OVERLAPPING DEBT

The City is subject to an annual assessment of its proportional share of the County of Penobscot's expenses, including debt repayment, as determined by the percentage of the City's to the County's equalized State Valuation. On January 1, 2014 the City's equalized State Valuation of \$2,464,250,000 was 24.33% of the County's 2014 equalized State Valuation of \$10,128,600,000 (excluding Unorganized Territories). The County has \$0 long-term debt outstanding as of June 30, 2013.

The City is a member of the United Technologies Center, Region #4 (see "CITY OF BANGOR – PUBLIC EDUCATION – Other Education" herein) and is responsible for its proportionate share of Region #4's long-term debt, which is included in Region #4's annual assessment to the City. As of June 30, 2013, Region #4 had \$0 long-term debt outstanding.

CONTINGENT DEBT

The City has no debt or obligations for which it is responsible for on a contingent basis.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	General Fund	Enterprise	Overlapping	Total Debt
C/O Bangor-School	\$16,247,991			\$16,247,991
C/O Bangor-School (POB)	1,439,974			1,439,974
C/O Bangor-Other Gen'l Fund	22,472,280			22,472,280
C/O Bangor-Other Gen'l Fund (POB)	22,567,322			22,567,322
C/O Bangor- Enterprise		\$77,664,519		77,664,519
C/O Bangor- Enterprise (POB)		4,827,704		4,827,704
County of Penobscot			\$0	0
Region #4			0	0
Total A/O June 30, 2013	\$62,727,567	\$82,492,223	\$0	\$145,219,790

FUTURE FINANCING

The City’s CIP includes an inventory of possible capital projects that may be financed through the issuance of indebtedness. The issuance of debt, however, is subject to the prior review and approval of the City Council. The following are projects for which authorization is outstanding but the respective debt is authorized but has not been issued; or projects that, while the City Council has not yet taken formal action for authorization of the issuance of debt, the City expects that such action will be taken imminently and that debt will be issued.

Bangor Nursing & Rehabilitation Center

On November 26, 2007, the City Council authorized the issuance of up to \$600,000 in general obligation bonds for the purpose of renovating and rehabilitating the Bangor Nursing & Rehabilitation Center, a wholly-separate, not-for-profit 501(c)(3) organization formerly owned and operated by the City, located at 103 Texas Avenue. As of June 30, 2013 \$155,000 remains authorized and unissued. The City expects to issue the debt within the next 36 months.

Clean Water State Revolving Fund

By Order #13-251, on July 22, 2013 the City Council approved a borrowing, not to exceed \$2,500,000, from the Clean Water State Revolving Fund (“CWSRF”) administered jointly by the Maine Municipal Bond Bank and the State Department of Environmental Protection (“DEP”). The City contemplates that this financing will occur within the next 12 months.

RETIREMENT

The City provides retirement pensions for its employees through a number of vehicles, including a defined contribution plan, defined benefit pension plan and social security. Effective April 1, 2001, all new eligible employees are covered by the City’s defined contribution plan. Prior to that date, the City’s primary retirement vehicle was the Maine State Retirement System’s (“MSRS”) predecessor to Maine Public Employees Retirement System (“MainePERS”) defined benefit plan (as discussed below). Existing employees were given the choice of remaining in the defined benefit plan or entering the new defined contribution plan.

A. DEFINED CONTRIBUTION PLAN

Description of the Plan - The City provides pension benefits for certain employees through a 401(a) defined contribution plan administered by the International City Managers Association Retirement Corporation (“ICMA/RC”). In addition certain full-time employees are covered through both a 401(a) and 457 Deferred Compensation Plans (“DCP”) also administered by ICMA/RC. In a DCP, benefits depend solely on amounts contributed to the plan plus investment earnings. Covered employees are eligible to participate and are fully vested from the date of employment.

Funding Policy - Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee’s classification. For fiscal year 2013 covered payroll was \$16,022,388 and City contributions were \$1,370,840. For those plan members that have employment contracts, the City contributes at various rates from 10% to 15% of annual earnings. The covered payroll and City contributions for those employees with employment contracts were \$471,245 and \$56,153, respectively, in fiscal year 2013.

B. DEFINED BENEFIT PENSION PLAN

Description of the Plan - The City is a “participating local district” pursuant to Regular Plan AC, Special Plan 1C and Special Plan 2C of the Consolidated Plan for Participating Local Districts (“CPPLD”) and contributes to Maine Public Employees Retirement System’s (“MainePERS”) successor to the Maine State Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS. MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The CPPLD provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members (City employees other than those served by the Teachers Retirement Plan, described in C, below) are required to contribute 6.5% of their annual covered salary. The City is currently required to contribute at actuarially determined rates of annual covered payroll of 5.30% for Plan AC, 12.20% for Special Plan 1C and 7.50% for Special Plan 2C. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City’s contributions to the MSRS CPPLD for the years ended June 30, 2013, 2012 and 2011 were \$936,700, \$942,629 and \$794,677 respectively, equal to the required contributions for each year.

Employer Contribution Rates

The MainePERS Board of Trustees has increased employer contribution rates for the PLD Consolidated Plan based upon actuarial recommendations. The following table shows the rates for fiscal years ended June 30, 2013 through 2015:

<u>Plan</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Regular AC	5.3%	6.5%	7.8%
Special 1C	12.2%	12.8%	13.4%
Special 2C	7.5%	7.9%	8.3%

The City recognizes the fiscal impact of these increases and is taking these rates into consideration in its budgeting process as well as in its negotiations with collective bargaining unit(s).

C. DEFINED BENEFIT PENSION PLAN - TEACHERS GROUP

Description of the Plan - All school teachers, plus other qualified educators, participate in the MainePERS' teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State Department of Education, to contribute the employer contribution, which amounts to \$3,716,192 (15.86%) for the fiscal year 2013. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 16.36% of their compensation. This cost is charged to the applicable grant. Beginning on July 1, 2013, as a result of the State Biennial budget, the School Department will be responsible for approximately half of the normal cost of the teachers' plan. This approximates 2.65% of compensation.

D. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

E. SOCIAL SECURITY

The City does not have an IRS Section 218 agreement to provide full social security coverage to its employees. The City does provide full social security coverage to part-time, seasonal and temporary employees under the Omnibus Budget Reconciliation Act of 1990, and Internal Revenue Service regulations, which became effective July 1, 1991.

F. OTHER POST EMPLOYMENT BENEFITS

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

An OPEB liability actuarial valuation report was completed on October 19, 2011 by consultants retained by the City with an Actuarial Valuation Date of January 1, 2011. GASB 45 advises that valuations should be conducted at least bi-annually for plans with a total membership of greater than 200 plan members. The City expects to receive a new valuation in two years accordingly.

Plan Descriptions - The City sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through CIGNA. CIGNA issues a publicly available financial report that may be obtained through their website *www.cigna.com*. Full-time City employees age 50 or older and covered under the active medical plan are eligible to participate. Retirees that are designated in a plan pay 100% of the coverage premium. A Medicare Supplement plan is available for eligible retirees. For retirees without Medicare, coverage is available without a Medicare offset.

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (“ARC”), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years. The following table represents the OPEB costs for the year and the annual required contribution:

Annual required contribution (“ARC”):	\$604,390
Amortization adjustment to ARC:	(150,948)
Interest:	<u>104,408</u>
Annual OPEB cost:	\$557,850

Net OPEB Obligation - The City’s net OPEB obligation was calculated as follows:

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Annual OPEB cost:	\$357,467	\$344,143	\$557,850
City contributions:	<u>(38,436)</u>	<u>(57,070)</u>	<u>(274,117)</u>
Increase in OPEB	319,031	287,073	283,733
Net OPEB, beginning year:	<u>2,004,092</u>	<u>2,323,123</u>	<u>2,610,196</u>
Net OPEB, end year:	\$2,323,123	\$2,610,196	\$2,893,929
% contributed:	10.75%	16.58%	49.14%

Funding Status and Funding Progress - The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2013 is as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total, June 30, 2013</u>
Actuarial accrued liability (“AAL”):	\$5,284,045	\$1,671,709	\$6,955,754
Actuarial value of plan assets:	-	-	-
Unfunded actuarial accrued liability (“UAAL”):	<u>5,284,045</u>	<u>1,671,709</u>	<u>6,955,754</u>
Covered payroll:	\$16,901,784	\$5,347,204	\$22,248,988
UAAL as a percentage of covered payroll:			31.26%

The City does not believe that its OPEB liabilities, as determined pursuant to GASB Statement 45, have a material impact on its current financial condition or operations. The City has monitored and will continue to monitor its OPEB liabilities as determined pursuant to GASB Statement 45. The City does not, however, offer any assurance as to the impact, if any, of future OPEB liabilities, as determined pursuant to GASB Statement 45, on the City’s future financial condition or operations. For additional information about the City’s OPEB liabilities, see “Other Post Employment Benefits” in Notes to Basic Financial Statements in APPENDIX A hereto.

ENVIRONMENTAL MATTERS

Securities and Exchange Commission Regulation 229.103 (the “Regulation”) requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. The Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. Although the City, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the City is voluntarily making the following disclosure with respect to environmental liabilities described below.

Penobscot River Cleanup

In 2002, the City filed suit against Citizens Communications Company (“Citizens”), a potentially responsible party, to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. In July 2007, the City reached a settlement agreement with Citizens, whereby the City received \$7.625 million to be held in escrow and applied to the cost of the River bottom remediation. A Consent Decree has been negotiated with the State Department of Environmental Protection (“DEP”) for the River bottom remediation, the first phase of which has been completed. The City and DEP are attempting to negotiate a settlement agreement for the remainder of the River bottom remediation.

Wastewater Discharge Consent Decree Compliance

In April 1991, the City entered into a consent decree with the Environmental Protection Agency (“EPA”), pursuant to which the City is required to (1) construct and operate a secondary wastewater treatment facility, (2) implement sewer rehabilitation projects as set forth in the decree, (3) develop and submit to the EPA and to the State a long-term, master plan for sewer rehabilitation, abatement of combined sewer overflow (“CSO”) discharges and other relevant projects (the “CSO Facilities Plan”), (4) develop a CSO monitoring plan, (5) upon approval of the CSO Facilities Plan, to implement the Plan, and (6) otherwise take such specific measures to assure compliance with the City’s NPDES permit for effluent discharge. The City complied with and completed the projects and plans as originally identified in the 1991 Consent Decree. The EPA has indicated that the City will now need to undertake Phase II projects that include (1) develop and submit a long-term, control plan for a Phase II CSO Program, (2) implement an asset management plan, (3) develop and implement a capacity management operations and maintenance program for the collection system. The City has not yet entered into any agreement with the EPA, but has begun work on the areas identified to date by the EPA.

LITIGATION

In the opinion of City officials there is no litigation pending or threatened against the City which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the City’s financial position or its ability to meet its debt service obligations.

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APPENDIX A

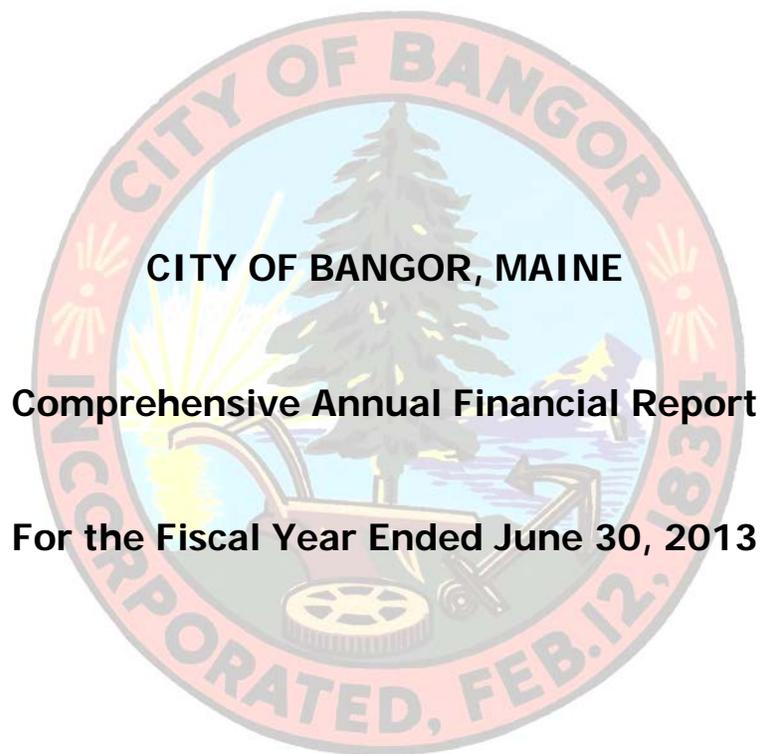
**CITY OF BANGOR, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2013**

(With Report of Independent Auditors' Thereon)

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City Of Bangor, Maine
Comprehensive Annual Financial Report
For Fiscal Year June 30, 2013



CITY OF BANGOR, MAINE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Prepared by:

Debbie Cyr, Finance Director

David Little, Tax Collector/Deputy Treasurer

CITY OF BANGOR, MAINE
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

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FINANCE DEPARTMENT
Deborah A. Cyr, Finance Director

December 20, 2013

To the Honorable Chair,
Members of the Bangor City Council, and
Citizens of Bangor

In accordance with the requirements of both our City Charter and state statutes, the City of Bangor's comprehensive annual financial report for the fiscal year ended June 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Bangor. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Bangor on a government wide and fund basis.

The City is responsible for establishing and maintaining an internal control framework designed to ensure that the assets of the City are protected from loss, theft, and misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

The City's financial statements have been audited by Runyon Kersteen Ouellette. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's unmodified opinion is presented as the first component of the financial section of this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including a schedule of expenditures of federal awards, findings, questioned costs, recommendations, and the independent auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separately issued single audit report.

Governmental Accounting Standards Board (GASB) requires 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 MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Bangor is situated in eastern Maine, is the Penobscot County seat, and is the third most populous city in Maine. The City occupies approximately 35 square miles on the western shore of the Penobscot River. Bangor was first settled in 1656, incorporated as a town on February 25, 1791 and as a city on February 12, 1834. Bangor is the major trade, distribution, service, and commercial center for the central, eastern, and northern portions of the State.

The City operates under a Charter adopted in 1931 that provides for a Council-Manager form of government. The City Council is composed of nine members who are elected at large for three-year staggered terms. The Charter grants to the Council all powers to enact, amend, or repeal rules, ordinances, and resolutions relating to the City's property, affairs, and government; to preserve the public peace, health, and safety; to establish personnel policies; to give effect to any vote of the City; and to authorize the issuance of debt. The Council adopts an annual budget and provides for an annual audit. The City Manager is the chief administrative officer of the City and is appointed by the Council, as are the Assessor, Solicitor, and Clerk.

The City's schools are governed by a seven-member School Committee. Its members are elected at large to staggered three-year terms. By Charter, the School Committee has all the powers and performs all the duties related to the care and management of the public schools of the City. The Committee annually furnishes to the City Council an estimate of sums required for school purposes for the ensuing municipal year. The City Council makes a single gross appropriation for this purpose, which must be ratified by the voters of Bangor at a referendum held in June prior to the start of the City's fiscal year. Once approved, the expenditure of

this appropriation is under the direction and control of the School Committee. The School Committee employs the Superintendent of Schools as its chief operating officer.

The City provides a full range of municipal services including police and fire, highways and sanitation, health and welfare, parks and recreation, education, public transportation, planning, business and economic development, code enforcement, and general administrative services. Bangor International Airport, sanitary sewer services, the Bass Park Complex (Cross Insurance Center), parking, golf course, economic development, and a transitional housing complex are accounted for in the City's enterprise funds.

The City's budgeting process is structured around its fiscal year, which begins on July 1st and ends on the following June 30th. The City annually adopts budgets for its general fund and seven enterprise funds. The City Charter requires that the City Manager submit a recommended budget to the Council by the second Monday in April. The budget, which must be in balance, contains estimates of all non-tax revenues and receipts expected to be received during the next fiscal year, the expenditures necessary to support City operations, debt service requirements, and the tax levy required to achieve balance between revenues and expenditures. The Council may modify recommended expenditures and the recommended tax levy. If the Council fails to adopt a budget by July 1st, the City Manager's proposed budget automatically becomes that fiscal year's budget. In either case, an appropriate property tax levy is established and filed with the City Assessor, who then sets the necessary property tax rate.

The annual budget serves as the foundation for the City's financial planning and control and is prepared by fund, function, and department. The City Manager may transfer resources within a department; however, transfers between departments require Council action.

Special revenue funds do not have adopted budgets but have program budgets. Budgetary controls are maintained on other governmental funds through formal authorizations by the City Council and through grant agreements. All budgets are legally adopted by the City Council through the passage of appropriation resolves.

Factors Affecting Financial Condition

Local economy. The City is the economic, educational, recreational, distribution, and health care center for the central, eastern, and northern Maine regions. Bangor also serves as northern New England's economic link to the Canadian Maritimes and Eastern Quebec. The City is a major center for the communications, banking, commercial, industrial, healthcare, and governmental sectors of the State.

Bangor has a stable and varied economic base. Major employers include a diversified mix of health care, educational, professional, retail, manufacturing, and governmental entities. Bangor's 2013 unemployment rate of 6.7% continues to be on par with or below both county and state rates of 7.6% and 6.8%, respectively.

Bangor is the second largest retail market in Maine after Portland. The Bangor Mall, Airport Mall, Broadway commercial center, Union Street commercial corridor, and the Bangor Center Development District (downtown) have long established Bangor as the hub of the six-county eastern Maine retail market. Bangor's retail sector serves an extensive geographic area ranging from eastern Maine to the Canadian Maritimes, with a population exceeding 3.1 million. With less than three percent of the State's population, Bangor's share of the State's retail sales is proportionally higher. In 2012, Bangor's retail taxable sales were \$1.2 billion, or 6.89% of total State retail sales and 57.2% of total County sales.

Further evidence of continuing sustained growth is the change in the City's assessed value of real and personal property. The annual increase in assessed value is a combination of three factors: 1) market adjustments to existing property, 2) new construction/additions, and 3) personal property depreciation. Over the four years, assessed value has remained relatively flat, however over the last ten years, the average annual increase in assessed value is 4.56%. Tax base growth, the City's focus on controlling budgetary growth, and ramped up state funding for education resulted in a 15.85% reduction in the City's tax rate from 2004 to 2013.

The City is committed to preserving its viable economic base while creating new opportunities for future economic growth. To achieve these objectives, the City is proactive in supporting economic activity through planned capital improvements, innovative financing, and aggressive marketing.

Long-term financial planning and major initiatives. The City's capital improvement plan is an integral part of the annual budget process. A complete list of near term improvements is submitted as part of the City Manager's budget submission for all City functions. The plan includes projects anticipated within the coming one to two year period with an indication of how the City anticipates funding the improvements. Certain improvements are longer term in nature and are updated and reviewed via the City Council's Committee structure on an as needed basis.

Under a development agreement with Bangor Historic Track, a wholly owned subsidiary of Penn National Gaming, the City receives a percentage of gross slot and table game revenues as well as land lease payments and property taxes on the Bangor gaming facility. In October 2005, the City established a special revenue fund to account for its share of gross slot and table game revenues to be used primarily to finance the cost to replace our auditorium and civic center. In August 2011, the City broke ground to replace the aging facility with a right sized state of the art Arena and meeting complex. In July 2013, the facility was officially named the Cross Insurance Center. Construction of the \$68.7 million facility was completed in the summer of 2013 and its grand opening was held in September 2013.

The City has identified the need to enhance quality of life and housing opportunities within a targeted west side neighborhood. Beginning in FY 2013, the City held a variety of stakeholder and neighborhood meetings, all of which were well attended and received, to develop a plan that can be implemented in the coming years. In addition, a consultant was engaged to develop a wide range plan of action to follow. This plan was recently reviewed with the City Council and the City, on its own, and in conjunction with private developers, is beginning to implement the recommendations.

Progress continues in the redevelopment of almost a mile of prime Penobscot River frontage extending from the City's downtown area to the Bass Park Complex. A majority of the required infrastructure has been installed, for which the City has been successful in obtaining partial funding from both State and Federal agencies. This investment has resulted in the development of a significant regional entertainment and recreational area.

Over the years, the City has invested significant resources and effort to improve our local environment and protect our natural resources. Over the past year, the major emphasis has been on storm water management issues. Storm water quality requirements and related regulations affect various water bodies within our corporate limits and a number of watershed management plans are in various stages of development and implementation throughout the City. The City has taken a proactive approach to addressing storm water issues and has begun the process

to implement a storm water utility in order to fund the costs associated with storm water management.

Relevant Financial Policies. City policy prescribes uses for unassigned fund balances. In general, unassigned fund balance is not to be used to fund any portion of the on-going and routine year to year operating expenditures of the City. It is to be used primarily to ensure adequate fund balances, to respond to unforeseen emergencies, and to provide overall financial stability.

By Charter, the City is to maintain an unassigned fund balance of no more than 16.66% and no less than 8.33% of prior year expenditures, and the Council has determined that a reasonable target is 8.33%. Unassigned fund balance in the general fund as of June 30, 2013 was 8.90% of expenditures, net of debt service.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bangor for its comprehensive annual financial report for the fiscal year ended June 30, 2012 for the seventeenth consecutive year. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this document would not have been possible without the hard work of all of the City's employees. Each one contributes on a daily basis, simply by carrying out the responsibilities of their positions.

Our sincerest thanks are once again extended to our citizens and the Bangor City Council for their continued support for our efforts to further develop the City's financial management and reporting capabilities. We are confident that we have once again met their expectations.

Respectfully submitted,



Debbie Cyr
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

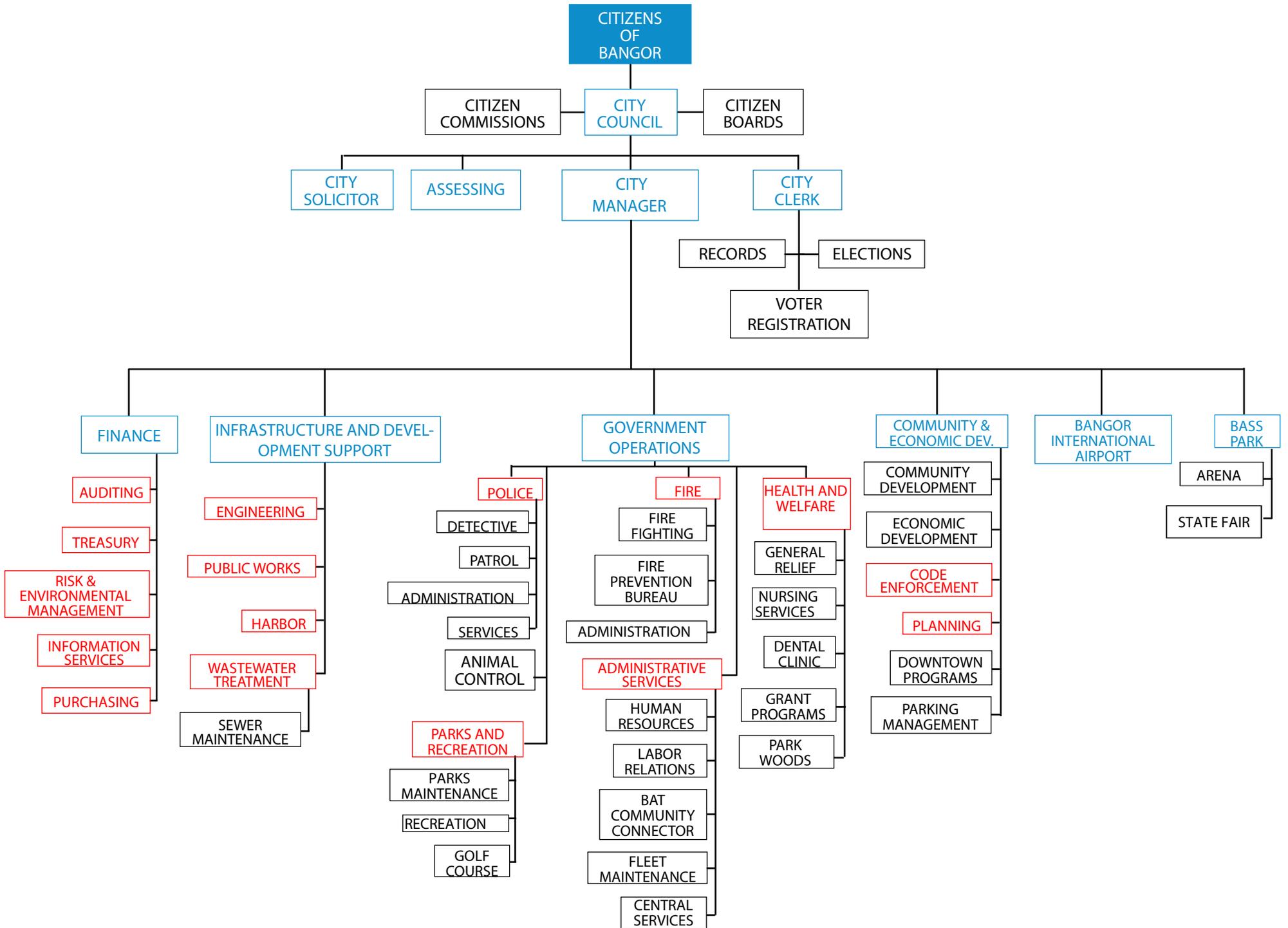
**City of Bangor
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF BANGOR ORGANIZATIONAL CHART Revised (06/13)



**City of Bangor, Maine
Elected Officials and Principal Administrative Officers
June 30, 2013**

City Council

Nelson Durgin, Chair

Joseph Baldacci
Pauline Civiello
Susan Hawes
David Nealley

Patricia Blanchette
James Gallant
Charles Longo
Benjamin Sprague

City Staff

Catherine M. Conlow, City Manager
Benjamin F. Birch, City Assessor
Lisa Goodwin, City Clerk
Norman Heitmann, City Solicitor

School Committee

Phyllis Guerette, Chair

Warren Caruso, Vice Chair
Sarah Smiley
Jay Ye

Marc Eastman
Christine Szal
Vacant

School Staff

Betsy Webb, Superintendent of Schools

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FINANCIAL SECTION

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Independent Auditor's Report

City Council
City of Bangor, Maine:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discreetly-presented component unit, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules 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 Bangor, Maine's basic financial statements. The introductory section, combining and individual fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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.

City Council
City of Bangor, Maine

In our opinion, the combining and individual fund financial statements and schedules are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the City of Bangor, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bangor, Maine's internal control over financial reporting and compliance.



December 20, 2013
South Portland, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Bangor offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. In addition to comparative information from the government-wide statements, comparative data is also presented on key information from the fund financial statements. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages I-1 to I-6 of this report.

Financial Highlights

- The assets of the City of Bangor exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$204.7 million (net position).
- At the close of fiscal year 2013, the City of Bangor's governmental funds reported combined ending fund balances of \$25.5 million, a decrease of \$28.2 million over the restated prior year balance, the restatement was an increase of \$36.4 million (See Note H) which was partially offset by an increase of \$8.2 million in current year activity. Current year increase was primarily due to the accumulation of committed and assigned fund balances for future payment of the Arena debt service and specific near term capital projects. Approximately 75% of the total amount, or \$19.2 million, is either committed, assigned or unassigned and is available for spending at the City Council's discretion, if needed.
- The City of Bangor has a fund balance policy. By Charter, the City is to maintain an unassigned fund balance of no more than 16.66% and no less than 8.33% of prior year expenditures, net of debt service and the Council has determined that a reasonable target is 8.33%. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7.7 million, or 8.90% of the general fund expenditure base. The annual calculation is included within the financial statements as Schedule F-2.
- The total liabilities and deferred inflows of resources of the City's governmental funds decreased by \$4.8 million (25.1%), primarily due to the payment of a significant account payable and interim financing related to the Cross Insurance Center construction. Enterprise fund liabilities increased by \$60.7 million (161.0%), primarily due to the issuance of the permanent financing of the construction of the Cross Insurance Center and the timing of accounts payable which can vary drastically from year to year depending upon the timing of invoices received and/or the projects being undertaken.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Bangor's basic financial statements. These statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements present the financial picture of the City from the point of view of economic resources measurement and using the accrual basis of accounting, which is similar to that used by private-sector companies. These statements present governmental activities and business-type activities separately.

The statement of net position includes all of the City's assets, liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are accrued but not yet paid or collected but will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee vacation leave).

These statements are divided into two categories: governmental activities and business-type activities.

- Governmental activities – Most of the City's basic services are included here, such as the general government, public safety, public works, health and welfare, education, and parks and recreation. These activities are principally supported by taxes and intergovernmental revenues.
- Business-type activities – Currently, the City operates the following business-type activities: Bangor International Airport, Sewer Utility, the Bass Park Complex, Parking, Golf Course, Economic Development, and the Park Woods Complex.

The government-wide financial statements can be found on pages II-18 to II-19 of this report.

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 of Bangor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds are used to account for mostly the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The City of Bangor maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Development Block Grant, Arena fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements (Schedule B) elsewhere in this report.

The City of Bangor adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Schedule A-2).

- Proprietary funds are used to account for essentially the same functions reported as business-type activities in the government-wide financial statements. Enterprise funds are the only type of proprietary funds maintained by the City. The proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

The City maintains seven individual proprietary funds, of which the Sewer Utility, Airport, Bass Park and Economic Development Funds are considered to be major. Data from three other proprietary funds is combined into a single aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements (Schedule C) elsewhere in this report. The City of Bangor adopts annual budgets for all of its proprietary funds. Budgetary comparison statements have been provided for each proprietary fund to demonstrate compliance with budgets (Schedule C4 – C10).

- Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Fiduciary Statement of Net Position is included in this report as Exhibit 10.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages II-30 through II-55 of this report.

Government-wide Financial Analysis

The following is a condensed version of the Statement of Net Position.

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012*	2013	2012*	2013	2012
Current & other assets	39,522,674	35,141,366	26,067,159	23,744,869	65,589,833	58,886,235
Capital assets, net of						
accumulated depreciation	76,641,969	75,265,288	236,621,877	212,611,248	313,263,846	287,876,536
Total assets	116,164,643	110,406,654	262,689,036	236,356,117	378,853,679	346,762,771
Long-term debt outstanding	70,199,367	87,046,162	87,282,407	30,927,074	157,481,774	117,973,236
Other liabilities	6,637,178	10,792,741	4,978,188	3,433,904	11,615,366	14,226,645
Total liabilities	76,836,545	97,838,903	92,260,595	34,360,978	169,097,140	132,199,881
Deferred inflows of resources	5,082,840	5,009,200	-	-	5,082,840	5,009,200
Total deferred inflows	5,082,840	5,009,200	-	-	5,082,840	5,009,200
Net position:						
Net investment in capital assets	54,540,288	51,140,022	165,548,784	189,171,941	220,089,072	240,311,963
Restricted	1,041,443	1,039,248	-	-	1,041,443	1,039,248
Unrestricted	(21,336,473)	(8,198,487)	4,879,657	12,823,198	(16,456,816)	4,624,711
Total net position	34,245,258	43,980,783	170,428,441	201,995,139	204,673,699	245,975,922

* Restated See Other Information Note H

By far the largest portion of the City's net position reflects its net investment in capital assets (i.e., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to satisfy these liabilities. Restricted net position are those resources that are subject to external restrictions on how they may be used; such as donor, legal or granting agency restrictions. While the remaining balance of unrestricted net position has a deficit of \$16.5 million, the governmental activity deficit of \$21.3 million is partially offset by the business type activities balance of \$4.9 million. The governmental activity deficit is primarily due to \$24.0 million in outstanding pension obligation bonds.

Governmental-type net position decreased \$9.7 million. The major component associated with the decrease in governmental-type net position is the spend down in Arena funds associated with the construction of the Cross Insurance Center, net of the receipt of \$2.1 million of revenues that result from the casino operation.

Business-type net position increased by \$4.9 million. The increase in net position was largely driven by a transfer of resources from the Arena Fund to the Bass Park Fund related to the construction of the Cross Insurance Center. This was dampened by the fact that user fees cannot absorb annual depreciation expense, due to the significant cost of infrastructure, specifically within the Airport Fund. Airport infrastructure investments are typically funded via the federal/state Airport Improvement Plan, which provides 97.5% of the funding for projects or the Passenger Facility Charges, which is a federally regulated program whereby per passenger fees are collected from the airlines.

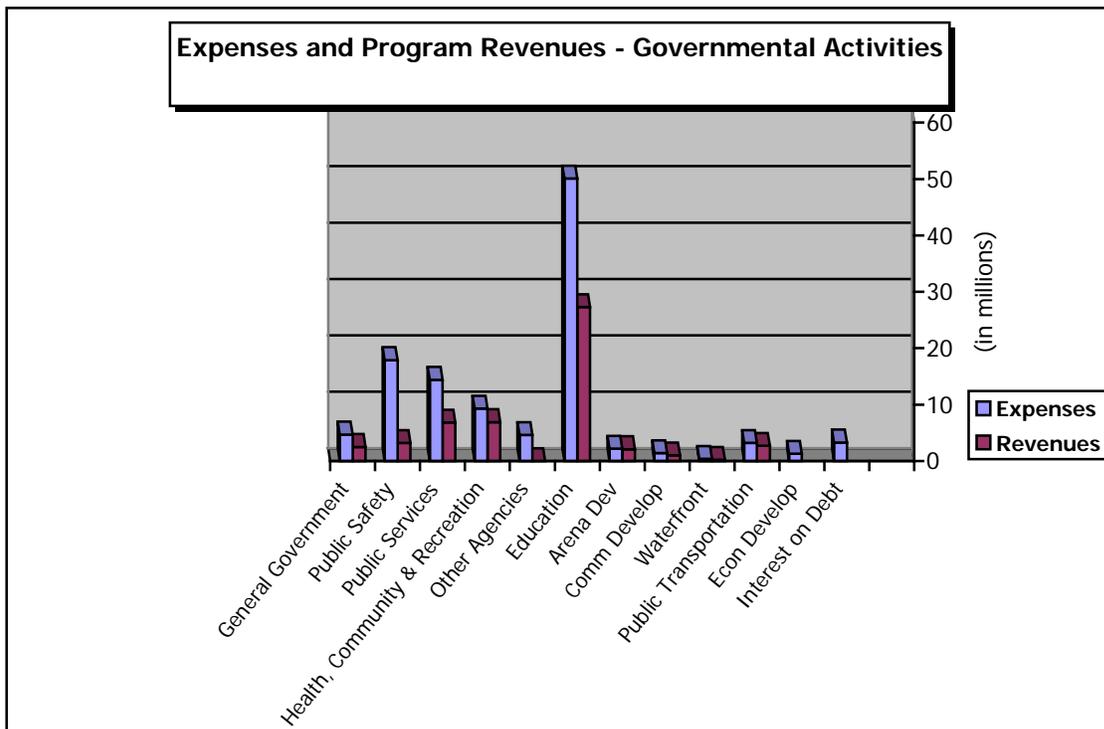
Changes in Net Position

The following is a condensed version of the Statement of Activities.

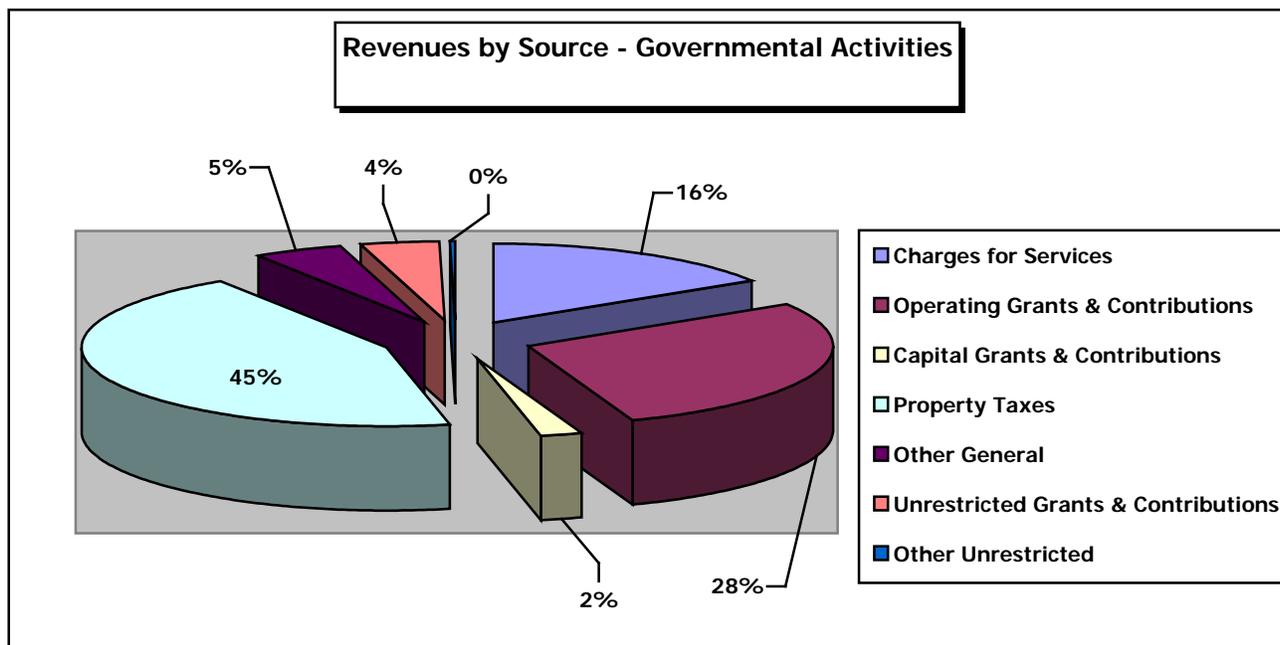
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	17,728,344	18,191,551	23,460,843	23,613,090	41,189,187	41,804,641
Operating grants & contributions	31,901,386	33,137,275	-	-	31,901,386	33,137,275
Capital grants & contributions	2,345,794	3,725,432	6,121,523	2,351,779	8,467,317	6,077,211
General Revenues						
Property and other taxes	54,983,518	53,646,508	-	-	54,983,518	53,646,508
Grants and contributions not restricted to specific programs	4,857,030	4,963,161	-	-	4,857,030	4,963,161
Other	169,680	547,329	85,075	543,493	254,755	1,090,822
Total Revenues	111,985,752	114,211,256	29,667,441	26,508,362	141,653,193	140,719,618
Expenses						
General government	4,733,021	4,490,599	-	-	4,733,021	4,490,599
Public safety	17,864,294	18,016,430	-	-	17,864,294	18,016,430
Health, community and recreation	9,298,196	8,455,977	-	-	9,298,196	8,455,977
Public services	14,408,500	15,399,933	-	-	14,408,500	15,399,933
Other agencies	4,630,915	4,209,428	-	-	4,630,915	4,209,428
Education	50,145,937	51,223,806	-	-	50,145,937	51,223,806
Arena development	2,201,200	536,251	-	-	2,201,200	536,251
Community development	1,356,184	1,152,289	-	-	1,356,184	1,152,289
Waterfront	381,437	606,249	-	-	381,437	606,249
Public transportation	3,250,752	3,276,780	-	-	3,250,752	3,276,780
Interest on debt	3,343,590	2,710,135	-	-	3,343,590	2,710,135
Economic development (tif)	1,334,470	1,502,503	-	-	1,334,470	1,502,503
Sewer Utility	-	-	6,827,790	6,758,495	6,827,790	6,758,495
Airport	-	-	20,722,960	20,752,350	20,722,960	20,752,350
Economic Development	-	-	586,140	615,816	586,140	615,816
Park Woods	-	-	473,289	533,671	473,289	533,671
Parking	-	-	972,327	995,631	972,327	995,631
Bass Park	-	-	3,314,865	1,919,301	3,314,865	1,919,301
Municipal Golf Course	-	-	687,317	671,113	687,317	671,113
Total Expenses	112,948,496	111,580,380	33,584,688	32,246,377	146,533,184	143,826,757
Excess (deficiency) before transfers	(962,744)	6,282,337	(3,917,247)	(5,738,015)	(4,879,991)	(3,107,139)
Transfers	(8,772,781)	(417,042)	8,772,781	417,042	-	-
Change in net position	(9,735,525)	5,644,439	4,855,534	(2,256,880)	(4,879,991)	(3,107,139)

Governmental Activities

The cost of all governmental activities was \$112.9 million. As shown on the Statement of Activities, the total amount financed by the property tax was \$49.9 million, or 44.3% of expenses. Those who directly benefit from an activity provided \$17.7 million in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$31.9 million. Capital grants and contributions accounted for \$2.3 million. The City also received \$10.1 million in other general revenues such as state revenue sharing, motor vehicle and boat excise taxes, homestead exemptions, and interest earnings.



Total governmental activities expenses remained relatively flat over the prior year with an increase of \$1.3 million. During FY 2013, City employees did receive a cost of living adjustment of 1.5% and health insurance increases were lower than anticipated at 8.3% due to the City's lower utilization rates and the effects of employee/insurer driven wellness initiatives in prior years.

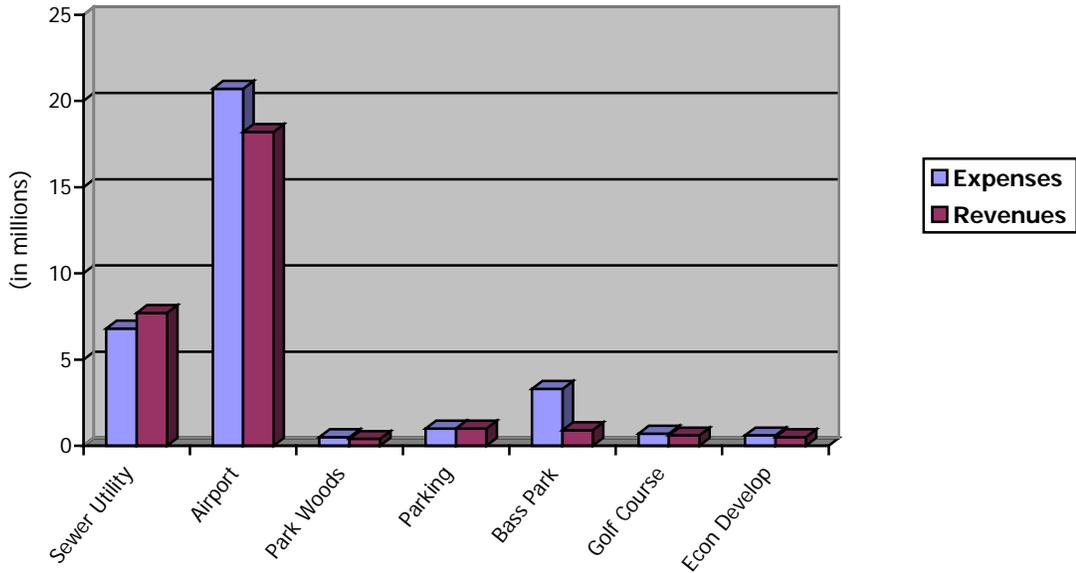


Total governmental activities' revenues decreased \$2.2 million, or 1.9%. The largest single source of revenue continues to be the property tax, which increased \$1.4 million. Capital grants and contributions decreased \$1.4 million due to a reduction of \$400 thousand in Federal Highway funding related to general street reconstruction and Safe Routes to School grants, a \$400 thousand reduction in Neighborhood Stabilization Federal funds, and the remainder represents reductions in capital grant funding in support of Public Safety, Waterfront and public transportation improvements. Operating grants and contributions decreased \$1.2 million due to a reduction of \$1.9 million in State and Federal funding of education in FY 2013. In total, charges for services remained relatively flat with a decrease of \$463 thousand.

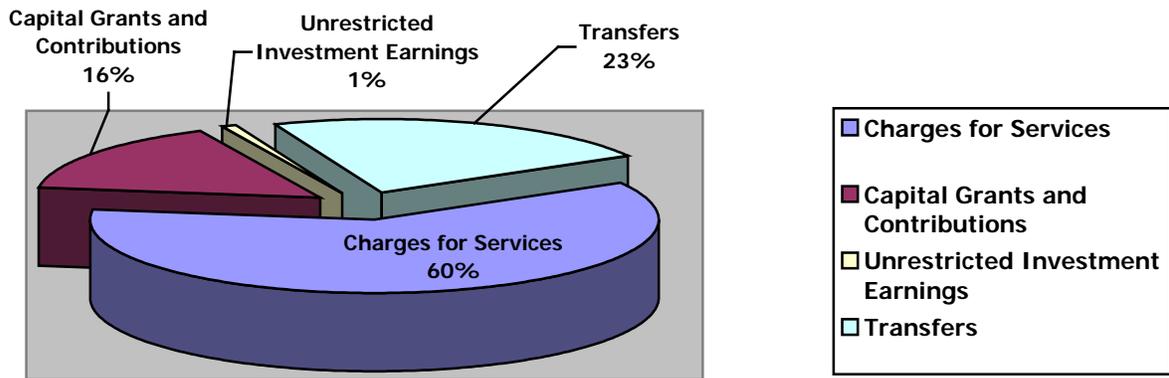
Business-type Activities

Total business-type activities expenses increased \$1.3 million compared to prior year levels. For FY 2013, the City employees working in business-type activities did receive a 1.5% cost of living adjustment and health insurance increases were lower than anticipated at 8.3% due to the City's lower utilization rates and the effects of employee/insurer driven wellness initiatives in prior years. Lastly, there was a significant increase in interest expense related to the permanent financing of the Cross Insurance Center, which is recorded as a capital asset in the Bass Park Fund.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



In total, business-type activities revenue increased significantly \$3.2 million or 12.1%, \$3.7 million of which was attributable to an increase in capital contributions. Airport related federal grants vary year to year due to the biannual funding cycle. Business activities realized \$198 thousand less in investment earnings and received \$8.4 million more in transfers related to the costs associated with the Cross Insurance Center construction and start up costs.

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's governmental funds reporting is to provide information on near-term inflows, outflows, and balances of spendable resources. Fund balance is the measure of a governmental fund's spendable resources. Governmental funds report fund balances in one of five possible classifications. The nonspendable portion of fund balance cannot be spent. Restricted fund balances are subject to externally enforceable legal restrictions. Committed fund balances are subject to limitations the City Council has imposed, that are binding unless removed in the same manner. Assigned fund balances reflect the intended use of resources. Unassigned fund balances are resources which have not been classified in any other category. Only the General Fund can report a positive unassigned fund balance amount.

At fiscal year end, the City of Bangor's governmental funds reported combined ending fund balances of \$25.5 million, a decrease of \$28.2 million over the restated prior year balance. The restatement was an increase of \$36.4 million (See Note H). The current year increase of \$8.2 million was primarily due to the accumulation of committed and assigned fund balances for future payment of the Arena debt service and specific near term capital projects. Of the ending balance of \$25.5 million, approximately 75% of this total (\$19.2 million) is either committed, assigned or unassigned and is available for spending by formal action of the City Council and \$2.9 million, or 11.4%, is restricted. The remainder is nonspendable, indicating that it is in the form of nonspendable assets such as inventory, prepaid expenditures and allowance for advances made to other funds.

The General Fund is the chief operating fund of the City and is comprised of two major functions, education and municipal services. At the end of the fiscal year, the General Fund's total fund balance was \$15.2 million, a \$1.6 million decrease from the prior year's balance of \$16.8 million. Generally, the overall decrease in fund balance is related to the anticipated spend down of education related restricted fund balances and Arena Pre-opening committed and subsequent year expenditures assigned fund balances. The municipal unassigned fund balance increased by \$163 thousand.

The Community Development Block Grant Fund accounts for the annual entitlement grant funds received under the Housing and Community Development Act of 1974. Total expenditures for FY 2013 were relatively unchanged compared to the prior year, which was as expected based on the annual grant award of approximately \$746 thousand annually. As anticipated, the annual federal award amount decreased by 21% over FY 2012 levels. This reduction is in addition to the nearly 16% reduction the City experienced in FY 2012 over prior year levels.

The Arena Fund accounts for the allocation of slot and table game revenues received by the City from the operation of the casino. The fund was established to finance the cost to replace the aging Bangor Auditorium and Civic Center. During the year, the Arena provided an additional \$8.1 million towards the final project cost of \$68.7 million, the balance was financed with general obligation bonds which are accounted for in the Bass Park Fund.

The Capital projects fund varies significantly from year to year depending upon City Council priorities and available funding opportunities. Total expenditures decreased \$6.8 million over the prior year. Prior year expenditures included a significant one-time expenditure of \$4.3

million to refund capital project related debt and \$479 thousand for the Penobscot River coal tar remediation project.

Proprietary funds. Information on the City of Bangor's proprietary funds is similar to that found in the government-wide financial statements, but in more detail. The net position of the seven enterprise funds increased \$4.9 million to a total of \$170.4 million. With the exceptions of increased capital grants received by the Airport Fund and the significant transfer of resources from the Arena and General Funds in support of the capital costs and pre-opening costs related to the Cross Insurance Center, all other operating revenues and expenses remained relatively flat. The increase in net position is mitigated by the fact that depreciation expense exceeds capital acquisitions in the Airport and Sewer Funds.

General Fund Budgetary Highlights

For budgetary financial statement purposes, all balances carried from the prior year are added to the subsequent year's total appropriation. This resulted in an overall budgetary increase of \$4.3 million. There were minimal additional amendments to the originally adopted budget. The City's commitment to budgetary integrity continues, while actual operating revenues ended the year under budget estimates 1.28%, or \$1.2 million, municipal expenditures were under budget by 6.03%, or \$5.9 million, which more than offset the negative revenue variance. Education expenditures were under budget by \$5 million or 9.7%, executive expenditures were over budget by \$346 thousand due to fleet maintenance costs and parks and recreation expenditures were over budget due to the addition of expanded before and after school programming during the year. There were adequate under expenditures in other municipal areas to offset the revenue shortfall and any over expenditures. By statute, education balances must be segregated from municipal balances.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2013, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$313.3 million (net of accumulated depreciation), an increase of \$25.7 million over the prior year. This investment includes land, buildings, machinery and equipment, roads, runways, and sewer lines. The increase in the City's investment in capital assets for the current fiscal year is due to a \$27.6 million outlay related to the construction of the Cross Insurance Center. Governmental activities invested \$5.5 million, and business-type activities invested \$35 million and depreciation expense was \$4 million and \$10.6 million, respectively.

Major capital asset events during the current fiscal year included the following;

- The school department utilized its allocation of Qualified School Construction Bonds to capitalize \$1.8 million in rehabilitating and upgrading the City's various school facilities. These bonds were issued at a taxable rate with a federal interest rate subsidy under the provisions of the American Recovery and Reinvestment Act.
- Construction of the Cross Insurance Center began in August of 2012 and was completed in September 2013. During the year, the City invested \$27.6 million in this project and the total estimated project cost is approximately \$68.7 million.
- The City continues to enhance its recreational infrastructure on our waterfront with an additional \$1.27 million investment this year.

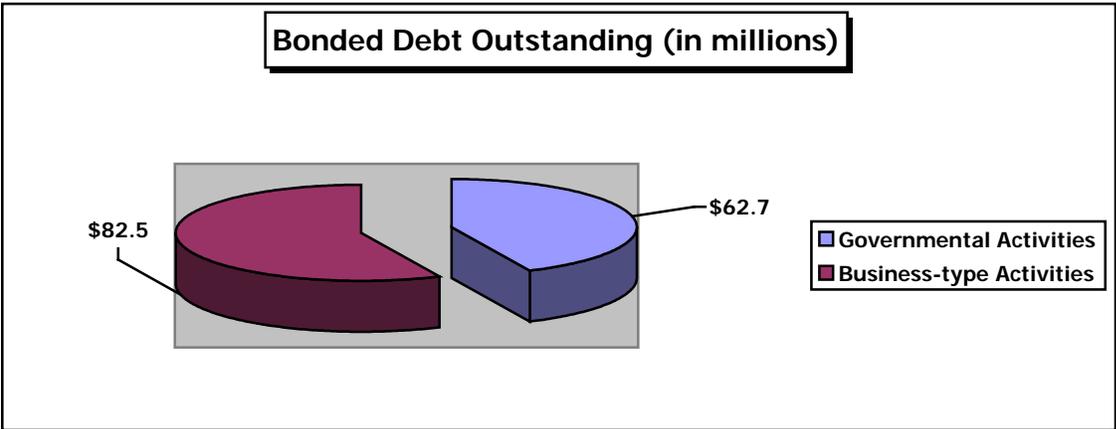
- Additionally, the City continues to invest in its core functions of infrastructure and vehicle replacements. This year the City expanded its surface infrastructure with traffic enhancements, additional sidewalks and acceptance of new streets, which amounted to \$770 thousand in additions and spent \$1.2 million to replace vehicles.
- The Airport Fund invested \$6 million in operational assets at Bangor International Airport including apron improvements, general building improvements, master planning, as well as the replacement of the primary underground power system. Nearly \$5.1 million of this investment was funded through the Federal Department of Transportation's Airport Improvement Plan, which provides 92.5% federal and 2.5% state funding for approved projects.

Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land and improvements	12,612,926	5,371,802
Buildings and improvements	42,756,232	74,377,647
Machinery and equipment	2,254,528	3,037,542
Vehicles	7,017,629	-
Infrastructure	11,533,523	46,223,671
Parking structures	-	2,959,054
Aircraft operational assets	-	98,322,215
Construction in process	467,131	6,329,946
Total	76,641,969	236,621,877

Additional information on the City's capital assets can be found in Note C, Detailed Notes on all funds, of this report.

Debt Administration



At fiscal year end, the City had a total outstanding bonded debt of \$145.2 million, an increase of \$35.8 million during the year.

The City's general obligation debt obtained a "AA" rating from Standard & Poor's and a "Aa2" rating from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total State assessed valuation. The current debt limit for the City is \$369.6 million, an amount which is significantly in excess of existing general obligation debt.

In November 2012, residents approved a citizen-initiated Charter amendment to require voter ratification of certain debt issuances. Voter ratification will be required for individual projects in excess of five one-hundredths of one percent of the City's last certified State Valuation, that do not meet certain exemptions such as streets, sewer, self-supporting enterprise funds, refunding, etc.

Additional information on the City's long-term debt can be found in Note I on pages II-44 to II-47 of this report.

Cross Insurance Center

For nearly thirty years, City Councils have been actively working to replace the City's aging, inadequately sized and equipped auditorium and civic center. Their long term goal and vision has come to its long awaited and realization in September 2013, with the opening of a state-of-the-art 5,800 fixed seat arena and conference center, known as the Cross Insurance Center. Since the introduction of gaming operations in the City, the City Council has directed all rents and State taxes received by the City from the operation of casino be deposited into a separate special revenue fund to be used for costs associated with replacing its aging facility.

To ensure the long term success of this facility, the City has engaged the services of a private management company, Global Spectrum. While the FY 2014 budget is anticipated to breakeven, that is due to the three months of pre-opening costs that were anticipated prior to the grand opening. Going forward it is anticipated that the facility will generate net income. In addition to the traditional revenue streams of ticket sales and rentals, the expectation is that the facility will generate significantly higher annual ancillary revenues in the areas of naming rights, concessions/food and beverage, seat licensing, advertising and suite sales. The City expects to receive sufficient revenues from naming rights, Arena Fund revenues and Downtown Tax Increment Financing District funds to pay the debt service costs. Since it's opening in September, the City has also entered into a tentative developer agreement with a hotelier to construct a 100+ room hotel adjacent to the new facility.

State of Maine Biennial Budget

The recently enacted State Biennial budget proved once again challenging to Maine municipalities. The initial budget proposed by the Governor included substantial changes to programs that had a potentially significant negative impact on individual property owners and municipalities alike. While the final adopted Biennial budget did temper some of the original proposals, it still resulted in considerable reductions at the municipal level.

Revenue sharing was established to share a portion of sales and income taxes generated by municipally based economic activity. These funds cover some of the increased operating and capital costs necessary to support the activity, which generates Maine State sales and income tax revenue. Understanding that not all economic activity results in increased property taxes, such as hospitals, educational institutions, etc.. Beginning in FY 2010, the State began to reduce the Revenue Sharing pool by a fixed "one-time" amount to balance the State biennial

budget. What began as a one-time reduction of \$25 million, has become a \$44.5 million fixed transfer to the State General Fund for FY 2014. In 2012, Bangor generated \$1.21 billion in taxable sales or \$60.4 million in sales tax receipts alone. If the State complied with existing Statute, the City would be entitled to in excess of \$5 million in revenue sharing versus \$2.3 million currently anticipated. This resulted in a reduction of \$1.4 million over FY 2013 levels. The FY 2014 allocation is also subject to further refinement should the State be unable to identify an additional \$40 million in savings a corresponding reduction to the Revenue Sharing pool will be made. If that were to happen, the City would realize an additional \$1.4 million reduction during FY2014.

As part of the biennial budget, the State of Maine transferred a portion of teacher retirement costs to the local school districts. Until FY2014, the State of Maine provided 100% of the employer's retirement contribution for teachers. While the shift is only for the normal cost portion of the employer's contribution and funding was added to the State Aid to Education funding to offset the costs, this change in practice bears watching to ensure that other portions of the costs are not shifted to the local school districts without additional state funding or a reduction in existing state funding levels of education

Changes to the General Assistance reimbursement formula and business personal property tax programs initially proposed, were not enacted, it is likely that these issues will come forward again in the coming session as well as the funding level of State Aid to Education.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Bangor for FY 2013 was 6.7%, which continues to be on par with or below both the county and State rates of 7.6% and 6.8%, respectively.
- While Bangor represents less than 3% of the state's population, the City's share of retail sales is nearly 7% of total statewide sales.
- Bangor has experienced a slowing in the rate of appreciation of existing homes. We project that existing home values will remain flat or increase slightly in the coming year.
- Value of commercial properties has begun to increase slightly after realizing significant downward adjustments made in FY 2010 and remaining flat since.
- Bangor businesses continue to reinvest in personal property. While not subject to local taxation, the State reimburses each municipality on an annually declining percentage of the calculated tax on the investment. BETE value (net of depreciation) for FY 2014 increased \$6.6 million, or 10%, for a total of \$72.6 million.

The City is subject to a state statutory tax levy calculation system (known as LD 1). Generally, the growth of the tax levy is limited to an increase equal to the ten year average percentage change in real statewide personal income plus taxes from property value resulting from new construction, major renovations to existing properties, or the subdivision of property less any "net new state funding". For Fiscal Year 2013, the City's LD 1 tax levy limit was as follows:

Prior Year Base Municipal Commitment		\$ 21,014,976
Growth Factor:		4.87%
Average Real Personal	1.43%	
Property Growth Factor	3.44%	
Net New State Funds		-
Municipal Commitment		\$ 26,554,981

The Fiscal Year 2013 budget was within the statutory tax levy limit.

The State's "Essential Programs and Services" model is a mechanism designed to allocate state funding to local school units and to control local school expenditures. While the State's model recognizes what it considers to be essential programs and their appropriate funding level, the Bangor School Department has identified a number of programs that are either under-funded or not funded by this model. As a result, both the School Committee and the City Council voted to increase the educational spending limits for both Fiscal Year 2013 and 2014 in order to fund such services and programs and their actions were approved, as required, via a local election.

In response to the continued uncertainty surrounding the national economy, management has been closely tracking not only revenues and expenditures, but also foreclosure, liens, unemployment rates, construction starts and related building permit levels, and the State of Maine's budgetary projections. The City continues to see only slight increases in foreclosure and lien rates and will continue to monitor these levels and take steps to assist our tax/rate payers in obtaining assistance wherever possible. Both residential and commercial construction and permitting has begun to increase slightly.

The Maine State Legislature will return to session in January 2014. But at this time it is not clear what form any supplemental budget appropriation will take (refer to State of Maine Biennial Budget section for additional information). City and school management will closely monitor legislative actions, as it is highly likely that their actions will impact municipal/education funding in one form or another.

We continue to monitor key revenue areas such as: flat investment yield curves, automobile excise taxes, property tax collection and State sales and income tax collections that impact the City's share of State Revenue Sharing. The fiscal year 2014 budget reflects the City's historical results for these revenue sources, and actual results to date appear to be on track with budgetary estimates. User fees for governmental and business-type activities are reviewed on an annual basis to ensure that fee structures are sufficient to cover service costs. Many fees are adjusted annually for inflation. For the Fiscal Year 2014 budget, the City Council's goal was to minimize any tax rate increase, continue to recover from austere budget trends and increase operating efficiencies. As always this goal was challenging due to continued reductions in State and Federal funding, relatively flat non-property tax revenue projections and assessed value. These challenges were partially offset by strategic reductions in staffing and a continued increase in BETE valuation. The afore referenced actions coupled with a small increase in property taxes of 5.8% allowed the City Council to provide a 1.5% cost of living increase to employees, maintain increased levels of investment in infrastructure, as well as the practice of funding assigned fund balances for future capital purchases on a current basis.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Bangor's finances. Questions concerning any of this information should be addressed to the Finance Director, City of Bangor, 73 Harlow Street, Bangor, ME 04401 or via email to finance@bangormaine.gov.

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BASIC FINANCIAL STATEMENTS



CITY OF BANGOR, MAINE
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bangor Public Library
ASSETS				
Cash and cash equivalents	\$ 16,707,713	\$ 7,218,872	\$ 23,926,585	\$ 738,738
Investments	174,570	15,044,928	15,219,498	12,020,665
Receivables:				
Accounts (net of allowance of \$475,341 and \$573,353, respectively)	1,467,795	6,120,094	7,587,889	2,944,852
Intergovernmental	3,466,180	698,093	4,164,273	-
Taxes and liens receivable - prior years	1,508,020	-	1,508,020	-
Taxes receivable - current year	1,302,812	-	1,302,812	-
Unearned special assessments	30,130	87,664	117,794	-
Due from water district	-	26,863	26,863	-
Loans (net of \$170,317 allowance)	7,804,046	2,449,643	10,253,689	-
Internal balances	6,187,694	(6,187,694)	-	-
Inventories	797,655	322,435	1,120,090	-
Prepaid items	76,059	40,661	116,720	15,766
Other assets	-	245,600	245,600	-
Non-depreciable capital assets	5,559,499	10,295,942	15,855,441	-
Depreciable capital assets, net	71,082,470	226,325,935	297,408,405	6,359,534
Total assets	116,164,643	262,689,036	378,853,679	22,079,555
LIABILITIES				
Accounts payable and other current liabilities	2,514,476	4,725,241	7,239,717	170,177
Accrued wages and benefits payable	4,026,131	252,947	4,279,078	-
Unearned revenues	96,571	-	96,571	-
Noncurrent liabilities:				
Due within one year	6,697,047	2,517,366	9,214,413	99,765
Due in more than one year	63,502,320	84,765,041	148,267,361	498,640
Total liabilities	76,836,545	92,260,595	169,097,140	768,582
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - loans	5,082,840	-	5,082,840	-
Total deferred inflows of resources	5,082,840	-	5,082,840	-
NET POSITION				
Net investment in capital assets	54,540,288	165,548,784	220,089,072	5,834,356
Restricted for:				
Nonexpendable trust principal	574,492	-	574,492	4,305,058
Expendable income	466,951	-	466,951	10,501,440
Unrestricted	(21,336,473)	4,879,657	(16,456,816)	670,119
Total net position	\$ 34,245,258	\$ 170,428,441	\$ 204,673,699	\$ 21,310,973

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Functions/programs	Program Revenues				Net (expense) revenue and changes in net position			Component Unit Bangor Public Library
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total	
					Governmental activities	Business-type activities		
Primary government								
Governmental activities:								
General government	\$ 4,733,021	\$ 2,214,675	\$ -	\$ -	\$ (2,518,346)	\$ -	\$ (2,518,346)	\$ -
Public safety	17,864,294	3,418,686	446,620	341,231	(13,657,757)	-	(13,657,757)	-
Health, community services and recreation	9,298,196	1,139,382	5,756,384	-	(2,402,430)	-	(2,402,430)	-
Public services	14,408,500	3,520,517	-	1,837,109	(9,050,874)	-	(9,050,874)	-
Other agencies	4,630,915	-	-	-	(4,630,915)	-	(4,630,915)	-
Education	50,145,937	3,835,409	23,496,306	-	(22,814,222)	-	(22,814,222)	-
Arena development	2,201,200	2,079,869	-	-	(121,331)	-	(121,331)	-
Community development	1,356,184	474,013	522,833	-	(359,338)	-	(359,338)	-
Waterfront	381,437	-	-	167,454	(213,983)	-	(213,983)	-
Public transportation	3,250,752	1,045,793	1,679,243	-	(525,716)	-	(525,716)	-
Economic development (tif)	1,334,470	-	-	-	(1,334,470)	-	(1,334,470)	-
Interest on debt	3,343,590	-	-	-	(3,343,590)	-	(3,343,590)	-
Total governmental activities	112,948,496	17,728,344	31,901,386	2,345,794	(60,972,972)	-	(60,972,972)	-
Business-type activities:								
Sewer Utility	6,827,790	7,708,101	-	-	-	880,311	880,311	-
Airport	20,722,960	12,069,935	-	6,093,242	-	(2,559,783)	(2,559,783)	-
Park Woods	473,289	417,407	-	-	-	(55,882)	(55,882)	-
Parking	972,327	960,947	-	28,281	-	16,901	16,901	-
Bass Park	3,314,865	1,249,595	-	-	-	(2,065,270)	(2,065,270)	-
Municipal Golf Course	687,317	592,825	-	-	-	(94,492)	(94,492)	-
Economic Development	586,140	462,033	-	-	-	(124,107)	(124,107)	-
Total business-type activities	33,584,688	23,460,843	-	6,121,523	-	(4,002,322)	(4,002,322)	-
Total primary government	\$ 146,533,184	\$ 41,189,187	\$ 31,901,386	\$ 8,467,317	(60,972,972)	(4,002,322)	(64,975,294)	-
Component unit								
Bangor Public Library	\$ 2,877,657	1,099,919	2,194,902	3,588,549	-	-	-	\$ 4,005,713
General revenues:								
Property taxes, levied for general purposes					49,930,989	-	49,930,989	-
Payment in lieu of taxes					95,620	-	95,620	-
Excise taxes					4,594,821	-	4,594,821	-
Franchise taxes					362,088	-	362,088	-
Grants and contributions not restricted to specific programs:								
Homestead/BETE exemption					1,318,115	-	1,318,115	-
Other State aid					25,204	-	25,204	-
State Revenue Sharing					3,513,711	-	3,513,711	-
Unrestricted investment earnings					57,620	345,932	403,552	70,506
Gain/loss on sale of asset					-	(260,857)	(260,857)	-
Miscellaneous revenues					112,060	-	112,060	-
Transfers					(8,772,781)	8,772,781	-	-
Total general revenues and transfers					51,237,447	8,857,856	60,095,303	70,506
Change in net position					(9,735,525)	4,855,534	(4,879,991)	4,076,219
Net position, beginning of year (Restated see Other Information Note H)					43,980,783	165,572,907	209,553,690	17,234,754
Net position, end of year					\$ 34,245,258	\$ 170,428,441	\$ 204,673,699	\$ 21,310,973

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,058,272	\$ 193,916	\$ 2,608,910	\$ 5,111,198	\$ 735,417	\$ 16,707,713
Investments	50,000	-	-	-	124,570	174,570
Receivables:						
Taxes	2,810,832	-	-	-	-	2,810,832
Accounts (net of allowance of \$475,341)	1,246,085	-	152,631	-	69,079	1,467,795
Interfund	6,415,524	-	-	-	-	6,415,524
Intergovernmental	2,625,755	293,802	-	357,674	188,949	3,466,180
Loans/Notes (net of \$170,317 allowance)	820,615	4,892,710	-	-	2,090,721	7,804,046
Unearned special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	797,655	-	-	-	-	797,655
Prepaid items	76,059	-	-	-	-	76,059
Total assets	\$ 22,900,797	\$ 5,380,428	\$ 2,761,541	\$ 5,499,002	\$ 3,208,736	\$ 39,750,504
LIABILITIES						
Accounts payable	\$ 996,982	\$ 56,182	\$ -	\$ 866,337	\$ 54,968	\$ 1,974,469
Accrued wages and benefits payable	4,013,128	13,003	-	-	-	4,026,131
Interfund loans payable	-	-	-	-	227,830	227,830
Unearned revenues	45,161	3,242	-	48,168	-	96,571
Due to rehabilitation recipients	-	162,812	-	-	-	162,812
Total liabilities	5,055,271	235,239	-	914,505	282,798	6,487,813
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	2,664,910	-	-	-	-	2,664,910
Unavailable revenues - loans	-	4,892,710	-	-	160,000	5,052,710
Unavailable revenues - special assessments	-	-	-	30,130	-	30,130
Total deferred inflows of resources	2,664,910	4,892,710	-	30,130	160,000	7,747,750
FUND BALANCES (DEFICITS) (Note J)						
Nonspendable	2,774,214	-	-	-	574,492	3,348,706
Restricted	475,390	252,479	-	-	2,197,182	2,925,051
Committed	10,583	-	2,761,541	-	-	2,772,124
Assigned	4,193,415	-	-	4,554,367	-	8,747,782
Unassigned	7,727,014	-	-	-	(5,736)	7,721,278
Total fund balances (deficits)	15,180,616	252,479	2,761,541	4,554,367	2,765,938	25,514,941
Total liabilities, deferred inflows of resources and fund balances	\$ 22,900,797	\$ 5,380,428	\$ 2,761,541	\$ 5,499,002	\$ 3,208,736	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,641,969
Unavailable revenues - property taxes are not available to pay for current-period expenditure and, therefore, are deferred in the funds.	2,664,910
Long-term liabilities, including bonds payable \$62,727,567, accrued interest \$377,195, compensated absences \$2,261,060, self insurance liability \$1,982,918, net OPEB obligation \$2,226,963, bond premium \$639,850, and capital leases \$361,009 are not due and payable in the current period and, therefore, are not reported in the funds.	(70,576,562)
Net position of governmental funds	<u>\$ 34,245,258</u>

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 51,862,260	\$ -	\$ -	\$ 1,948,677	\$ 788,503	\$ 54,599,440
Intergovernmental	30,157,317	522,833	-	2,271,408	6,078,266	39,029,824
Licenses and permits	576,559	-	-	-	-	576,559
Charges for services	13,019,247	-	-	-	1,060,267	14,079,514
Program income	-	449,546	-	-	12,834	462,380
Revenue from use of money and property	833,643	593	2,101,131	8,915	123,667	3,067,949
Other	32,696	11,040	-	67,454	54,496	165,686
Total revenues	96,481,722	984,012	2,101,131	4,296,454	8,118,033	111,981,352
Expenditures						
Current:						
General government	5,612,408	-	-	-	-	5,612,408
Public safety	16,209,402	-	-	-	-	16,209,402
Health, community services and recreation	4,945,994	-	-	-	-	4,945,994
Public services	9,835,549	-	-	-	-	9,835,549
Other agencies	4,382,776	-	-	-	-	4,382,776
Education	49,880,770	-	-	-	-	49,880,770
Tax increment financing	550,308	-	-	-	-	550,308
Unclassified	122,772	-	2,201,200	-	-	2,323,972
Restricted grants	-	1,147,489	-	-	8,055,326	9,202,815
Capital outlay	1,027,506	-	-	9,186,046	-	10,213,552
Debt service	4,871,912	-	20,879,743	79,000	-	25,830,655
Total expenditures	97,439,397	1,147,489	23,080,943	9,265,046	8,055,326	138,988,201
Excess (deficiency) of revenues over (under) expenditures	(957,675)	(163,477)	(20,979,812)	(4,968,592)	62,707	(27,006,849)
Other financing sources (uses)						
Issuance of debt	-	-	-	10,378,985	-	10,378,985
Capital leases	456,581	-	-	-	-	456,581
Payment to escrow agent	-	-	-	(4,233,486)	-	(4,233,486)
Premium on debt issuance	-	-	-	748,121	-	748,121
Sale of assets	115,105	-	-	71,604	-	186,709
Transfers to other funds	(1,334,009)	-	(8,103,026)	(113,825)	(232,147)	(9,783,007)
Transfers from other funds	127,890	-	26,097	817,758	38,481	1,010,226
Total other financing sources (uses)	(634,433)	-	(8,076,929)	7,669,157	(193,666)	(1,235,871)
Changes in fund balances	(1,592,108)	(163,477)	(29,056,741)	2,700,565	(130,959)	(28,242,720)
Fund balances, beginning of year (Restated see Other Information Note H)	16,772,724	415,956	31,818,282	1,853,802	2,896,897	53,757,661
Fund balances, end of year	\$ 15,180,616	\$ 252,479	\$ 2,761,541	\$ 4,554,367	\$ 2,765,938	\$ 25,514,941

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds (from Exhibit 4)	\$	(28,242,720)
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Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays of \$5,447,993, exceeded depreciation expense of \$3,996,663 and loss on disposal of assets of \$74,649.

1,376,681

Financing proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net position.

Repayment of bond and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which principal payments of \$28,325,576 and \$95,572 exceeded financing proceeds of \$10,378,985 and \$456,581 in general obligation bonds and capital leases, respectively.

17,585,582

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental fund statements. The differences are as follows: increase net OPEB obligation (\$244,976), bond premium (\$639,850), unavailable revenues (\$226,841), self insurance liability (\$472) and decrease in compensated absences (\$146,511), accrued interest (\$56,878).

(455,068)

Change in net position of governmental activities (see Exhibit 2)	\$	(9,735,525)
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See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Revenues, Expenditures and Changes in
Unassigned Fund Balance Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 51,805,693	\$ 51,805,693	\$ 51,862,261	\$ 56,568
Intergovernmental	28,014,001	28,014,001	26,441,124	(1,572,877)
Licenses and permits	677,436	677,436	576,559	(100,877)
Charges for services:				
municipal	8,549,117	8,619,618	9,076,686	457,068
school	3,865,546	3,865,546	3,835,409	(30,137)
Fines, forfeits and penalties	33,000	33,000	32,696	(304)
Revenue from use of money and property				
municipal	688,600	688,600	681,659	(6,941)
Total revenues	93,633,393	93,703,894	92,506,394	(1,197,500)
Expenditures				
Current:				
General government	5,119,307	5,131,732	5,355,861	(224,129)
Public safety	16,435,828	16,475,462	16,213,132	262,330
Health, community services and recreation	5,670,363	5,673,686	4,981,609	692,077
Public buildings and services	10,296,434	10,311,553	9,831,466	480,087
Other agencies	4,381,652	4,383,235	4,382,775	460
Education	47,040,164	50,959,916	45,993,603	4,966,313
Unclassified	417,686	417,686	673,078	(255,392)
Debt service	4,871,731	4,871,731	4,871,912	(181)
Total expenditures	94,233,165	98,225,001	92,303,436	5,921,565
Excess (deficiency) of revenues over (under) expenditures	(599,772)	(4,521,107)	202,958	4,724,065
Other financing sources (uses)				
Appropriation from restricted, committed and assigned fund balances	1,526,587	1,526,587	159,105	(1,367,482)
Sale of assets	16,000	16,000	53,162	37,162
Contributions	-	-	106	106
Insurance settlements	22,900	22,900	57,493	34,593
Transfers to other funds	(740,626)	(1,112,796)	(1,223,882)	(111,086)
Transfers from other funds	27,000	27,000	23,532	(3,468)
Operating transfers	(252,089)	(252,089)	(252,089)	-
Total other financing sources (uses)	599,772	227,602	(1,182,573)	(1,410,175)
Net change in fund balance	\$ -	\$ (4,293,505)	(979,615)	\$ 3,313,890
Unassigned fund balance, beginning of year			7,563,658	
Changes in fund balance classification in accordance with GAAP				
Changes in balances carried			1,156,498	
Inventory and prepaids (GASB 54)			(13,527)	
Unassigned fund balance, end of year			\$ 7,727,014	

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2013

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 902,474	\$ 3,930,631	\$ 1,603,902	\$ 35	\$ 781,830	\$ 7,218,872
Investments	-	10,244,343	-	-	-	10,244,343
Accounts receivable	2,557,700	3,953,530	156,565	23,335	2,317	6,693,447
Less allowance for uncollectible accounts	(45,000)	(518,353)	(10,000)	-	-	(573,353)
Net accounts receivable	2,512,700	3,435,177	146,565	23,335	2,317	6,120,094
Due from other governments	-	698,093	-	-	-	698,093
Due from water district	26,863	-	-	-	-	26,863
Inventories, at cost	-	322,435	-	-	-	322,435
Prepaid items	10,547	12,134	17,980	-	-	40,661
Total current assets	3,452,584	18,642,813	1,768,447	23,370	784,147	24,671,361
Noncurrent assets						
Capital Assets:						
Land and improvements	683,865	-	929,157	3,634,485	1,889,757	7,137,264
Buildings and improvements	28,665,849	-	66,446,368	4,318,516	2,845,668	102,276,401
Machinery and equipment	5,765,413	-	1,769,520	-	328,811	7,863,744
Infrastructure	57,863,749	-	-	683,189	-	58,546,938
Aircraft operational assets	-	258,713,164	-	-	-	258,713,164
Parking structures	-	-	-	-	11,317,169	11,317,169
Construction in process	-	5,720,844	609,102	-	-	6,329,946
	92,978,876	264,434,008	69,754,147	8,636,190	16,381,405	452,184,626
Less accumulated depreciation	(40,301,873)	(160,390,949)	(1,437,628)	(1,682,066)	(11,750,233)	(215,562,749)
Net capital assets	52,677,003	104,043,059	68,316,519	6,954,124	4,631,172	236,621,877
Investments	-	4,800,585	-	-	-	4,800,585
Loans receivable	-	933,160	-	1,516,483	-	2,449,643
Unearned special assessments	87,664	-	-	-	-	87,664
Due from bond trustee	225,600	-	-	-	-	225,600
Deposits	-	-	-	-	20,000	20,000
Total noncurrent assets	52,990,267	109,776,804	68,316,519	8,470,607	4,651,172	244,205,369
Total assets	56,442,851	128,419,617	70,084,966	8,493,977	5,435,319	268,876,730

See accompanying notes to financial statements.

Continued on next page

CITY OF BANGOR, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2013

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES						
Current liabilities						
Accounts payable	439,095	1,307,489	1,697,310	8,994	45,148	3,498,036
Accrued wages and benefits payable	48,200	180,502	6,509	-	17,736	252,947
Accrued interest	70,770	35,870	1,020,261	59,970	16,800	1,203,671
Workers' compensation	20,000	136,615	-	-	4,050	160,665
Interfund loans payable	221,995	2,501,325	2,412,574	680,800	371,000	6,187,694
General obligation debt payable	1,532,904	305,826	54,828	228,708	234,435	2,356,701
Other liabilities	-	23,534	-	-	-	23,534
Total current liabilities	2,332,964	4,491,161	5,191,482	978,472	689,169	13,683,248
Long-term liabilities						
Workers' compensation	-	188,385	-	-	5,950	194,335
General obligation debt payable	11,932,172	8,738,732	54,360,466	2,963,150	2,141,002	80,135,522
Accrued compensated absences	121,503	374,136	-	-	39,623	535,262
Net OPEB obligation	134,277	494,821	-	-	37,868	666,966
Other long-term liabilities	298,315	-	2,721,352	-	213,289	3,232,956
Total long-term liabilities	12,486,267	9,796,074	57,081,818	2,963,150	2,437,732	84,765,041
Total liabilities	14,819,231	14,287,235	62,273,300	3,941,622	3,126,901	98,448,289
NET POSITION						
Net investment in capital assets	40,325,364	101,263,893	17,708,652	3,762,266	2,488,609	165,548,784
Unrestricted	1,298,256	12,868,489	(9,896,986)	790,089	(180,191)	4,879,657
Total net position	\$ 41,623,620	\$ 114,132,382	\$ 7,811,666	\$ 4,552,355	\$ 2,308,418	\$ 170,428,441

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues						
Charges for services	\$ 7,658,101	\$ 12,044,192	\$ 1,249,595	\$ 462,033	\$ 1,971,179	\$ 23,385,100
Operating expenses						
Operating expenses other than depreciation and amortization	4,772,244	12,428,620	1,980,026	249,477	1,616,866	21,047,233
Depreciation and amortization	1,725,442	7,932,320	286,366	184,498	437,911	10,566,537
Total operating expenses	6,497,686	20,360,940	2,266,392	433,975	2,054,777	31,613,770
Operating income (loss)	1,160,415	(8,316,748)	(1,016,797)	28,058	(83,598)	(8,228,670)
Nonoperating revenue (expenses)						
Interest income	28,818	269,050	-	47,474	590	345,932
Interest expense	(330,104)	(362,020)	(1,048,473)	(152,165)	(78,156)	(1,970,918)
Gain(loss) on sale of assets	-	-	(319,815)	58,958	-	(260,857)
Miscellaneous income (expense)	50,000	25,743	-	-	-	75,743
Total nonoperating revenue (expenses)	(251,286)	(67,227)	(1,368,288)	(45,733)	(77,566)	(1,810,100)
Net income (loss) before grants/contributions and transfers	909,129	(8,383,975)	(2,385,085)	(17,675)	(161,164)	(10,038,770)
Grants/contributions received for capital assets	-	6,093,242	-	-	28,281	6,121,523
Transfers to other funds	-	(40,708)	(26,097)	-	-	(66,805)
Transfers from other funds	-	-	8,839,586	-	-	8,839,586
Change in net position	909,129	(2,331,441)	6,428,404	(17,675)	(132,883)	4,855,534
Net position, beginning of year	40,714,491	116,463,823	1,383,262	4,570,030	2,441,301	165,572,907
Net position, end of year	\$ 41,623,620	\$ 114,132,382	\$ 7,811,666	\$ 4,552,355	\$ 2,308,418	\$ 170,428,441

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2013
Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities						
Cash received from customers	\$ 7,228,621	\$ 12,178,036	\$ 1,246,630	\$ 438,698	\$ 1,973,253	\$ 23,065,238
Cash paid to suppliers for goods and services	(3,422,316)	(7,160,373)	(1,105,956)	(269,673)	(1,117,895)	(13,076,213)
Cash paid to employees for services	(1,495,319)	(6,432,925)	(915,986)	-	(524,927)	(9,369,157)
Net cash provided by (used in) operating activities	2,310,986	(1,415,262)	(775,312)	169,025	330,431	619,868
Cash flows from noncapital financing activities						
Interfund loans (repayments)	221,995	2,501,325	99,319	49,400	(7,300)	2,864,739
Transfers in	-	-	833,925	-	-	833,925
Transfers out	-	(40,708)	(26,097)	-	-	(66,805)
Net cash provided by (used in) noncapital financing activities	221,995	2,460,617	907,147	49,400	(7,300)	3,631,859
Cash flows from capital and related financing activities						
Proceeds from general obligation bonds	700,000	4,300,000	53,800,000	485,000	266,015	59,551,015
Acquisition and construction of capital assets	(584,322)	(6,042,075)	(62,927,311)	-	(48,903)	(69,602,611)
Premium received	50,000	-	2,721,352	-	-	2,771,352
Payment to escrow agent	-	(1,150,000)	-	(500,000)	(266,015)	(1,916,015)
Principal paid on general obligation bonds	(2,612,730)	(688,190)	(102,847)	(220,472)	(226,528)	(3,850,767)
Interest paid on general obligation bonds	(346,735)	(365,514)	(32,718)	(159,892)	(82,114)	(986,973)
Proceeds from sale of property	-	25,743	-	70,000	-	95,743
Grant/contribution monies received for capital assets	-	6,093,242	8,005,661	-	-	14,098,903
Net cash provided by (used in) capital and related financing activities	(2,793,787)	2,173,206	1,464,137	(325,364)	(357,545)	160,647
Cash flows from investing activities						
Net sales (purchases) of investments	-	(218,745)	-	-	-	(218,745)
Investment of unexpended bond proceeds	69,167	-	-	-	-	69,167
Interest on investments	28,864	269,049	-	47,474	731	346,118
Loan repayments	-	178,269	-	59,405	-	237,674
Net cash provided by (used in) investing activities	98,031	228,573	-	106,879	731	434,214
Net increase (decrease) in cash	(162,775)	3,447,134	1,595,972	(60)	(33,683)	4,846,588
Cash, beginning of year	1,065,249	483,497	7,930	95	815,513	2,372,284
Cash, end of year	\$ 902,474	\$ 3,930,631	\$ 1,603,902	\$ 35	\$ 781,830	\$ 7,218,872

Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized gain on investments in the amount of \$514,278.

During the year, the Parking Fund had a non cash contribution to capital assets in the amount of \$28,281.

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2013
Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bas Park Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 1,160,415	\$ (8,316,748)	\$ (1,016,797)	\$ 28,058	\$ (83,598)	\$ (8,228,670)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	1,725,442	7,932,320	286,366	184,498	437,911	10,566,537
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(483,966)	10,004	10,543	(23,335)	3,061	(483,693)
(Increase) decrease in due from water district	76,885	-	-	-	-	76,885
(Increase) decrease in inventories	-	(34,952)	18,039	-	-	(16,913)
(Increase) decrease in prepaid items	(584)	(536)	(3,694)	-	-	(4,814)
Increase (decrease) in accounts payable	(195,066)	(962,658)	60,047	(20,196)	(29,060)	(1,146,933)
Increase (decrease) in unearned revenue	-	-	(13,508)	-	(986)	(14,494)
Increase (decrease) in other liabilities	27,860	(42,692)	(116,308)	-	3,103	(128,037)
Total adjustments	1,150,571	6,901,486	241,485	140,967	414,029	8,848,538
Net cash provided by (used in) operating activities	\$ 2,310,986	\$ (1,415,262)	\$ (775,312)	\$ 169,025	\$ 330,431	\$ 619,868

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

		Agency Fund
ASSETS		
Cash and cash equivalents	\$	136,521
Total assets	\$	136,521
LIABILITIES		
Amounts held for others	\$	136,521
Total liabilities	\$	136,521

See accompanying notes to financial statements.

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INDEX OF NOTES TO THE FINANCIAL STATEMENTS

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CITY OF BANGOR, MAINE
Notes to the Financial Statements
June 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bangor was incorporated under the laws of the State of Maine in 1834 and operates under a council/manager form of government. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criteria used to determine which entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions.

The Bangor Public Library is a nonprofit organization which operates under the control of a nine member Board of Trustees. The Bangor City Council appoints four members and the City of Bangor Charter appoints a fifth member. The Board has the power to hire officers, approve the budget and direct the operations of the Library. However, the Library is financially dependent upon the City in that the City provides approximately 61% of the operating financial support received by the Library during the year ended June 30, 2013. The City believes that the financial statements would be incomplete without the inclusion of the Library as a discretely presented component unit. Complete financial statements may be obtained from the Bangor Public Library, 145 Harlow Street, Bangor, ME 04401.

The City of Bangor is a member of the Joint Venture of the Equity Charter Municipalities of Municipal Review Committee, Inc (Joint Venture). The Joint Venture is an organization that resulted from a contractual arrangement between certain member municipalities, Penobscot Energy Recovery Company (PERC) and Bangor Hydro Electric Company. It was formed to pool resources of the Equity Charter Municipalities for the long-term goal of handling the disposal of their present and projected volumes of non-hazardous municipal solid waste. As of December 31, 2012 (most recent data available) the City of Bangor's share of the Joint Venture's net assets was \$5,900,476. Complete financial statements may be obtained from Municipal Review Committee, 395 State Street, Ellsworth, ME 04605.

B. Government-wide and Fund Financial Statements

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

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

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

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

The Community Development Block Grant Fund accounts for federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the development of viable urban communities.

The Arena Fund accounts for the percentage of slot revenues received by the City from the operation of the casino. Said funds will be used to replace the Bangor Auditorium.

The Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary funds:

The Sewer Utility fund accounts for the costs of construction and operation of the sewage treatment plant, the City sewer system, and sewer operation activities, and is self-supported through sewer user fees.

The Airport Fund accounts for the operation of Bangor International Airport. The principal sources of revenues are landing fees and the sale of aviation fuel. Other revenue sources include lease payments for the use of terminal space and non-aviation industrial buildings.

The Bass Park Fund accounts for the operation of the Cross Insurance Center, a harness racing track and the Bangor State Fair. Principal sources of revenue are admissions, concession sales and rentals. The fund is named after the Bass family, which bequeathed the property to the City for recreational purposes.

The Economic Development Fund accounts for the operation and development of properties acquired by the City. Its purpose is to promote economic growth within the City. The principal source of revenue is rental income.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund type:

Agency funds account for assets the City holds for others in an agency capacity. They are custodial in nature and do not present results of operations of the City or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The City serves as an agent for the Bangor Area Stormwater Group and various School Activity funds.

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

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

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 proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows/Outflows and Equity

1. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements. City policy prohibits the investment in so-called "derivative instruments".

Investments are reported at fair value. Income earned from the investment of pooled cash is allocated to various funds based upon the average cash balance allocated to the fund.

2. Interfund Receivables and Payables

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

Advances between funds are offset by nonspendable fund balance accounts in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption and are valued at cost using the weighted average method. The cost of inventories are recognized as expenditures/expenses when consumed rather than when purchased.

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.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, sewer mains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 for machinery/equipment/vehicles, \$25,000 for land/buildings and improvements and \$100,000 for infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives.

The range of useful lives used to compute depreciation are as follows:

Buildings	25 – 50 years
Equipment	5 – 20 years
Infrastructure	10 – 50 years
Aircraft Operational	5 – 40 years
Parking Structures	10 – 20 years

5. Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows or inflows, respectively, of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. The City has no items that qualify as deferred outflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. Due to differences in the modified accrual basis of accounting, the City has one type of deferred inflow of resources, unavailable revenue. There are three sources of unavailable revenue; property taxes, community development loans and special assessments. These amounts are considered unavailable and recognized as an inflow of resources (revenue) in the period that the amounts become available.

6. Compensated Absences

Accumulated vacation or compensatory time or vested sick leave of governmental funds that is expected to be liquidated with expendable available resources is reported as an expenditure in respective fund financial statements only if the liability has matured, for example, as a result of employee resignations and retirements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. No liability is recorded for non-accumulating rights to receive sick pay benefits.

7. Long-term Obligations

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

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

8. Fund Equity

In the fund financial statements, governmental funds report fund balances in one of five possible classifications. Classification is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which the funds can be spent. The categories are as follows;

- Nonspendable fund balance cannot be spent.
- Restricted fund balances are subject to externally enforceable legal restrictions.
- Committed fund balances are subject to limitations the City Council has imposed, that are binding unless removed or modified by the passage of a Council Order.
- Assigned fund balances reflect the intended use of the resources. The City Council adopted a comprehensive fund balance policy which authorized itself and the Finance Director and City Manager, within defined limits, with the authority to assign fund balances.
- Unassigned fund balances are resources which have not been classified in any other category. Only the General Fund can report a positive unassigned fund balance amount.

Should there be multiple sources of funding available for a particular purpose, it is the City's policy to expend currently budgeted resources first, then use other sources in the order of restricted, then committed, then assigned, then unassigned amounts.

9. Allowance for Uncollectible Accounts and Loans

Allowances for uncollectible accounts are maintained for all types of receivables, which historically experience uncollectible accounts. Allowances for uncollectible loans are established when the City determines its ability to collect the outstanding loan balance has been impaired.

10. Use of Estimates

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

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are prepared on a modified accrual basis of accounting, with the exception of depreciation within the enterprise funds. Budgets for the General Fund and enterprise funds are formally adopted each year through the passage of an appropriation resolve. Budgets for special revenue and capital projects funds have adopted project-length budgets. Unencumbered appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts, and other commitments) outstanding at year end are reported in assigned fund balance and do not constitute expenditures or liabilities because the commitments have not been honored in the current year. For budgetary purposes, encumbrances are treated as expenditures within both governmental and proprietary fund types.

On or before the second Monday in April, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year. The Council holds public meetings and a final budget must be prepared and adopted no later than June 30th. Should the Council fail to adopt an operating budget on or before June 30th, by Charter, the budget proposed by the City Manager becomes effective.

The budget is adopted at the department level through the passage of appropriation resolves. The City Manager may make transfers of appropriations within a department. Transfers between departments or additional appropriations require the approval of the City Council. The City Council made several supplementary budgetary appropriations throughout the year, none of which were material.

B. Reconciliation of Budgetary Basis Statements

The following schedule reconciles the General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—Budgetary Basis to the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds:

Deficiency of revenues over expenditures and other financing sources and uses (Budget)	\$ (979,615)
Activity in assigned fund balance	157,987
2013 encumbrances	770,028
2012 encumbrances paid	(1,538,627)
2012 encumbrances lapsed	<u>(1,881)</u>
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ (1,592,108)</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

The following schedule reconciles the amounts on the enterprise funds' Schedules of Revenues, Expenditures and Encumbrances—Budget and Actual—Budgetary Basis to the amount on the Combined Statement of Revenues, Expenses, and Changes in Net Position:

Excess (deficiency) of revenues over expenditures and encumbrances:	
Sewer	\$ (1,566,059)
Airport	(8,678,455)
Park Woods	(57,040)
Parking	(257,459)
Bass Park	(429,926)
Municipal Golf Course	(124,913)
Economic Development	<u>(193,029)</u>
	(11,306,881)
Nonoperating revenues classification	(1,720,351)
Investments at market value	216,372
Capital outlay	48,903
Adjustments for accrual basis	(1,272,147)
Principal payments	3,850,767 *
2012 encumbrances	(139,359)
Nonoperating expenses classification	<u>2,094,026</u>
Operating loss	<u><u>\$ (8,228,670)</u></u>

* the budgetary basis excludes \$957,000 of principal payments to refund debt.

C. Excess of Expenditures Over Appropriations

The following General Fund departments were over-expended by the indicated dollar amounts; Executive \$346,054, Assessing \$10,605, Legal \$8,256, Insurance \$52,896, Parks and Recreation \$196,147, Other Agencies \$124, and Other Appropriations \$255,573. These over-expenditures were funded by receipt of revenues in excess of appropriations and under-expenditures within other General Fund departments.

The Park Woods and Bass Park Funds were over-expended by \$15,367 and \$145,780, respectively, due to increased supplies and contractual services expenses.

D. Deficit Fund Equity

The Grant Fund has a deficit equity of \$5,736 which was funded in the subsequent year.

E. Restricted Assets

Donations received by the City whose use is limited are placed in the appropriate Special Revenue fund, depending upon whether or not the principal can be expended. All changes in market value are added to the earnings, which is allowable by State Statute. As these amounts are invested in a note receivable, there was no change in market value for fiscal year 2013.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a cash pool that is available for use by all funds. In addition, cash and investments are separately held by several of the funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy with respect to custodial credit risk for deposit accounts. The City maintained certain accounts whose balances were fully covered, for other accounts in which the balance exceeded the \$250,000 provided by the Federal Deposit Insurance Corporation (FDIC), pledged collateral securities were held in the City's name. As of June 30, 2013, \$0 of the City's bank balance of \$27,596,354 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At June 30, 2013, the City had the following investments and maturities:

Investment types	Fair Value	Not Applicable	Maturity (years)		
			<1	1-5	6-10
Mutual Funds	\$ 8,136,297	\$ 8,136,297	\$ -	\$ -	\$ -
US Treasuries	6,413,885	-	1,527,210	4,379,720	506,955
Common Stock	619,316	619,316	-	-	-
Certificate of Deposit	50,000	-	50,000	-	-
Totals	<u>\$ 15,219,498</u>	<u>\$ 8,755,613</u>	<u>\$ 1,577,210</u>	<u>\$ 4,379,720</u>	<u>\$ 506,955</u>

Interest Rate Risk

The City's investment policy requires that, to the extent possible, the City will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the City is not allowed to directly invest in securities maturing more than three years from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S agencies, repurchase agreements and certain corporate stocks and bonds. In accordance with City policy, investments in certificates of deposits must be F.D.I.C. insured and any excess of the amounts covered by insurance must be collateralized in accordance with Title 30-A, Section 5706 of the Maine Revised Statutes; investments in mutual funds must be "no load" (which means no commission or fee shall be charged on the purchase or sale), have a constant daily net asset value of \$1.00 per share and limit assets of the fund to U.S. Treasury Obligations or Federal Instrumentality or Agency Securities; the total investments in stock can not exceed 10% of the portfolio value and no more than 5% can be invested in any one company.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of June 30, 2013, the City had no investments that were subject to custodial risk. The City's investment policy states that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a "delivery vs. payment" basis.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Securities will be held by a third party custodian, or trust department, designated by the Treasurer and evidenced by safekeeping receipts.

Concentration of Credit Risk

The City's investment policy states that the City will diversify its investments by security type and institution. No more than 40% of the City's total investment portfolio will be invested in any combination of commercial paper and time certificates of deposit.

B. Property Tax

Property taxes for the current year were levied July 11, 2012, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. Taxes were due in two installments: September 17, 2012 and March 15, 2013. Interest was charged at 7.00% on all taxes unpaid as of the due date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred inflows. Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/2012*	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,040,548	\$ 51,820	\$ -	\$ 5,092,368
Construction in process	103,198	1,134,194	770,261	467,131
Total capital assets not being depreciated	<u>5,143,746</u>	<u>1,186,014</u>	<u>770,261</u>	<u>5,559,499</u>
Capital assets, being depreciated:				
Land improvements	9,693,421	1,616,510	-	11,309,931
Buildings and improvements	67,204,043	1,142,821	-	68,346,864
Machinery and equipment	11,127,279	213,854	30,488	11,310,645
Vehicles	16,915,962	1,346,794	889,752	17,373,004
Infrastructure	21,963,233	770,261	-	22,733,494
Total capital assets being depreciated	<u>126,903,938</u>	<u>5,090,240</u>	<u>920,240</u>	<u>131,073,938</u>
Less accumulated depreciation for:				
Land improvements	(3,328,660)	(460,713)	-	(3,789,373)
Buildings and improvements	(24,212,088)	(1,378,544)	-	(25,590,632)
Machinery and equipment	(8,451,011)	(632,123)	(27,017)	(9,056,117)
Vehicles	(9,998,815)	(1,117,134)	(760,574)	(10,355,375)
Infrastructure	(10,791,822)	(408,149)	-	(11,199,971)
Total accumulated depreciation	<u>(56,782,396)</u>	<u>(3,996,663)</u>	<u>(787,591)</u>	<u>(59,991,468)</u>
Total capital assets being depreciated, net	<u>70,121,542</u>	<u>1,093,577</u>	<u>132,649</u>	<u>71,082,470</u>
Governmental activities capital assets, net	<u>\$ 75,265,288</u>	<u>\$ 2,279,591</u>	<u>\$ 902,910</u>	<u>\$ 76,641,969</u>

* - restated to reflect moving construction in process expenses from governmental activities to the Bass Park Fund.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

	Balance 6/30/2012*	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,977,038	\$ -	\$ 11,042	\$ 3,965,996
Construction in process	38,877,408	34,266,582	66,814,044	6,329,946
Total capital assets not being depreciated	<u>42,854,446</u>	<u>34,266,582</u>	<u>66,825,086</u>	<u>10,295,942</u>
Capital assets, being depreciated:				
Land improvements	3,071,032	100,236	-	3,171,268
Buildings and improvements	44,530,694	62,207,316	4,461,609	102,276,401
Machinery and equipment	6,134,075	1,874,097	144,428	7,863,744
Infrastructure	57,939,790	607,148	-	58,546,938
Airport operational assets	256,005,417	2,707,747	-	258,713,164
Parking structures	11,312,409	77,184	72,424	11,317,169
Total capital assets being depreciated	<u>378,993,417</u>	<u>67,573,728</u>	<u>4,678,461</u>	<u>441,888,684</u>
Less accumulated depreciation for:				
Land improvements	(1,694,324)	(71,138)	-	(1,765,462)
Buildings and improvements	(30,444,919)	(1,477,386)	(4,023,551)	(27,898,754)
Machinery and equipment	(4,742,280)	(228,350)	(144,428)	(4,826,202)
Infrastructure	(11,734,001)	(589,266)	-	(12,323,267)
Airport operational assets	(152,458,629)	(7,932,320)	-	(160,390,949)
Parking structures	(8,162,462)	(268,077)	(72,424)	(8,358,115)
Total accumulated depreciation	<u>(209,236,615)</u>	<u>(10,566,537)</u>	<u>(4,240,403)</u>	<u>(215,562,749)</u>
Total capital assets being depreciated, net	<u>169,756,802</u>	<u>57,007,191</u>	<u>438,058</u>	<u>226,325,935</u>
Business-type activities capital assets, net	<u>\$ 212,611,248</u>	<u>\$ 91,273,773</u>	<u>\$ 67,263,144</u>	<u>\$ 236,621,877</u>

* - restated to reflect moving construction in process expenses from governmental activities to the Bass Park Fund.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 1,432,620
Public safety	870,805
Health, community services and recreation	102,797
Public building and services	542,071
Education	<u>1,048,370</u>
Total depreciation expense - governmental activities	<u>\$ 3,996,663</u>
Business-type activities:	
Sewer Utility Fund	\$ 1,725,442
Airport Fund	7,932,320
Park Woods	89,123
Parking Fund	268,077
Bass Park Fund	286,366
Municipal Golf Course	80,711
Economic Development Fund	<u>184,498</u>
Total depreciation expense - business-type activities	<u>\$ 10,566,537</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Construction commitments

The government has active construction projects as of June 30, 2013. The projects include parking area renovations, reconstruction of runways, terminal redesign and renovations, and continuation of the combined sewer overflow program.

D. Interfund Transactions

Individual fund interfund receivable and payable transactions are described in the Summary of Significant Accounting Policies Note D. 2. As of June 30, 2013 the balances were as follows:

	Receivable	Payable
General Fund	\$ 6,415,524	\$ -
Grant Fund	-	227,830
Airport Fund	-	2,501,325
Sewer Fund	-	221,995
Park Woods Fund	-	371,000
Bass Park Fund	-	2,412,574
Economic Development	-	680,800
	<u>\$ 6,415,524</u>	<u>\$ 6,415,524</u>

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2013 are comprised primarily of transfers from fund balances to fund capital projects and to provide operating subsidies to certain proprietary funds.

	Transfers to	Transfers from
General Fund	\$ 1,334,009	\$ 127,890
Arena Fund	8,103,026	26,097
Grant Fund	-	29,014
Dedicated Revenue Funds	128,532	-
Other Nonmajor Special Revenue Funds	57,400	6,300
Capital Projects Fund	113,825	817,758
Other Nonmajor Permanent Funds	46,215	3,167
Bass Park Fund	26,097	8,839,586
Airport Fund	40,708	-
	<u>\$ 9,849,812</u>	<u>\$ 9,849,812</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Due From Other Governments

Due from other governments is comprised of the following amounts at June 30, 2013:

	Federal Government	State of Maine	Other	Total
General Fund	\$ 1,099,668	\$ 1,022,118	\$ 503,969	\$ 2,625,755
Community Development	293,802	-	-	293,802
Nonmajor Special Revenue Funds	163,078	25,871	-	188,949
Capital Projects Fund	375	357,299	-	357,674
Proprietary Funds	437,391	260,702	-	698,093

Amounts due from Federal Government are comprised of operating and capital grants for all fund types. Of the General Fund's \$1,022,118 due from State of Maine, \$645,354 represents school grant and State agency billings, and \$188,502 represents general assistance claims. Amounts owed to the Capital Projects and Propriety funds by the State of Maine are for capital grant purposes. Amounts due from other communities for tuition reimbursement to Bangor account for \$475,154 of the Due from Other in the General Fund.

F. Leases

Operating Leases

The Airport and Economic Development Proprietary Funds are the lessors of various buildings and land parcels under operating leases expiring in various years through 2040 and 2035, respectively. Minimum future rentals to be received on noncancelable leases as of June 30, 2013 are:

Fiscal year ending June 30,	Airport	Economic Development
2014	\$ 1,367,320	\$ 381,334
2015	769,306	384,845
2016	449,913	336,266
2017	377,094	324,840
2018	340,326	296,404
Subsequent to 2018	3,430,458	2,160,905
	<u>\$ 6,734,417</u>	<u>\$ 3,884,594</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,768,223 in contingent rentals in fiscal year 2013.

The carrying amounts of the leased assets are as follows:

	Airport	Economic Development
Land	\$ 565,532	\$ 2,736,769
Buildings	22,886,327	4,318,516
Less accumulated depreciation	(14,607,524)	(1,321,248)
Total	<u>\$ 8,844,335</u>	<u>\$ 5,734,037</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Capital Leases

The City entered into several leases for financing the acquisition of heavy equipment with a total down payment of \$58,000. These lease agreements qualify as capital leases for accounting purposes whereas they contain a bargain purchase option and, therefore, have been recorded at the present value of the future minimum lease payments. The following is an analysis of equipment leased under capital leases as of June 30, 2013:

Machinery and equipment	\$	514,581
Less accumulated depreciation		<u>(51,458)</u>
Carrying value	\$	<u>463,123</u>

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2013:

Fiscal Year ending June 30,		
2014	\$	95,572
2015		95,572
2016		95,572
2017		<u>95,575</u>
Total minimum lease payments		382,291
Less: amount representing interest		<u>(21,222)</u>
Present value of future minimum lease payments	\$	<u>361,069</u>

G. Other Assets

Other assets are comprised of the following:

		Proprietary Fund
Due from bond trustee	\$	225,600
Deposits		<u>20,000</u>
Total	\$	<u>245,600</u>

H. Unearned Revenue

General Fund, Community Development Block Grant and Capital Projects Fund unearned revenues consist of \$45,161, \$3,242 and \$48,168 in advance deposits, respectively.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

I. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital additions. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds and extinguish an existing retirement liability. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds.

The original amount of general obligation bonds issued is \$220,780,948. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2013:

Bonds and notes payable at June 30, 2012	\$ 109,382,148
Add: principal additions	69,930,000
Less: principal repayments	<u>34,092,358</u>
Bonds and notes payable at June 30, 2013	<u>\$ 145,219,790</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Bonds and notes payable at June 30, 2013 are comprised of the following:

Long-term debt	Fiscal year of maturity	Interest rate	Governmental Activities		Business-type Activities	Total June 30, 2013
			City	School		
Combined sewer overflow	2014	2.46%	-	-	93,200	93,200
Combined sewer overflow	2014	2.45%	-	-	99,300	99,300
Combined sewer overflow	2017	3.52%	-	-	728,552	728,552
Tax increment financing note*	2016	4.50%	293,580	-	-	293,580
Combined sewer overflow	2018	3.03%	-	-	724,081	724,081
Tax increment financing note*	2018	4.50%	101,704	-	-	101,704
Maine Business Enterprise Park	2018	5.00%	-	-	90,273	90,273
Public improvements note*	2020	4.50%	413,255	-	-	413,255
Pension obligation bonds	2026	3.06% - 6.45%	22,567,322	1,439,974	4,827,704	28,835,000
Refunding bonds	2024	3.06% - 3.47%	24,902	-	98	25,000
Combined sewer overflow	2023	1.94%	-	-	1,605,779	1,605,779
Tax increment financing note*	2015	2.50% - 4.00%	34,530	-	-	34,530
Briggs Building note	2023	4.50%	-	-	820,615	820,615
Refunding/public improvements - 2004	2024	2.50% - 4.80%	420,000	-	-	420,000
Combined sewer overflow	2025	1.41%	-	-	1,710,284	1,710,284
Public improvements - 2005	2025	3.50% - 4.30%	310,000	-	100,000	410,000
Airport building sprinklers	2025	3.25% - 5.00%	-	-	230,000	230,000
Chancellor's property note	2026	5.00%	-	-	1,695,969	1,695,969
Public improvements/refunding	2026	4.00% - 4.20%	1,188,625	-	121,375	1,310,000
Combined sewer overflow	2027	1.64%	-	-	1,466,717	1,466,717
Public improvements - 2007	2027	4.00%	2,355,000	-	-	2,355,000
Combined sewer overflow	2028	1.81%	-	-	1,565,129	1,565,129
Public improvements - 2009	2029	2.00% - 4.375%	2,480,000	-	-	2,480,000
ARRA - CWSRF	2029	0.00%	-	-	775,126	775,126
ARRA - CWSRF	2030	0.00%	-	-	436,696	436,696
Public improvements/refunding	2020	2.00% - 3.25%	3,272,582	5,790,846	986,572	10,050,000
Public improvements/refunding	2021	2.00% - 3.25%	1,623,278	-	3,541,722	5,165,000
Qualified school construction bond	2028	4.65%	-	5,610,000	-	5,610,000
Refunding/public improvements	2022	2.00% - 2.25%	2,375,839	2,047,145	1,322,016	5,745,000
Arena	2043	3.25% - 5.00%	-	-	53,800,000	53,800,000
Qualified school construction bond	2035	4.05%	-	2,800,000	-	2,800,000
Refunding/public improvements	2032	2.00% - 4.00%	7,578,985	-	1,451,015	9,030,000
Refunding/airport improvements	2033	.50% - 4.25%	-	-	4,300,000	4,300,000
Total bonds and notes payable			\$ 45,039,602	\$ 17,687,965	\$ 82,492,223	\$ 145,219,790

* Notes aggregating \$843,069 are held by the City's Airport Fund at fixed, taxable market rates of interest.

Annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 4,577,591	\$ 2,389,776	\$ 2,356,701	\$ 2,917,522
2015	4,646,781	2,267,005	3,357,480	2,853,468
2016	4,762,687	2,099,706	3,468,464	2,743,863
2017	4,729,002	1,937,958	3,580,825	2,627,154
2018	4,668,808	1,746,155	3,517,872	2,510,355
2019-2023	18,932,137	6,047,681	16,473,360	10,625,755
2024-2028	11,960,561	1,434,843	13,542,700	7,452,563
2029-2033	5,730,000	6,166	10,984,821	5,403,722
2034-2038	2,720,000	-	11,615,000	3,573,175
2039-2043	-	-	13,595,000	1,375,225
Total	\$ 62,727,567	\$ 17,929,290	\$ 82,492,223	\$ 42,082,802

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Legal Debt Margin

The City is subject to the laws of the State of Maine, which limits the amount of long-term debt to 15% of the state's assessed valuation of the City. At June 30, 2013, the statutory limit for the City was \$369,300,000. The City's outstanding long-term debt of \$145,219,790 at June 30, 2013 was within the statutory limit.

Refunding

The City issued \$4,585,000 and \$1,255,000 in public improvement and airport improvement (federally taxable) general obligation bonds, respectively, with interest rates ranging from .50% - 4.25%. The proceeds were used to advance refund \$5,815,000 portions of outstanding 2003 Series A, 2004, 2005 Series A and B, and 2006 general obligation bonds which had interest rates ranging from 3.90% - 5.00%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the portions of the 2003 Series A, 2004, 2005 Series A and B, and 2006 general obligations bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The City advance refunded the general obligation bonds to reduce its total debt service payments over 13 years by \$679,840 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$625,903.

Authorized and Unissued

On November 26, 2007, the City Council authorized the issuance of up to \$600,000 in general obligation bonds for the purpose of renovating and rehabilitating property located at 103 Texas Avenue. As of June 30, 2013, \$155,000 remains authorized and unissued. The City expects to issue the debt within the next twenty four months.

On August 8, 2011, the City Council authorized the issuance of up to \$2,000,000 in general obligation bonds to provide funding for remediation of the Penobscot River. As of June 30, 2013, no debt for this purpose had been issued. The City will continue to monitor when and if the debt will be issued.

Overlapping Debt

In addition to the bonds and notes payable, the City may be contingently responsible for a proportionate share of overlapping debt. Overlapping debt is debt issued by a separate entity that shares the same tax base as the City of Bangor. As of June 30, 2013, Penobscot County had \$2,750,000 debt outstanding. The City of Bangor represents 23.68% of the overall county value, therefore, the City had \$651,200 in overlapping debt obligations as of June 30, 2013.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance			Balance		Due within
	June 30, 2012	Additions	Reductions	June 30, 2013	one year	
Governmental activities:						
General obligation debt	\$ 80,674,158	\$ 10,378,985	\$ 28,325,576	\$ 62,727,567	\$	4,577,591
Accrued compensated absences*	2,407,571	1,547,263	1,693,774	2,261,060		1,423,922
Capital leases	-	456,581	95,572	361,009		83,457
Bond premium	-	639,850	-	639,850		4,187
Net OPEB obligation*	1,981,987	423,779	178,803	2,226,963		-
Long-term obligation for self insurance	1,982,446	766,617	766,145	1,982,918		607,890
Governmental activities						
long-term liabilities	\$ 87,046,162	\$ 14,213,075	\$ 31,059,870	\$ 70,199,367	\$	6,697,047
Business-type activities:						
General obligation debt	\$ 28,707,990	\$ 59,551,015	\$ 5,766,782	\$ 82,492,223	\$	2,356,701
Accrued compensated absences*	632,058	368,878	465,674	535,262		-
Net OPEB obligation*	628,209	134,072	95,315	666,966		-
Long-term obligation for self insurance	447,400	-	92,400	355,000		160,665
Other	511,417	2,721,539	-	3,232,956		-
Business-type activities						
long-term liabilities	\$ 30,927,074	\$ 62,775,504	\$ 6,420,171	\$ 87,282,407	\$	2,517,366

* - The liquidation of compensated absences and net OPEB obligation is fully covered within the General Fund and individual propriety funds.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

J. Fund Balances

As of June 30, 2013, fund balances components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Advances to other funds	\$ 1,900,500	\$ -	\$ -	\$ -
Inventory and prepaid items	873,714	-	-	-
PEG capital support	-	23,741	-	-
Arbitrage	-	264,778	-	-
School Department				
Regular	-	(309,293)	-	-
Adult education	-	64,291	-	-
General evening	-	33,309	-	-
Reading assessment	-	247	-	-
Special revenue	-	23,122	-	-
School lunch	-	179,746	-	-
Trust and agency	-	195,449	-	-
Cultural Commission/Econ Develop	-	-	10,583	-
Subsequent year expenditures	-	-	-	777,788
Pooled equipment reserve	-	-	-	34,367
Bus equipment reserve	-	-	-	46,780
Fire equipment reserve	-	-	-	107,695
Self insurance reserve	-	-	-	1,896,452
Improvement reserve	-	-	-	599,322
Cameron Stadium reserve	-	-	-	355,217
Demolition reserve	-	-	-	52,422
Benefit reserve	-	-	-	308,179
Parks & Recreation reserve	-	-	-	15,193
Subtotal	<u>2,774,214</u>	<u>475,390</u>	<u>10,583</u>	<u>4,193,415</u>
Community Development Block Grant	<u>-</u>	<u>252,479</u>	<u>-</u>	<u>-</u>
Arena Fund	<u>-</u>	<u>-</u>	<u>2,761,541</u>	<u>-</u>
Capital Projects Fund:				
Capital project funds	-	-	-	4,426,655
Encumbrances	-	-	-	127,712
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,554,367</u>
Other Governmental Funds:				
Nonexpendable trust principal	574,492	-	-	-
Nonmajor Special Revenue Funds	-	1,730,231	-	-
Nonmajor Permanent Funds	-	466,951	-	-
Subtotal	<u>574,492</u>	<u>2,197,182</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,348,706</u>	<u>\$ 2,925,051</u>	<u>\$ 2,772,124</u>	<u>\$ 8,747,782</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

DETAILED NOTES ON ALL FUNDS, CONTINUED

Encumbrances at year end were \$38,582 for municipal General Fund, \$731,446 for school General Fund, \$354,540 for Arena Fund, \$127,712 for Capital Projects Fund, \$1,149,514 for Airport Fund, and \$353,167 for Sewer Utility Fund.

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City of through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's net investment in capital assets was calculated as follows at June 30, 2013:

	Governmental	Business-type
Capital assets	\$ 136,633,437	\$ 452,184,626
Accumulated depreciation	(59,991,468)	(215,562,749)
Bonds payable	(62,727,567)	(82,492,223)
Capital leases	(361,009)	-
Non capital related bonds payable	36,469,520	11,193,530
Unspent bond proceeds	4,517,375	225,600
Net invested in capital assets	<u>\$ 54,540,288</u>	<u>\$ 165,548,784</u>

OTHER INFORMATION

A. 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, injuries to employees, and natural disasters for which the City either carries commercial insurance or is self-insured. The City currently reports all of its risk management activities in the General and Proprietary Funds. Claims expenditure, liabilities and reserves are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

The City purchases coverage under a number of commercially available insurance policies such as; commercial general liability, auto, property damage and crime and dishonesty, each with limits and deductibles deemed prudent given the risks, cost of coverage and the City's ability to fund certain types of losses. For those claims covered by commercial insurance, the amount of settlements has not exceeded the coverage for the years ended June 30, 2013, 2012 and 2011.

The City is self-insured for its workers' compensation liability. Reserves are actuarially determined each year to assure funding adequacy. In addition, the City purchases excess workers' compensation insurance to limit its financial risk. At June 30, 2013, the amount of self-insurance liabilities was \$2,327,918. This liability is the City's best estimate based on available information.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

OTHER INFORMATION, CONTINUED

Changes in the reported liabilities since July 1, 2011 resulted from the following:

	Workers' Compensation	All other self- insured risks	Total
Unpaid claims as of July 1, 2011	\$ 1,958,405	\$ 215,575	\$ 2,173,980
Incurred claims	475,912	-	475,912
Payments	(581,099)	(17,798)	(598,897)
Changes in estimates and other adjustments	264,108	114,743	378,851
Unpaid claims as of July 1, 2012	2,117,326	312,520	2,429,846
Incurred claims	94,250	-	94,250
Payments	(842,868)	-	(842,868)
Changes in estimates and other adjustments	656,218	472	656,690
Unpaid claims as of July 1, 2013	<u>\$ 2,024,926</u>	<u>\$ 312,992</u>	<u>\$ 2,337,918</u>

B. Tax Increment Financing Districts

The City has established tax increment financing districts, all of which dedicate a portion of the incremental increase in real estate and/or personal property tax revenues over staggered twenty year periods for the following purposes:

B.I.A. Municipal Development District No. 1 – Partially financed \$27.5 million dollars of capital expenditures at manufacturing facilities leased by General Electric Company.

Main Street Municipal Development District – Assisted Penobscot Development Limited Liability Company in financing the extraordinary costs of acquisition and environmental remediation of the former Gasworks site on Main Street, ultimately to provide land area necessary for the construction of a 54,000 square foot supermarket in a Community Development project area.

Pickering Square Municipal Development District – Assisted Realty Resources Chartered in a major redevelopment project that converted the former Freese’s department store building into affordable housing units.

Hammond Street Courtyard Municipal Development District - Assisted Hammond Street Courtyard LP with the rehabilitation and reuse of the former Bangor Furniture store and office buildings.

Downtown Municipal Development District – To partially finance in excess of \$70 million dollars of infrastructure improvements within the boundaries of the district.

Penjawoc Marsh/Mall Area Traffic Infrastructure District – To partially finance traffic infrastructure improvements in the Bangor Mall area and environmental improvement projects in the Penjawoc Marsh/Bangor Mall area.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

OTHER INFORMATION, CONTINUED

C. Contingent Liabilities

In 2002, the City filed suit against Citizens Communication Company (Citizens), a potentially responsible party to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. In July 2007, the City reached a settlement agreement with Citizens, whereby the City received \$7.625 million to be held in escrow and applied to the cost of remediation. A Consent Decree has been negotiated with the Department of Environmental Protection (DEP) for the remediation the first phase of which has been completed. The City continues to work with State and Federal agencies to negotiate an agreement for the remainder of the remediation.

In 1991, the City entered into a consent decree with the Federal Environmental Protection Agency (EPA) in regards to wastewater discharge. The City complied with and completed the projects and plans as originally identified in the 1991 decree. The EPA has indicated that the City will now need to undertake additional projects related to long term control and asset management plans, and a capacity management operations and maintenance program. The City has not yet entered into any agreement with the EPA, but has begun work on the areas identified to date by the EPA.

The City is a party to various other lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

D. Retirement

The City of Bangor provides retirement pensions for its employees through a number of vehicles, including a defined contribution plan, defined benefit pension plan and social security.

Defined Contribution Plan

Description of the Plan - The City provides pension benefits for certain employees through a 401(a) defined contribution plan administered by ICMA/RC. In addition, certain full-time employees are covered through both a 401 (a) and 457 Deferred Compensation Plans (DCP) also administered by ICMA/RC. In a DCP, benefits depend solely on amounts contributed to the plan plus investment earnings. Covered employees are eligible to participate and are fully vested from the date of employment. The authority to establish and amend plan provisions or requirements rests with the City.

Funding Policy – Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee's classification. For fiscal year 2013 covered payroll was \$16,022,388 and City contributions were \$1,370,840. For those plan members that have employment contracts, the City contributes at various rates from 10% - 15% of annual earnings. The covered payroll and City contributions for those employees with employment contracts were \$471,245 and \$56,153 respectively, in fiscal year 2013.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

OTHER INFORMATION, CONTINUED

Defined Benefit Pension Plan

Description of the Plan – The City contributes to the Maine Public Employees Retirement consolidated plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate ranges from 5.30% to 12.20% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended June 30, 2013, 2012, and 2011 were \$936,700, \$942,629, and \$794,677 respectively, equal to the required contributions for each year.

Teachers' Group

Description of the Plan - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education, to contribute the employer contribution, which amounts to \$3,716,192 (15.86%) for fiscal year 2013. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 16.33% of their compensation. This cost is charged to the applicable grant. Beginning on July 1, 2013, as a result of the State Biennial budget, the Department will be responsible for approximately half the normal cost of the teacher's plan. This approximates 2.65% of compensation.

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

OTHER INFORMATION, CONTINUED

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Social Security

The City does not have a section 218 agreement to provide full social security coverage to its employees. The City does provide full social security coverage to part-time, seasonal and temporary employees under the Omnibus Budget Reconciliation Act of 1990, and Internal Revenue Service regulations, which became effective July 1, 1991.

E. Other Postemployment Benefits

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

Description of the Plan - The City sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through CIGNA. CIGNA issues a publicly available financial report that may be obtained through their website www.cigna.com. Full-time City employees age 50 or older and covered under the active medical plan are eligible to participate. Retirees that are designated in a plan pay 100% of the coverage premium. A Medicare Supplement plan is available for eligible retirees. For retirees without Medicare, coverage is available without a Medicare offset.

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

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

Annual required contribution (ARC)	\$ 604,390
Amortization adjustment to ARC	(150,948)
Interest on net OPEB obligation	<u>104,408</u>
Annual OPEB cost	<u>\$ 557,850</u>

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

OTHER INFORMATION, CONTINUED

Funding Status and Funding Progress – The City’s annual OPEB cost, the net OPEB obligation and the percentage of annual OPEB cost contributed to the plan for the years ending June 30, 2011, 2012 and 2013 are as follows:

	June 30, 2011	June 30, 2012	June 30, 2013
Annual OPEB cost	\$ 357,467	\$ 344,143	\$ 557,850
City contributions	(38,436)	(57,070)	(274,117)
Increase in net OPEB obligation	319,031	287,073	283,733
Net OPEB obligation, beginning of year	2,004,092	2,323,123	2,610,196
Net OPEB obligation, end of year	<u>\$ 2,323,123</u>	<u>\$ 2,610,196</u>	<u>\$ 2,893,929</u>
Percentage contributed	10.75%	16.58%	49.14%

The unfunded actuarial accrued liability as a percentage of covered payroll for June 30, 2013 is as follows:

	Governmental Activities	Business-type Activities	Total June 30, 2013
Actuarial accrued liability (AAL)	\$ 5,284,045	\$ 1,671,709	\$ 6,955,754
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,284,045</u>	<u>\$ 1,671,709</u>	<u>\$ 6,955,754</u>
Covered payroll	<u>\$ 16,901,784</u>	<u>\$ 5,347,204</u>	<u>\$ 22,248,988</u>
UAAL as a percentage of covered payroll			31.26%

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

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

Actuarial valuation date	06/30/13
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Amortization period	30 years - open
Actuarial assumptions:	
Inflation rate	3.0%
Investment rate of return	4.0%
Payroll growth	3.0%
Healthcare cost trend rate	9.0% - 5.0%
Post retirement benefit increases	0.0% - retirees pay 100% of premium

CITY OF BANGOR, MAINE
Notes to the Financial Statements, Continued

OTHER INFORMATION, CONTINUED

F. Landfill Closure and Postclosure Care Costs

Closure of the City's Kittredge Road landfill was completed during the fiscal year ended June 30, 2000. Potential postclosure costs have been deemed immaterial, and therefore no liability for these amounts has been accrued. All necessary postclosure costs will be funded from the annual operating budget.

G. Subsequent Events

On August 12, 2013 the City Council authorized the issuance of up to \$7,240,000 in general obligations bonds for the purpose of funding street and bridge work, Wastewater Infrastructure, building demolition and the City's annual fleet/equipment replacement, and a fire engine. On September 16, 2013, the City Council authorized the issuance of up to \$300,000 in general obligation bonds for the purpose of funding City Hall improvements.

H. Restatement

During the fiscal year, beginning Arena Fund fund balance, governmental activities construction in progress capital assets and Bass Park construction in progress capital assets were restated. The restatement was due to the construction of the Cross Insurance Center which was partially funded by the Arena Fund, but which is a capital asset of the Bass Park Fund.

Fund balance for the Arena Fund as of June 30, 2013 has been restated as follows:

Fund balances, beginning of year	\$ (4,603,950)
Transfer to other funds	<u>36,422,232</u>
Fund balances, beginning of year, as restated	<u>\$31,818,282</u>

Non-depreciable capital assets on the Governmental Activities Statement of Net Position as of June 30, 2013 have been restated as follows:

Non-depreciable capital assets	\$41,257,312
Transfer to other funds	<u>(36,113,566)</u>
Non-depreciable capital assets, as restated	<u>\$ 5,143,746</u>

Net position, beginning of the year on the Governmental Activities Statement of Activities as of June 30, 2013 has been restated as follows:

Net position, beginning of year	\$43,672,117
Transfer to other funds (Arena Fund)	36,422,232
Non-depreciable capital assets	<u>(36,113,566)</u>
Net position, beginning of year, as restated	<u>\$43,980,783</u>

Capital assets for the Bass Park Fund as of June 30, 2013 have been restated as follows:

Capital assets	\$ 9,714,898
Transfer from other funds	<u>36,422,232</u>
Capital assets, as restated	<u>\$46,137,130</u>

CITY OF BANGOR, MAINE
Required Supplemental Information
Schedule of Funding Progress - Retiree Healthcare Plan
For the Fiscal Year Ended June 30, 2013

	Fiscal Year				
	2009 7/1/2008	2010 7/1/2008	2011 1/1/2011	2012 1/1/2011	2013 6/30/2013
Actuarial Valuation Date					
Governmental activities:					
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	8,488,427	8,488,427	3,407,638	3,430,307	5,284,045
Unfunded actuarial accrued liability (UAAL)	\$ 8,488,427	\$ 8,488,427	\$ 3,407,638	\$ 3,430,307	\$ 5,284,045
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 16,257,319	\$ 17,224,485	\$ 17,369,969	\$ 17,175,024	\$ 16,901,784
Business-type activities:					
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	2,710,336	2,710,336	1,095,160	1,072,491	1,671,709
Unfunded actuarial accrued liability (UAAL)	\$ 2,710,336	\$ 2,710,336	\$ 1,095,160	\$ 1,072,491	\$ 1,671,709
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 5,190,927	\$ 5,439,647	\$ 5,582,428	\$ 5,369,798	\$ 5,347,204
Primary government:					
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	11,198,763	11,198,763	4,502,798	4,502,798	6,955,754
Unfunded actuarial accrued liability (UAAL)	\$ 11,198,763	\$ 11,198,763	\$ 4,502,798	\$ 4,502,798	\$ 6,955,754
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 21,448,246	\$ 22,664,132	\$ 22,952,397	\$ 22,544,822	\$ 22,248,988
UAAL as a percentage of covered payroll	52.21%	49.41%	19.62%	19.97%	31.26%

Only five years have been presented because 2009 was the year GASB Statement 45 was implemented.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management, to be accounted for in another fund.



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CITY OF BANGOR, MAINE
Balance Sheet
General Fund
June 30, 2013

ASSETS	
Cash and cash equivalents	\$ 8,058,272
Investments	50,000
Receivables:	
Taxes	2,810,832
Accounts (net of allowance of \$475,341)	1,246,085
Interfund	6,415,524
Intergovernmental	2,625,755
Loans	820,615
Inventory, at cost	797,655
Prepaid items	76,059
Total assets	\$ 22,900,797
LIABILITIES	
Accounts payable	\$ 996,982
Accrued wages and benefits payable	4,013,128
Unearned revenue	45,161
Total liabilities	5,055,271
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	2,664,910
Total deferred inflows of resources	2,664,910
FUND BALANCES	
Nonspendable	2,774,214
Restricted	475,390
Committed	10,583
Assigned	4,193,415
Unassigned	7,727,014
Total fund balance	15,180,616
Total liabilities, deferred inflows of resources and fund balances	\$ 22,900,797

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Changes in Unassigned
Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2013

	Balances			Variance	
	Carried 7/1/2012	Budget	Actual	Surplus	Carried
Revenues					
Taxes					
Real and personal property	\$ -	\$ 49,394,950	\$ 49,626,466	\$ 231,516	\$ -
Change in unavailable property tax	-	-	(226,841)	(226,841)	-
Tax increment financing district	-	(2,432,657)	(2,432,657)	-	-
Payment in lieu of taxes	-	117,000	95,620	(21,380)	-
Excise	-	4,526,000	4,594,821	68,821	-
Interest on delinquent taxes	-	200,400	204,852	4,452	-
Total taxes	-	51,805,693	51,862,261	56,568	-
Intergovernmental					
State revenue sharing	-	3,700,000	3,513,711	(186,289)	-
School subsidy	-	16,479,974	16,208,643	-	(271,331)
Other -					
municipal	-	4,091,617	3,147,299	(944,318)	-
school	-	3,742,410	3,571,471	-	(170,939)
Total intergovernmental	-	28,014,001	26,441,124	(1,130,607)	(442,270)
Other revenue					
Licenses and permits	-	677,436	576,559	(100,877)	-
Charges for service -					
municipal	-	8,619,618	9,076,686	457,068	-
school	-	3,865,546	3,835,409	-	(30,137)
Fines, forfeits and penalties	-	33,000	32,696	(304)	-
Revenue from use of money and property -					
municipal	-	688,600	681,659	(6,941)	-
Total other	-	13,884,200	14,203,009	348,946	(30,137)
Total revenues	-	93,703,894	92,506,394	(725,093)	(472,407)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Changes in Unassigned
Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2013

	Balances			Variance	
	Carried 7/1/2012	Budget	Actual	Surplus	Carried
Expenditures					
General government					
Council	-	30,243	29,442	801	-
Executive	-	928,829	1,274,883	(346,054)	-
Human resources	-	131,738	116,195	15,543	-
City clerk	-	406,291	379,009	27,282	-
Assessing	-	436,896	447,501	(10,605)	-
Legal	-	297,699	305,955	(8,256)	-
Finance	-	1,578,766	1,493,687	85,079	-
Insurance	-	155,282	208,178	(52,896)	-
Planning, econ dev, code enforcement	-	1,165,988	1,101,011	54,977	10,000
Total general government	-	5,131,732	5,355,861	(234,129)	10,000
Public safety					
Police	-	8,344,102	8,194,356	149,746	-
Fire	-	8,131,360	8,018,776	112,584	-
Total public safety	-	16,475,462	16,213,132	262,330	-
Health, community services and recreation					
Health and community services	-	3,975,531	3,087,307	888,224	-
Parks and recreation	-	1,698,155	1,894,302	(196,147)	-
Total health, commun. serv and rec.	-	5,673,686	4,981,609	692,077	-
Public buildings and services	-	10,311,553	9,831,466	480,087	-

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Changes in Unassigned
Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2013

	Balances			Variance	
	Carried 7/1/2012	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	2,843,431	2,843,431	-	-
Downtown Development District	-	54,739	54,739	-	-
Public library	-	1,403,107	1,403,106	1	-
Other agencies	1,583	80,375	81,499	(124)	583
Total other agencies	1,583	4,381,652	4,382,775	(123)	583
Education					
Regular	3,276,779	41,418,726	40,416,630	-	4,278,875
Adult education	119,985	512,274	443,552	-	188,707
School lunch	230,802	1,353,465	1,462,337	-	121,930
Special revenue	38,608	2,593,509	2,522,372	-	109,745
Trust and agency	253,578	1,162,190	1,148,712	-	267,056
Total education	3,919,752	47,040,164	45,993,603	-	4,966,313
Other appropriations					
Pensions and other fringe benefits	-	1,872,157	2,122,901	(250,744)	-
Debt service	-	2,581,010	2,582,322	(1,312)	-
Tax increment financing payments	-	836,250	839,767	(3,517)	-
Total other appropriations	-	5,289,417	5,544,990	(255,573)	-
Total expenditures	3,921,335	94,303,666	92,303,436	944,669	4,976,896
Excess (deficiency) of revenues over/under expenditures	(3,921,335)	(599,772)	202,958	219,576	4,504,489

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Changes in Unassigned
Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2013

	Balances			Variance	
	Carried 7/1/2012	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from restricted, committed and assigned fund balances	-	1,526,587	159,105	-	(1,367,482)
Sale of assets	-	16,000	53,162	37,162	-
Contributions	-	-	106	106	-
Insurance Settlements	-	22,900	57,493	34,593	-
Transfers to other funds	(372,170)	(740,626)	(1,223,882)	(111,086)	-
Transfers from other funds	-	27,000	23,532	(3,468)	-
Operating transfers	-	(252,089)	(252,089)	-	-
Total other financing sources (uses)	(372,170)	599,772	(1,182,573)	(42,693)	(1,367,482)
Net change in unassigned fund balance	\$ (4,293,505)	\$ -	\$ (979,615)	176,883	\$ 3,137,007
Unassigned fund balance, beginning of year				7,563,658	
Changes in amounts required to be shown as nonspendable fund balance					
Inventory and prepaids				(13,527)	
Unassigned fund balance, end of year				\$ 7,727,014	

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Other HUD Funds – This is used to account for 1) federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the redevelopment of the downtown commercial core of the City and 2) low interest loans to businesses within the City of Bangor for establishment, expansion or redevelopment purposes.

Grant Fund – Accounts for federal and state grants that are legally restricted to expenditures allowable by the grantor agency.

Dedicated Revenue Funds - Accounts for amounts raised or donated to benefit various governmental programs such as; the Dental Clinic, local parks, City forest and Park Woods complex.

Other Funds – Accounts for funds held to be used in future periods such as tax financing district repayments and other community funds for capital expenditures relating to the operation of the area transportation system

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 735,417	\$ -	\$ 735,417
Investments	-	124,570	124,570
Receivables:			
Accounts	69,079	-	69,079
Loans /Notes (net of \$170,317 allowance)	1,173,848	916,873	2,090,721
Intergovernmental	188,949	-	188,949
Total assets	\$ 2,167,293	\$ 1,041,443	\$ 3,208,736
LIABILITIES			
Accounts payable	\$ 54,968	\$ -	\$ 54,968
Interfund loans payable	227,830	-	227,830
Total liabilities	282,798	-	282,798
DEFERRED INFLOWS OF RESOURCES			
Unavailable resources - loans	160,000	-	160,000
Total deferred inflows of resources	160,000	-	160,000
FUND BALANCES			
Nonspendable	-	574,492	574,492
Restricted	1,730,231	466,951	2,197,182
Unassigned	(5,736)	-	(5,736)
Total fund balances	1,724,495	1,041,443	2,765,938
Total liabilities, deferred inflows of resources and fund balances	\$ 2,167,293	\$ 1,041,443	\$ 3,208,736

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 788,503	\$ -	\$ 788,503
Intergovernmental	6,078,266	-	6,078,266
Charges for services	1,060,267	-	1,060,267
Program income	12,834	-	12,834
Revenue from use of money and property	77,800	-	77,800
Other revenue	49,381	5,115	54,496
Interest revenue	-	45,867	45,867
Total revenues	8,067,051	50,982	8,118,033
Expenditures			
Current:			
Personnel	1,057,112	-	1,057,112
Payments to beneficiaries	881,647	-	881,647
Other	3,392,451	-	3,392,451
Bus operations	2,719,136	-	2,719,136
Program expenditures	-	4,980	4,980
Total expenditures	8,050,346	4,980	8,055,326
Excess of revenues over expenditures	16,705	46,002	62,707
Other financing sources (uses)			
Transfers to other funds	(185,932)	(46,215)	(232,147)
Transfers from other funds	35,314	3,167	38,481
Total other financing sources (uses)	(150,618)	(43,048)	(193,666)
Net change in fund balances	(133,913)	2,954	(130,959)
Fund balances, beginning of year	1,858,408	1,038,489	2,896,897
Fund balances, end of year	\$ 1,724,495	\$ 1,041,443	\$ 2,765,938

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
ASSETS					
Cash and cash equivalents	\$ 348,281	\$ 32	\$ -	\$ 387,104	\$ 735,417
Receivables:					
Accounts	-	69,079	-	-	69,079
Loans/Notes (net of \$170,317 allowance)	160,000	-	700,958	312,890	1,173,848
Intergovernmental	-	188,949	-	-	188,949
Total assets	\$ 508,281	\$ 258,060	\$ 700,958	\$ 699,994	\$ 2,167,293
LIABILITIES					
Accounts payable	-	35,966	-	19,002	54,968
Interfund loans payable	-	227,830	-	-	227,830
Total liabilities	-	263,796	-	19,002	282,798
DEFERRED INFLOWS OF RESOURCES					
Unavailable resources - loans	160,000	-	-	-	160,000
Total deferred inflows of resources	160,000	-	-	-	160,000
FUND BALANCES (DEFICITS)					
Restricted	348,281	-	700,958	680,992	1,730,231
Unassigned	-	(5,736)	-	-	(5,736)
Total fund balances (deficits)	348,281	(5,736)	700,958	680,992	1,724,495
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 508,281	\$ 258,060	\$ 700,958	\$ 699,994	\$ 2,167,293

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2013

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 788,503	\$ 788,503
Intergovernmental	-	6,078,266	-	-	6,078,266
Charges for services	-	1,060,267	-	-	1,060,267
Program income	12,834	-	-	-	12,834
Revenue from use of money and property	-	-	41,806	35,994	77,800
Contributions	-	-	15,353	34,028	49,381
Total revenues	12,834	7,138,533	57,159	858,525	8,067,051
Expenditures					
Current:					
Personnel	-	1,057,112	-	-	1,057,112
Payments to beneficiaries	-	-	69,826	811,821	881,647
Other	-	3,392,451	-	-	3,392,451
Bus operations	-	2,719,136	-	-	2,719,136
Total expenditures	-	7,168,699	69,826	811,821	8,050,346
Excess (deficiency) of revenues over (under) expenditures	12,834	(30,166)	(12,667)	46,704	16,705
Other financing sources (uses)					
Transfers to other funds	-	-	(128,532)	(57,400)	(185,932)
Transfers from other funds	-	29,014	-	6,300	35,314
Total other financing sources (uses)	-	29,014	(128,532)	(51,100)	(150,618)
Net change in fund balances	12,834	(1,152)	(141,199)	(4,396)	(133,913)
Fund balances (deficits), beginning of year	335,447	(4,584)	842,157	685,388	1,858,408
Fund balances (deficits), end of year	\$ 348,281	\$ (5,736)	\$ 700,958	\$ 680,992	\$ 1,724,495

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2013

	Other Funds	Revolving Loan Funds	Totals
ASSETS			
Investments	\$ -	\$ 124,570	\$ 124,570
Loans receivable	892,116	24,757	916,873
Total assets	\$ 892,116	\$ 149,327	\$ 1,041,443
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -
Fund balances			
Nonspendable	425,165	149,327	574,492
Restricted	466,951	-	466,951
Total fund balances	892,116	149,327	1,041,443
Total liabilities and and fund balances	\$ 892,116	\$ 149,327	\$ 1,041,443

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Fiscal Year Ended June 30, 2013

	Other Funds	Revolving Loan Funds	Totals
Revenues			
Investment income	\$ 38,271	\$ 7,596	\$ 45,867
Lot sales	5,115	-	5,115
Total revenues	43,386	7,596	50,982
Expenditures			
Current:			
Payments to beneficiaries	80	4,900	4,980
Total expenditures	80	4,900	4,980
Excess of revenues over expenditures	43,306	2,696	46,002
Other financing sources (uses)			
Transfer to other funds	(46,215)	-	(46,215)
Transfer from other funds	3,167	-	3,167
Total other financing source (uses)	(43,048)	-	(43,048)
Net change in fund balances	258	2,696	2,954
Fund balances, beginning of year	891,858	146,631	1,038,489
Fund balances, end of year	\$ 892,116	\$ 149,327	\$ 1,041,443

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ENTERPRISE FUNDS

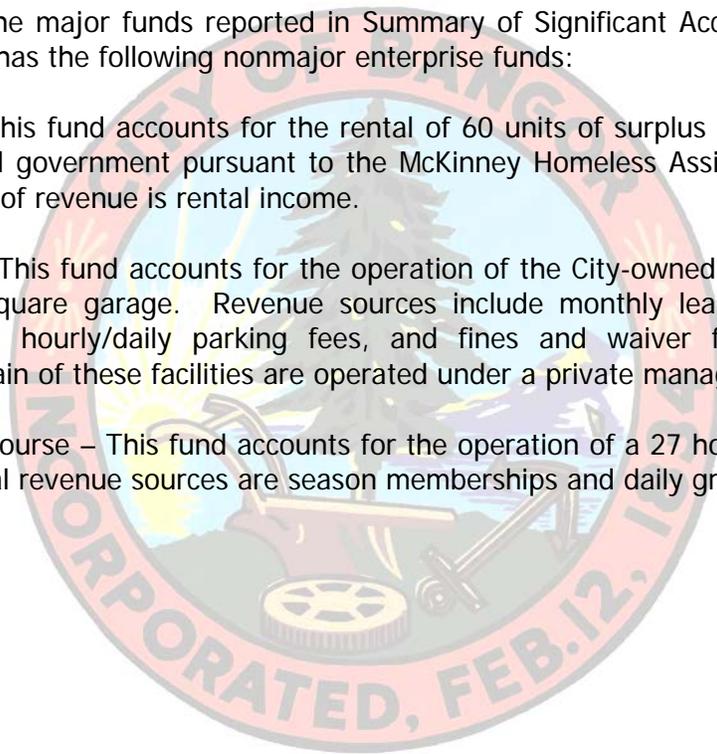
Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government is to have the costs of providing goods or services to the general public financed or recovered primarily through user charges. The government has decided that periodic determination of net income is appropriate for accountability purposes.

In addition to the major funds reported in Summary of Significant Accounting Policies, Note C the City has the following nonmajor enterprise funds:

Park Woods – This fund accounts for the rental of 60 units of surplus housing received from the federal government pursuant to the McKinney Homeless Assistance Act. The principal source of revenue is rental income.

Parking Fund – This fund accounts for the operation of the City-owned parking lots and the Pickering Square garage. Revenue sources include monthly lease payments for parking spaces, hourly/daily parking fees, and fines and waiver fees for parking violations. Certain of these facilities are operated under a private management contract.

Municipal Golf Course – This fund accounts for the operation of a 27 hole municipal golf course. Principal revenue sources are season memberships and daily green fees.



CITY OF BANGOR, MAINE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2013

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 440	\$ 244,285	\$ 537,105	\$ 781,830
Accounts receivable	1,261	1,056	-	2,317
Total current assets	1,701	245,341	537,105	784,147
Noncurrent assets				
Capital Assets:				
Land and improvements	295,025	-	1,594,732	1,889,757
Buildings and improvements	1,933,061	-	912,607	2,845,668
Machinery and equipment	22,952	-	305,859	328,811
Parking structures	-	11,317,169	-	11,317,169
	2,251,038	11,317,169	2,813,198	16,381,405
Less accumulated depreciation	(1,632,689)	(8,358,114)	(1,759,430)	(11,750,233)
Net capital assets	618,349	2,959,055	1,053,768	4,631,172
Deposits	20,000	-	-	20,000
Total noncurrent assets	638,349	2,959,055	1,053,768	4,651,172
Total assets	640,050	3,204,396	1,590,873	5,435,319

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2013

Business-type Activities - Enterprise Funds				
	Park Woods	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
LIABILITIES				
Current liabilities				
Accounts payable	29,395	309	15,444	45,148
Accrued wages and benefits payable	1,787	3,898	12,051	17,736
Accrued interest	-	12,620	4,180	16,800
Workers' compensation	-	4,050	-	4,050
Interfund loans payable	371,000	-	-	371,000
General obligation debt payable	-	199,818	34,617	234,435
Total current liabilities	402,182	220,695	66,292	689,169
Long-term liabilities				
Workers' compensation	-	5,950	-	5,950
General obligation debt payable	-	1,707,457	433,545	2,141,002
Accrued compensated absences	11,631	8,676	19,316	39,623
Net OPEB obligation	7,673	10,950	19,245	37,868
Other long-term liabilities	193,061	20,228	-	213,289
Total long-term liabilities	212,365	1,753,261	472,106	2,437,732
Total liabilities	614,547	1,973,956	538,398	3,126,901
NET POSITION				
Net investment in capital assets	618,349	1,203,883	666,377	2,488,609
Unrestricted	(592,846)	26,557	386,098	(180,191)
Total net position	\$ 25,503	\$ 1,230,440	\$ 1,052,475	\$ 2,308,418

Continued from previous page

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2013

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Operating revenues				
Charges for services	\$ 417,407	\$ 960,947	\$ 592,825	\$ 1,971,179
Operating expenses				
Operating expenses other than depreciation and amortization	384,166	645,885	586,815	1,616,866
Depreciation and amortization	89,123	268,077	80,711	437,911
Total operating expenses	473,289	913,962	667,526	2,054,777
Operating income (loss)	(55,882)	46,985	(74,701)	(83,598)
Nonoperating revenue (expenses)				
Interest income	-	-	590	590
Interest expense	-	(58,365)	(19,791)	(78,156)
Total nonoperating revenue (expenses)	-	(58,365)	(19,201)	(77,566)
Net income (loss) before grants/contributions and transfers	(55,882)	(11,380)	(93,902)	(161,164)
Grants/contributions received for capital assets	-	28,281	-	28,281
Change in net position	(55,882)	16,901	(93,902)	(132,883)
Net position, beginning of year	81,385	1,213,539	1,146,377	2,441,301
Net position, end of year	\$ 25,503	\$ 1,230,440	\$ 1,052,475	\$ 2,308,418

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2013

Business-type Activities - Enterprise Funds				
	Park Woods	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from customers	\$ 421,523	\$ 958,905	\$ 592,825	\$ 1,973,253
Cash paid to suppliers for goods and services	(382,557)	(483,057)	(252,281)	(1,117,895)
Cash paid to employees for services	(31,472)	(163,705)	(329,750)	(524,927)
Net cash provided by operating activities	7,494	312,143	10,794	330,431
Cash flows from noncapital financing activities				
Interfund loans (repayments)	(7,300)	-	-	(7,300)
Net cash (used in) noncapital financing activities	(7,300)	-	-	(7,300)
Cash flows from capital and related financing activities				
Proceeds from general obligation bonds	-	-	266,015	266,015
Acquisition and construction of capital assets	-	(48,903)	-	(48,903)
Payment to escrow agent	-	-	(266,015)	(266,015)
Principal paid on general obligation bonds	-	(193,763)	(32,765)	(226,528)
Interest paid on general obligation bonds	-	(60,346)	(21,768)	(82,114)
Net cash (used in) capital and related financing activities	-	(303,012)	(54,533)	(357,545)
Cash flows from investing activities				
Interest on investments	-	141	590	731
Net cash provided by investing activities	-	141	590	731
Net increase (decrease) in cash	194	9,272	(43,149)	(33,683)
Cash, beginning of year	246	235,013	580,254	815,513
Cash, end of year	\$ 440	\$ 244,285	\$ 537,105	\$ 781,830

Schedule of noncash investing, capital and financing activities:

During the year, the Parking Fund had a non cash contribution to capital assets in the amount of \$28,281.

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2013

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (55,882)	\$ 46,985	\$ (74,701)	\$ (83,598)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	89,123	268,077	80,711	437,911
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	4,117	(1,056)	-	3,061
Increase (decrease) in accounts payable	(29,580)	(381)	901	(29,060)
Increase (decrease) in unearned revenue	-	(986)	-	(986)
Increase (decrease) in other liabilities	(284)	(496)	3,883	3,103
Total adjustments	63,376	265,158	85,495	414,029
Net cash provided by operating activities	\$ 7,494	\$ 312,143	\$ 10,794	\$ 330,431

Continued from previous page

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Sewer Utility Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 7,984,590	\$ 7,794,718	\$ (189,872)
Interest and other revenue	45,000	28,818	(16,182)
Total revenues	8,029,590	7,823,536	(206,054)
Expenditures and encumbrances			
Salaries	1,277,054	1,190,734	86,320
Fringe benefits	365,005	315,721	49,284
Supplies and materials	1,342,667	1,086,546	256,121
Contractual services	1,322,744	1,386,613	(63,869)
Interfund charges	513,358	445,762	67,596
Miscellaneous	27,795	39,646	(11,851)
Debt service	3,004,467	3,000,861	3,606
Depreciation	1,681,950	1,725,442	(43,492)
Outlay	176,500	198,270	(21,770)
Total expenditures and encumbrances	9,711,540	9,389,595	321,945
Deficiency of revenues under expenditures and encumbrances	\$ (1,681,950)	\$ (1,566,059)	\$ 115,891

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Airport Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 13,549,944	\$ 12,044,192	\$ (1,505,752)
Interest and other revenue	817,595	700,344	(117,251)
Total revenues	14,367,539	12,744,536	(1,623,003)
Expenditures and encumbrances			
Salaries	5,689,726	5,137,754	551,972
Fringe benefits	1,334,743	1,308,591	26,152
Supplies and materials	2,196,405	2,231,585	(35,180)
Contractual services	2,583,810	2,737,796	(153,986)
Interfund charges	886,132	781,067	105,065
Miscellaneous	156,953	54,778	102,175
Debt service	721,151	1,053,704	(332,553)
Depreciation	7,550,000	7,932,320	(382,320)
Outlay	695,000	185,396	509,604
Total expenditures and encumbrances	21,813,920	21,422,991	390,929
Deficiency of revenues under expenditures and encumbrances	\$ (7,446,381)	\$ (8,678,455)	\$ (1,232,074)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Park Woods - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 477,200	\$ 417,406	\$ (59,794)
Total revenues	477,200	417,406	(59,794)
Expenditures and encumbrances			
Salaries	29,552	26,072	3,480
Fringe benefits	6,461	6,274	187
Supplies and materials	145,700	156,236	(10,536)
Contractual services	178,898	187,976	(9,078)
Interfund charges	245	111	134
Miscellaneous	9,100	8,654	446
Depreciation	89,123	89,123	-
Total expenditures and encumbrances	459,079	474,446	(15,367)
Excess (deficiency) of revenues over (under) expenditures and encumbrances	\$ 18,121	\$ (57,040)	\$ (75,161)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Parking Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,052,348	\$ 959,961	\$ (92,387)
Total revenues	1,052,348	959,961	(92,387)
Expenditures and encumbrances			
Salaries	194,665	132,322	62,343
Fringe benefits	33,612	31,334	2,278
Supplies and materials	8,950	2,901	6,049
Contractual services	392,902	366,993	25,909
Interfund charges	115,325	112,781	2,544
Debt service	254,108	254,108	-
Depreciation	270,670	268,077	2,593
Outlay	50,000	48,904	1,096
Total expenditures and encumbrances	1,320,232	1,217,420	102,812
Deficiency of revenues under expenditures and encumbrances	\$ (267,884)	\$ (257,459)	\$ 10,425

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Bass Park Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,289,975	\$ 1,249,595	\$ (40,380)
Operating transfer	833,729	833,925	196
Total revenues	2,123,704	2,083,520	(40,184)
Expenditures and encumbrances			
Salaries	832,771	813,129	19,642
Fringe benefits	107,563	98,070	9,493
Supplies and materials	350,150	379,648	(29,498)
Contractual services	521,305	619,122	(97,817)
Interfund charges	136,350	143,752	(7,402)
Miscellaneous	50,000	47,824	2,176
Debt service	135,565	135,565	-
Depreciation	243,962	286,336	(42,374)
Credits	(10,000)	(10,000)	-
Total expenditures and encumbrances	2,367,666	2,513,446	(145,780)
Deficiency of revenues under expenditures and encumbrances	\$ (243,962)	\$ (429,926)	\$ (185,964)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Municipal Golf Course - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 666,000	\$ 592,825	\$ (73,175)
Interest and other revenue	700	590	(110)
Total revenues	666,700	593,415	(73,285)
Expenditures and encumbrances			
Salaries	301,673	290,832	10,841
Fringe benefits	40,725	40,165	560
Supplies and materials	88,625	108,295	(19,670)
Contractual services	78,018	80,886	(2,868)
Interfund charges	60,125	62,905	(2,780)
Debt service	54,534	54,534	-
Depreciation	83,150	80,711	2,439
Outlay	43,000	-	43,000
Total expenditures and encumbrances	749,850	718,328	31,522
Deficiency of revenues under expenditures and encumbrances	\$ (83,150)	\$ (124,913)	\$ (41,763)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Economic Development Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,147,663	\$ 532,033	\$ (615,630)
Interest and other revenue	90,507	89,276	(1,231)
Total revenues	1,238,170	621,309	(616,861)
Expenditures and encumbrances			
Supplies and materials	81,876	84,901	(3,025)
Contractual services	196,139	161,096	35,043
Miscellaneous	2,337	3,480	(1,143)
Debt service	380,363	380,363	-
Depreciation	184,498	184,498	-
Outlay	180,000	-	180,000
Total expenditures and encumbrances	1,025,213	814,338	210,875
Excess (deficiency) of revenues over (under) expenditures and encumbrances	\$ 212,957	\$ (193,029)	\$ (405,986)

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FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others.

Agency Funds – Agency Funds are used to account for situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.



CITY OF BANGOR, MAINE
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS				
Cash:				
Bangor Area Stormwater Group	\$ 18,595	\$ 44,647	\$ 44,982	\$ 18,260
School Activity Funds	101,154	187,967	170,860	118,261
Total assets	\$ 119,749	\$ 232,614	\$ 215,842	\$ 136,521
LIABILITIES				
Funds held for others:				
Bangor Area Stormwater Group	\$ 18,595	\$ 44,647	\$ 44,982	\$ 18,260
School Activity Funds	101,154	187,967	170,860	118,261
Total liabilities	\$ 119,749	\$ 232,614	\$ 215,842	\$ 136,521

**CAPITAL ASSETS USED
IN THE OPERATION
OF GOVERNMENTAL FUNDS**



CITY OF BANGOR, MAINE
Capital Assets Used in the Operation of Governmental Funds
(net of accumulated depreciation)
Schedule of Changes by Function and Activity
For the Fiscal Year Ended June 30, 2013

Function and Activity	Balance 2012	Additions	Deletions	Balance 2013
General government				
BAT community connector	\$ 2,597,261	\$ -	\$ 281,494	\$ 2,315,767
Central service	9,615	8,206	4,256	13,565
City clerk	3,472	-	3,472	-
City hall	619,811	-	24,181	595,630
Community and economic development	9,439,735	1,315,491	409,896	10,345,330
Engineering	31,962	-	6,921	25,041
Information services	111,605	156,391	42,572	225,424
Motor pool	3,218,538	1,249,633	722,317	3,745,854
Other - unclassified	252,219	-	70,161	182,058
Total general government	16,284,218	2,729,721	1,565,270	17,448,669
Public safety				
Fire	5,496,555	69,450	494,332	5,071,673
Police	10,340,219	133,209	376,473	10,096,955
Total public safety	15,836,774	202,659	870,805	15,168,628
Health, community services and recreation				
Parks and recreation	2,070,067	94,552	102,797	2,061,822
Total health, community services and recreation	2,070,067	94,552	102,797	2,061,822
Public building and services				
Public works	12,831,745	1,449,928	1,312,332	12,969,341
Total public buildings and services	12,831,745	1,449,928	1,312,332	12,969,341
Education	28,242,484	1,799,396	1,048,371	28,993,509
Arena Fund - restated*	-	-	-	-
Total governmental fund capital assets	\$ 75,265,288	\$ 6,276,256	\$ 4,899,575	\$ 76,641,969

* - The Capital Assets for the Arena Fund were moved to the Bass Park Fund

OTHER INFORMATION



CITY OF BANGOR, MAINE
Assessed Valuation, Commitment and Collections
For the Fiscal Year Ended June 30, 2013

VALUATION

Land and buildings	\$ 2,282,480,900
Land and buildings - Homestead exemption	53,981,600
Personal property	245,768,300
Personal property - BETE exemption	<u>66,043,600</u>
Total valuation	<u><u>\$ 2,648,274,400</u></u>

COMMITMENT

Real estate, personal property (excludes Homestead and BETE exemptions)	\$ 2,528,249,200
Tax rate	<u>0.01965</u>
Total commitment	49,680,097

ADD

Supplemental taxes committed	<u>33,758</u>
	49,713,855

LESS

Collections 2013	48,276,445
Abatements	<u>134,598</u>
2013 taxes receivable at June 30, 2013	<u><u>\$ 1,302,812</u></u>

CITY OF BANGOR, MAINE
General Fund Unassigned Fund Balance Sufficiency Calculation
For the Fiscal Year Ended June 30, 2013

It is the policy of the City to maintain a General Fund unassigned fund balance approximately 8.33% of operating expenditures. The following table sets forth the calculation as to the sufficiency of the June 30, 2013 General Fund unassigned fund balance.

General Fund expenditures/uses (Schedule A-2)

General government	\$ 5,355,861
Public safety	16,213,132
Health, community services and recreation	4,981,609
Public buildings and services	9,831,466
Other agencies	4,382,775
Education	45,993,603
Other appropriations	5,544,990
Other uses, gross*	<u>1,364,885</u>
Gross expenditures and uses	93,668,321
General Fund debt service	<u>6,805,776</u>
Net expenditures and uses	<u><u>\$ 86,862,545</u></u>
Indicated unassigned fund balance @ 8.33%	\$ 7,235,650
Actual unassigned fund balance (Schedule A-2)	\$ 7,727,014
Actual unassigned fund balance as a percentage of net expenditures and uses	8.90%
Over (under) funded status	<u><u>\$ 491,364</u></u>

* excludes amounts appropriated from unassigned fund balance

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STATISTICAL SECTION

This part of the City of Bangor's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

	Page
Financial Trends	III - 1
<p>The schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	III - 8
<p>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</p>	
Debt Capacity	III - 12
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the ability to issue additional debt in the future.</p>	
Demographic and Economic Information	III - 16
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	III - 18
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

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Table 1

CITY OF BANGOR, MAINE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2011	2012	2013
Governmental activities:			
Net investment in capital assets	\$ 40,176,260	\$ 67,253,588	\$ 54,540,288
Restricted	1,019,806	1,039,248	1,041,443
Unrestricted	262,217	(24,620,719)	(21,336,473)
Total governmental activities net position	<u>41,458,283</u>	<u>43,672,117</u>	<u>34,245,258</u>
Business-type activities:			
Net investment in capital assets	155,344,528	152,749,709	165,548,784
Restricted	-	-	-
Unrestricted	15,549,352	12,823,198	4,879,657
Total business-type activities net position	<u>170,893,880</u>	<u>165,572,907</u>	<u>170,428,441</u>
Primary government:			
Net investment in capital assets	195,520,788	220,003,297	220,089,072
Restricted	1,019,806	1,039,248	1,041,443
Unrestricted	15,811,569	(11,797,521)	(16,456,816)
Total primary government net position	<u>\$ 212,352,163</u>	<u>\$ 209,245,024</u>	<u>\$ 204,673,699</u>

Only three years have been presented because 2011 was the year GASB Statement No. 54 was implemented.

Table 2

CITY OF BANGOR, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 6,487,572	\$ 6,435,386	\$ 6,947,106	\$ 7,052,860	\$ 8,744,549	\$ 7,868,247	\$ 8,279,943	\$ 9,223,718	\$ 4,490,599	\$ 4,733,021
Public safety	12,066,567	12,478,326	12,890,750	13,756,962	14,945,855	15,671,645	16,898,374	17,018,427	18,016,430	17,864,294
Health, community services and recreation	3,606,827	4,000,249	7,301,546	7,348,875	8,413,205	9,168,870	9,331,784	9,523,225	8,455,977	9,298,196
Public services**	7,360,360	7,609,989	11,167,397	11,544,128	10,501,253	11,812,548	16,380,337	12,413,601	15,399,933	14,408,500
Other agencies	3,273,003	3,514,658	3,610,935	3,787,970	4,829,547	4,580,661	4,658,904	4,479,888	4,209,428	4,630,915
Education	40,279,055	42,659,395	45,522,795	46,106,647	47,537,197	54,294,824	52,763,860	50,986,350	51,223,806	50,145,937
Unclassified	389,598	65,639	947,025	1,136	-	-	-	-	-	-
Restricted grants*	6,857,039	7,326,307	-	-	-	-	-	-	-	-
Arena development	-	-	-	417,030	41,091	51,332	39,075	61,334	536,251	2,201,200
Community development	-	-	2,419,594	1,865,026	2,156,241	912,992	1,506,038	1,542,975	1,152,289	1,356,184
Waterfront	-	-	990,961	399,015	1,754,281	9,252,263	79,911	1,439,065	606,249	381,437
Public transportation	-	-	1,798,968	1,841,516	2,118,374	3,042,434	2,792,904	1,701,112	3,276,780	3,250,752
Economic development (tif)	-	-	1,092,770	1,101,078	1,066,192	1,114,112	1,630,081	1,383,662	1,502,503	1,334,470
Interest on debt	3,083,447	3,166,250	3,098,248	1,952,612	3,206,764	2,651,599	2,555,839	2,151,172	2,710,135	3,343,590
Capital maintenance expenses*	2,666,118	1,674,034	-	-	-	-	-	-	-	-
Total governmental activities expenses	86,069,586	88,930,233	97,788,095	97,174,855	105,314,549	120,421,527	116,917,050	111,924,529	111,580,380	112,948,496
Business-type activities:										
Sewer Utility	5,751,710	5,859,588	5,818,127	6,052,420	6,052,419	6,197,277	6,253,436	6,202,202	6,758,495	6,827,790
Airport	15,060,963	16,368,681	16,947,056	18,645,140	19,641,953	19,934,243	20,532,553	20,458,552	20,752,350	20,722,960
Park Woods	531,986	598,854	540,207	678,867	678,867	590,250	529,610	496,478	533,671	473,289
Parking	1,431,983	1,425,508	1,322,138	1,438,125	1,438,125	1,374,909	1,402,922	1,206,989	995,631	972,327
Bass Park	1,935,653	1,889,215	1,918,111	1,993,205	1,993,205	1,851,914	1,923,073	2,075,644	1,919,301	3,314,865
Municipal Golf Course	626,739	592,323	647,499	695,969	695,969	745,339	733,380	664,311	671,113	687,317
Economic Development	338,795	397,881	484,264	695,851	695,851	712,195	634,764	618,980	615,816	586,140
Total business-type activities expenses	25,677,829	27,132,050	27,677,402	30,199,577	31,196,389	31,406,127	32,009,738	31,723,156	32,246,377	33,584,688
Total primary government expenses	\$ 111,747,415	\$ 116,062,283	\$ 125,465,497	\$ 127,374,432	\$ 136,510,938	\$ 151,827,654	\$ 148,926,788	\$ 143,647,685	\$ 143,826,757	\$ 146,533,184

* - Amounts previously reported as restricted grants and capital maintenance expenses have been classified into new functions beginning in 2006.

** - Amounts previously reported as infrastructure have been reclassified as public services to conform with current year presentation.

Continued on next page

CITY OF BANGOR, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 1,103,382	\$ 1,447,058	\$ 1,672,854	\$ 2,334,040	\$ 2,282,374	\$ 1,869,711	\$ 2,386,637	\$ 2,070,189	\$ 2,501,326	\$ 2,214,675
Public safety	1,923,804	1,908,000	2,471,220	2,182,680	2,439,831	3,010,167	2,401,930	3,289,153	2,681,152	3,418,686
Health, community services and recreation	624,778	674,364	756,207	681,583	771,254	768,450	836,689	928,307	1,048,707	1,139,382
Public services	3,537,702	3,766,334	4,076,981	3,871,412	4,127,341	3,807,886	3,954,116	3,922,847	4,002,973	3,520,517
Other agencies	-	-	-	-	22,243	22,068	-	20,248	103,560	-
Education	3,857,798	4,549,286	4,561,352	4,408,431	4,539,787	4,386,457	4,533,041	5,165,261	3,806,614	3,835,409
Unclassified	19,719	20,036	859,682	61,128	-	-	-	-	-	-
Restricted grants*	1,368,366	1,079,690	-	-	-	-	-	-	-	-
Arena Development	-	-	-	1,630,360	1,689,657	2,205,771	2,380,158	2,331,584	2,434,915	2,079,869
Community development	-	-	672,459	658,141	297,394	301,019	332,295	323,494	588,587	474,013
Public transportation	-	-	536,491	659,960	809,531	944,804	923,433	1,025,080	1,023,717	1,045,793
Tax increment financing	-	-	-	-	-	1,711	-	-	-	-
Operating grants and contributions	24,743,028	25,986,614	29,577,430	30,534,706	41,370,518	34,155,649	35,683,710	35,604,940	33,137,275	31,901,386
Capital grants and contributions	2,098,577	4,117,072	3,788,485	2,604,652	2,119,150	2,068,478	6,578,917	4,935,614	3,725,432	2,345,794
Total governmental activities program revenues	39,277,154	43,548,454	48,973,161	49,627,093	60,469,080	53,542,171	60,010,926	59,616,717	55,054,258	51,975,524
Business-type activities:										
Charges for services										
Sewer Utility	6,281,870	5,970,615	6,206,605	6,663,408	6,745,112	7,537,879	7,288,499	7,340,935	7,320,469	7,708,101
Airport	11,398,518	11,527,061	12,074,504	13,555,003	14,475,879	13,953,287	13,767,394	13,080,217	12,540,347	12,069,935
Park Woods	279,588	310,389	287,452	340,494	340,494	369,478	371,832	372,715	397,426	417,407
Parking	892,820	943,990	963,697	1,001,697	1,001,697	997,111	1,050,579	1,057,710	1,012,109	960,947
Bass Park	1,253,421	1,238,707	1,460,931	1,426,599	1,426,599	1,253,236	1,382,947	1,276,869	1,304,384	1,249,595
Municipal Golf Course	595,852	586,956	604,365	655,834	655,834	608,930	658,053	643,501	628,869	592,825
Economic Development	316,062	433,694	391,658	422,716	422,716	569,549	507,867	585,785	409,486	462,033
Capital grants and contributions	3,376,637	7,749,367	2,581,874	4,377,242	3,426,732	4,113,557	8,684,860	3,717,755	2,351,779	6,121,523
Total business-type activities program revenues	24,394,768	28,760,779	24,571,086	28,442,993	28,495,063	29,403,027	33,712,031	28,075,487	25,964,869	29,582,366
Total primary government program revenues	\$ 63,671,922	\$ 72,309,233	\$ 73,544,247	\$ 78,070,086	\$ 88,964,143	\$ 82,945,198	\$ 93,722,957	\$ 87,692,204	\$ 81,019,127	\$ 81,557,890

* - Amounts previously reported as restricted grants have been classified into new functions beginning in 2006.

CITY OF BANGOR, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$ (46,792,432)	\$ (45,381,779)	\$ (48,814,934)	\$ (47,547,762)	\$ (44,845,469)	\$ (66,879,356)	\$ (56,906,124)	\$ (52,307,812)	\$ (56,526,122)	\$ (60,972,972)
Business-type activities	(1,283,061)	1,628,729	(3,106,316)	(1,756,584)	(2,701,326)	(2,003,100)	1,702,293	(3,647,669)	(6,281,508)	(4,002,322)
Total primary government expense	(48,075,493)	(43,753,050)	(51,921,250)	(49,304,346)	(47,546,795)	(68,882,456)	(55,203,831)	(55,955,481)	(62,807,630)	(64,975,294)
General revenues and other changes in net position										
Governmental activities:										
Property taxes	39,936,976	40,302,810	40,666,758	41,702,775	43,775,938	46,977,792	48,182,455	48,027,330	48,520,390	49,930,989
Payment in lieu of taxes	135,000	186,500	160,457	145,000	122,510	141,595	117,770	161,879	156,629	95,620
Excise taxes	4,306,055	4,358,409	4,752,852	4,668,614	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947	4,594,821
Franchise taxes	225,224	265,598	274,986	296,566	300,768	322,526	348,163	367,672	372,542	362,088
Unrestricted grants and contributions	4,512,720	4,487,931	4,773,082	4,968,217	5,520,774	5,260,439	4,999,567	4,859,811	4,963,161	4,857,030
Unrestricted investment earnings	296,857	519,225	699,417	1,183,796	1,274,939	874,824	673,295	565,326	530,631	57,620
Indirect cost charges	483,439	472,056	-	-	-	-	-	-	-	-
Miscellaneous	131,733	8,353	32,550	260,733	161,439	93,967	135,849	92,379	16,698	112,060
Transfers	(948,416)	(837,806)	(861,290)	(871,864)	(539,088)	(739,179)	761,103	(637,898)	(417,042)	(8,772,781)
Total governmental activities	49,079,588	49,763,076	50,498,812	52,353,837	55,258,600	57,683,969	59,913,138	57,952,251	58,739,956	51,237,447
Business-type activities:										
Unrestricted investment earnings	206,665	895,064	635,454	1,346,799	1,326,787	1,025,098	1,035,753	752,891	543,493	345,932
Gain/loss on sale of asset	-	-	-	-	-	-	-	-	-	(260,857)
Transfers	948,416	837,806	861,290	539,088	539,088	739,179	(761,103)	637,898	417,042	8,772,781
Total business-type activities	1,155,081	1,732,870	1,496,744	1,885,887	1,865,875	1,764,277	274,650	1,390,789	960,535	8,857,856
Total primary government	50,234,669	51,495,946	51,995,556	54,239,724	57,124,475	59,448,246	60,187,788	59,343,040	59,700,491	60,095,303
Change in net position										
Governmental activities	2,287,156	4,381,297	1,683,878	4,806,075	10,413,131	(9,195,387)	3,007,014	5,644,439	2,213,834	(9,735,525)
Business-type activities	(127,980)	3,361,599	(1,609,572)	129,303	(835,451)	(238,823)	1,976,943	(2,256,880)	(5,320,973)	4,855,534
Total primary government	\$ 2,159,176	\$ 7,742,896	\$ 74,306	\$ 4,935,378	\$ 9,577,680	\$ (9,434,210)	\$ 4,983,957	\$ 3,387,559	\$ (3,107,139)	\$ (4,879,991)

Continued from previous page

Table 3

CITY OF BANGOR, MAINE
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tax Revenues										
Property taxes	\$ 39,936,976	\$ 40,302,810	\$ 40,666,758	\$ 41,702,775	\$ 43,775,938	\$ 46,977,792	\$ 48,182,455	\$ 48,027,330	\$ 48,520,390	\$ 49,930,989
Excise taxes	4,306,055	4,358,409	4,752,852	4,668,614	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947	4,594,821
Franchise taxes	225,224	265,598	274,986	296,566	300,768	322,526	348,163	367,672	372,542	362,088
Total tax revenues	\$ 44,468,255	\$ 44,926,817	\$ 45,694,596	\$ 46,667,955	\$ 48,718,026	\$ 52,052,323	\$ 53,225,554	\$ 52,910,754	\$ 53,489,879	\$ 54,887,898

Table 4

CITY OF BANGOR, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2011	2012	2013
General Fund:			
Nonspendable			
Advances to other funds	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500
Inventory and prepaid items	963,770	860,187	873,714
Restricted			
Education purposes	1,213,508	936,158	186,871
Municipal purposes	405,119	349,362	288,519
Committed - municipal purposes	19,033	373,753	10,583
Assigned			
Encumbrances - education and municipal	1,389,501	1,548,268	777,788
Municipal purposes	3,115,199	3,240,838	3,415,627
Unassigned	8,017,940	7,563,658	7,727,014
Total general fund	<u>\$ 17,024,570</u>	<u>\$ 16,772,724</u>	<u>\$ 15,180,616</u>
All other governmental funds:			
Nonspendable			
Permanent Fund Principal	\$ 608,710	\$ 588,515	\$ 574,492
Restricted			
Community Development Block Grant	346,605	415,956	252,479
Penobscot River	759	759	-
Nonmajor Special Revenue Funds	1,637,362	1,862,992	1,730,231
Nonmajor Permanent Funds	410,337	449,974	466,951
Committed			
Arena Fund	6,690,287	-	2,761,541
Assigned			
Capital Project Fund	826,179	-	4,426,655
Capital Project Fund Encumbrances	-	1,853,043	127,712
Unassigned			
Arena Fund	-	(4,603,950)	-
Capital Project Fund	(537)	-	-
Nonmajor Special Revenue Funds	(12,257)	(4,584)	(5,736)
Total all other governmental funds	<u>\$ 10,507,445</u>	<u>\$ 562,705</u>	<u>\$ 10,334,325</u>

Only three years have been reported because 2011 was the year GASB 54 was implemented.

Table 5

CITY OF BANGOR, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes:										
Property taxes	\$ 39,774,952	\$ 40,586,129	\$ 41,101,785	\$ 42,145,912	\$ 43,767,914	\$ 47,113,576	\$ 48,284,733	\$ 48,371,202	\$ 48,688,270	\$ 50,004,619
Excise taxes	4,306,055	4,358,409	4,752,852	4,668,614	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947	4,594,821
Total tax revenues	44,081,007	44,944,538	45,854,637	46,814,526	48,409,234	51,865,581	52,979,669	52,886,954	53,285,217	54,599,440
Intergovernmental	31,617,135	34,484,238	37,714,682	37,774,922	41,345,956	41,123,520	46,211,718	45,304,160	40,536,525	39,029,824
Licenses and permits	374,499	655,745	538,534	982,879	956,965	644,621	633,339	601,202	948,267	576,559
Charges for services	11,035,587	12,160,573	12,927,989	12,598,776	13,283,275	13,449,587	13,655,764	15,226,575	13,594,482	14,079,514
Program income	463,066	409,153	663,269	657,987	296,325	288,677	329,800	314,203	575,460	462,380
Revenue from money and property	1,162,796	1,255,959	2,349,812	3,621,988	3,812,356	3,836,654	3,864,984	3,473,975	4,042,881	3,067,949
Other	142,311	168,452	526,360	279,261	7,691,463	428,220	1,108,213	279,426	561,118	165,686
Total revenues	88,876,401	94,078,658	100,575,283	102,730,339	115,795,574	111,636,860	118,783,487	118,086,495	113,543,950	111,981,352
Expenditures:										
General government	4,619,401	4,732,331	4,642,935	4,736,885	5,122,152	5,103,378	5,422,805	4,858,721	5,390,049	5,612,408
Public safety	12,001,813	12,352,418	12,852,119	13,476,656	14,162,638	14,400,420	15,287,575	15,800,938	16,028,180	16,209,402
Health, community services and recreation	3,480,885	3,865,578	4,084,948	4,086,513	4,305,709	4,414,673	4,720,477	5,584,184	5,383,295	4,945,994
Public buildings and services	8,180,067	8,301,848	8,991,673	9,363,365	9,906,759	10,048,539	10,055,161	10,196,576	9,842,829	9,835,549
Other agencies	3,273,003	3,514,658	3,610,935	3,783,720	4,227,552	4,294,283	4,291,329	4,747,617	4,409,545	4,382,776
Education	40,341,426	42,228,691	44,817,879	45,224,974	48,293,846	50,380,309	51,590,324	51,391,657	50,159,407	49,880,770
Tax increment financing	-	-	-	-	-	215,483	432,033.00	165,133.00	524,013.00	550,308
Unclassified	389,598	65,639	263,702	597,262	166,994	63,115	54,451	118,216	260,685	2,323,972
Restricted grants	6,822,298	7,282,380	8,248,872	7,787,297	9,098,706	8,360,660	8,479,740	8,232,148	7,414,001	9,202,815
Capital outlay*	10,675,201	8,681,772	11,762,832	9,100,357	8,038,242	16,118,777	20,818,168	12,799,978	45,478,235	10,213,552
Debt service										
Principal	2,232,944	4,110,250	2,748,866	4,237,096	2,044,428	2,136,415	12,423,331	3,862,188	6,996,892	22,907,595
Interest	3,080,468	3,120,028	3,098,248	3,095,434	2,436,120	2,373,922	2,472,643	2,375,397	2,180,013	2,923,060
Other charges	5,570	37,467	5,070	4,850	299	6,000	61,952	45,988	-	-
Total expenditures	95,102,674	98,293,060	105,128,079	105,494,409	107,803,445	117,915,974	136,109,989	120,178,741	154,067,144	138,988,201
Excess (deficiency) of revenues over (under) expenditures	(6,226,273)	(4,214,402)	(4,552,796)	(2,764,070)	7,992,129	(6,279,114)	(17,326,502)	(2,092,246)	(40,523,194)	(27,006,849)
Other financing sources/(uses)										
Issuance of debt	5,443,400	2,650,000	4,333,000	3,555,000	-	3,100,000	3,100,000	2,086,100	30,659,143	10,378,985
Capital leases	-	-	-	-	-	-	-	-	-	456,581
Payment to escrow agent	-	-	-	-	-	-	-	-	-	(4,233,486)
Premium on debt issuance	-	-	-	-	-	-	-	-	-	748,121
Financing proceeds	-	-	-	-	-	7,091,928	9,596,640	-	-	-
Sale of assets	131,773	106,895	120,479	320,034	161,439	104,620	135,849	117,558	84,507	186,709
Transfers to other funds	(5,369,448)	(3,131,050)	(3,099,137)	(3,300,247)	(2,690,305)	(2,865,418)	(1,789,024)	(2,015,003)	(1,861,301)	(9,783,007)
Transfers from other funds	4,421,032	2,293,244	2,237,847	2,428,383	2,151,217	2,126,239	2,550,127	1,377,105	1,444,259	1,010,226
Total other financing sources	4,626,757	1,919,089	3,592,189	3,003,170	(377,649)	9,557,369	13,593,592	1,565,760	30,326,608	(1,235,871)
Net change in fund balances	\$ (1,599,516)	\$ (2,295,313)	\$ (960,607)	\$ 239,100	\$ 7,614,480	\$ 3,278,255	\$ (3,732,910)	\$ (526,486)	\$ (10,196,586)	\$ (28,242,720)
Debt service as a percentage of noncapital expenditures	6.29%	8.22%	6.08%	7.74%	4.26%	4.00%	11.14%	5.52%	7.97%	19.35%

* Capital outlays under the modified accrual basis differ from capital outlays on the statement of activities due to capitalization thresholds and budgetary requirements.

Table 6

**CITY OF BANGOR, MAINE
Assessed Value and Estimated Actual Value of Taxable Property*
Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property¹	Total Taxable Assessed Value	Total Direct Tax Rate
	Estimated Residential	Estimated Commercial			
2004	922,374,500	549,399,100	268,555,600	1,740,329,200	22.27
2005	990,170,000	618,388,000	259,687,300	1,868,245,300	20.97
2006	1,091,628,800	713,822,300	254,225,800	2,059,676,900	19.31
2007	1,178,745,758	785,599,342	259,703,500	2,224,048,600	18.33
2008	1,275,227,064	875,870,136	254,991,600	2,406,088,800	17.74
2009	1,219,093,120	1,081,082,580	244,740,100	2,544,915,800	17.99
2010	1,255,964,001	1,113,779,399	257,018,100	2,626,761,500	17.98
2011	1,227,148,219	1,088,225,781	256,321,000	2,571,695,000	18.09
2012	1,234,270,253	1,094,541,547	248,183,200	2,576,995,000	18.00
2013	1,238,325,124	1,098,137,376	245,768,300	2,582,230,800	18.47

* It is City policy to assess at 100% of estimated actual value.

¹ Personal Property consists of machinery and equipment.

Table 7

CITY OF BANGOR, MAINE
Property Tax Rate - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	General City Government	General Fund Debt Service	Education	Total Direct Tax Rate	Penobscot County	Total Tax/ (Mill) Rate
2004	9.26	0.79	12.22	22.27	1.08	23.35
2005	8.20	1.18	11.59	20.97	1.08	22.05
2006	7.97	1.14	10.20	19.31	1.09	20.40
2007	7.79	1.18	9.36	18.33	1.07	19.40
2008	7.69	1.18	8.87	17.74	1.06	18.80
2009	8.12	1.16	8.71	17.99	1.06	19.05
2010	8.01	1.27	8.70	17.98	1.07	19.05
2011	7.94	1.40	8.75	18.09	1.11	19.20
2012	7.75	1.42	8.83	18.00	1.20	19.20
2013	8.08	1.41	8.98	18.47	1.18	19.65

Table 8

CITY OF BANGOR, MAINE
Principal Property Taxpayers *
Current Year and Nine Years Ago

Taxpayer	Business	2013			2004		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
Bangor Historic Track	Racino	\$ 112,372,000	1	4.36%	-	-	-
General Electric	Manufacturer	64,318,500	2	2.50%	\$ 45,663,800	2	2.62%
Bangor Mall LLC	Shopping mall	57,809,500	3	2.24%	-	-	-
Bangor Hydro Electric	Utility	38,377,400	4	1.49%	28,447,200	3	1.63%
Inland Western Parkade	Shopping mall	28,358,500	5	1.10%	-	-	-
Wal Mart Stores	Retailer	21,249,800	6	0.82%	-	-	-
QV Realty Trust	Real estate interests	15,859,900	7	0.62%	11,930,300	6	0.69%
Grant Trailer Sales Inc	Real estate interests	15,354,400	8	0.60%	-	-	-
Harvest Sunbury Village	Retirement Living	14,106,400	9	0.55%	-	-	-
Airport Mall Associates	Shopping mall	13,667,200	10	0.53%	10,244,600	9	0.60%
BANMAK Associates	Shopping mall	-	-	-	49,103,600	1	2.82%
Bangor Savings Bank	Commercial bank	-	-	-	16,593,500	4	0.95%
Eastern Maine Healthcare	Medical institution	-	-	-	16,027,900	5	0.92%
May Department Stores	Retailer	-	-	-	10,783,200	7	0.62%
Cabrel Company	Real estate interests	-	-	-	10,702,700	8	0.61%
Sams Real Estate Trust	Retailer	-	-	-	9,622,100	10	0.55%
Totals		<u>\$ 381,473,600</u>		<u>14.80%</u>	<u>\$ 209,118,900</u>		<u>12.01%</u>

* Source - City of Bangor Tax Commitment.

Table 9

**CITY OF BANGOR, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Gross Tax Levy	Abate-ments	Net Tax Levy	Collected within the Fiscal Year of the Levy		Subsequent Year Collections	Total Tax Collections	% of Total Tax Collection to Net Levy
				Amount	% of Net Levy			
2004	39,866,850	172,868	39,693,982	38,589,047	97.22%	1,047,923	39,636,970	99.86%
2005	40,474,184	160,117	40,314,067	39,206,172	97.25%	1,061,976	40,268,148	99.89%
2006	41,099,990	632,397	40,467,593	39,716,755	98.14%	674,450	40,391,205	99.81%
2007	41,990,985	269,636	41,721,349	40,819,923	97.84%	871,555	41,691,478	99.93%
2008	44,082,476	341,521	43,740,955	42,847,656	97.96%	808,193	43,655,849	99.81%
2009	47,235,370	275,489	46,959,881	45,688,356	97.29%	1,154,312	46,842,668	99.75%
2010	48,719,847	588,817	48,131,030	46,205,428	96.00%	1,727,673	47,933,101	99.59%
2011	48,362,646	168,932	48,193,714	46,857,606	97.23%	1,111,237	47,968,843	99.53%
2012	48,529,834	175,844	48,353,990	47,025,587	97.25%	710,783	47,736,370	98.72%
2013	49,713,855	134,598	49,579,257	48,276,445	97.37%	-	48,276,445	97.37%

Table 10

CITY OF BANGOR, MAINE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Ratio of Net Bonded Debt		
	General Obligation Bonds/Notes	Capital Leases	General Obligation Bonds			Per Capita*	Assessed Value	Per Personal Income*
2004	\$ 60,879,479	3,491	47,994,390		108,877,360	3,430.18	6.26%	11.53%
2005	\$ 59,419,229	-	46,774,080		106,193,309	3,412.49	5.68%	11.47%
2006	\$ 61,003,363	-	45,781,229		106,784,592	3,438.67	5.18%	11.56%
2007	\$ 60,321,264	-	43,809,953		104,131,217	3,279.83	4.68%	11.03%
2008	\$ 56,998,022	-	41,722,545		98,720,567	3,157.85	4.10%	10.62%
2009	\$ 56,687,684	7,091,928	37,623,522		101,403,134	3,236.72	3.98%	10.88%
2010	\$ 61,689,447	-	34,956,548		96,645,995	3,073.00	3.68%	10.33%
2011	\$ 58,455,666	-	31,985,337		90,441,003	2,737.40	3.52%	7.06%
2012	\$ 80,674,158	-	28,707,990		109,382,148	3,314.61	4.24%	9.47%
2013	\$ 62,727,567	361,009	82,492,223		145,580,799	4,416.49	5.64%	11.71%

* Source: U.S. Census Bureau.

Table 11

CITY OF BANGOR, MAINE
Ratio of Net General Obligation Debt to Assessed Value and
Net General Obligation Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population*	Assessed Value	Net Bonded GO Debt**	Ratio of Net Bonded Debt	
				Assessed Value	Per Capita
2004	31,741	1,740,329,200	69,638,974	4.00%	2,193.98
2005	31,119	1,868,245,300	65,988,998	3.53%	2,120.54
2006	31,054	2,059,676,900	66,990,510	3.25%	2,157.23
2007	31,749	2,224,048,600	65,725,523	2.96%	2,070.16
2008	31,262	2,406,088,800	61,824,071	2.57%	1,977.61
2009	31,329	2,544,915,800	60,937,500	2.39%	1,945.08
2010	31,450	2,626,761,500	65,369,337	2.49%	2,078.52
2011	33,039	2,571,695,000	59,310,719	2.31%	1,795.17
2012	33,000	2,576,995,000	81,392,299	3.16%	2,466.43
2013	32,963	2,582,230,800	62,727,567	2.43%	1,902.97

* Source: U.S. Census Bureau.

** Net Bonded General Obligation Debt Consists of all non-self supporting general obligation debt.

CITY OF BANGOR, MAINE
Computation of Direct and Overlapping Debt
June 30, 2013

	Total Debt Outstanding	Percentage Applicable to Bangor	Amount Applicable to Bangor
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 145,219,790	100.00%	\$ 145,219,790
Overlapping Debt			
Penobscot County	\$ 2,750,000	23.68%	\$ 651,200
Total Debt	<u>\$ 147,969,790</u>		<u>\$ 145,870,990</u>

Table 13

CITY OF BANGOR, MAINE
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
2004	\$ 261,240,000	108,873,869	152,366,131	41.68%
2005	\$ 279,202,500	106,193,307	173,009,193	38.03%
2006	\$ 309,495,000	106,784,592	202,710,408	34.50%
2007	\$ 332,092,500	104,131,217	227,961,283	31.36%
2008	\$ 353,737,500	98,720,567	255,016,933	27.91%
2009	\$ 356,670,000	94,311,206	262,358,794	26.44%
2010	\$ 365,400,000	96,645,995	268,754,005	26.45%
2011	\$ 369,997,500	90,441,003	279,556,497	24.44%
2012	\$ 368,467,500	109,382,148	259,085,352	29.69%
2013	\$ 369,300,000	145,219,790	224,080,210	39.32%

Legal Debt Margin Calculation for Fiscal Year 2013

Total State Valuation	\$ 2,462,000,000
Debt Limitation: 15 % of State Valuation	369,300,000
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	114,066,749
School	17,687,965
Sewer	13,465,076
Total debt applicable to limit	<u>145,219,790</u>
Legal Debt margin	<u>\$ 224,080,210</u>

Table 14

CITY OF BANGOR, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population *	Median Household Income*	Per Capita Income*	Median Age*	Public School Enrollment**	Unemployment Rate ***
2004	31,741	29,740	19,295	36.1	4,006	4.30%
2005	31,119	29,740	19,295	36.1	3,989	4.50%
2006	31,054	29,740	19,295	36.1	3,962	4.40%
2007	31,749	29,740	19,295	36.1	3,913	4.40%
2008	31,262	29,740	19,295	36.1	3,886	5.10%
2009	31,329	29,740	19,295	36.1	3,878	7.80%
2010	31,450	29,740	19,295	36.1	3,821	8.10%
2011	33,039	38,775	25,344	36.7	3,830	7.50%
2012	33,000	34,993	25,344	37.5	3,819	7.10%
2013	32,963	37,707	24,945	36.8	3,875	6.70%

* Source: U.S. Census.

** Source: Bangor School Department.

*** Source: Maine Bureau of Labor Statistics.

CITY OF BANGOR, MAINE
Principal Employers *
Calendar Year and Nine Years Ago

2012			2003		
Employees	Employer	Location	Employees	Employer	Location
1000-4000	Eastern Maine Medical Center	Bangor	1000-4000	Eastern Maine Medical Center	Bangor
	Bangor Mall	Bangor		Bangor Mall	Bangor
	University of Maine	Orono		University of Maine	Orono
	City of Bangor	Bangor		City of Bangor	Bangor
	Hannaford Supermarkets	Throughout			
	Cianbro Corporation	Throughout			
	WalMart	Throughout			
500-999	Bangor Savings Bank	Bangor	500-999	St. Joseph Hospital	Bangor
	LL Bean	Bangor		Webber Energy Co	Bangor
	Microdyne	Orono		Microdyne	Orono
	Acadia Hospital	Bangor		General Electric Corp	Bangor
	Verso Corp Paper Mill	Bucksport		Shop & Save Supermarkets	Throughout
	St. Joseph Hospital	Bangor			
	Community Health & Counseling	Bangor			

* Source - Bangor, Maine Community & Economic Profile Report.
Published by City of Bangor Community and Economic Development Department.

Table 16

CITY OF BANGOR, MAINE
Full-time Equivalent City Government Employees by Function*
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	90	87	88	94	85	80	78	78	80	86
Public safety										
Police	86	87	89	90	87	92	94	92	88	88
Fire	97	96	97	94	97	94	93	95	95	91
Health, community services and recreation	31	31	32	39	41	37	41	30	29	43
Public building and services	67	64	68	71	67	69	68	64	66	73
Education	561	571	573	562	618	618	621	621	610	580
Sewer Utility	23	23	23	23	23	23	23	24	23	27
Airport	73	75	76	81	87	88	81	82	83	90
Park Woods	3	3	3	3	3	3	2	2	2	1
Parking	2	2	2	2	2	2	2	2	2	2
Bass Park	8	9	9	9	7	8	8	7	6	5
Municipal Golf Course	3	3	3	9	3	3	3	3	3	3
Economic Development	3	3	3	3	3	2	3	4	4	4
Totals	1,047	1,054	1,066	1,080	1,123	1,119	1,117	1,104	1,091	1,093

* Source - City of Bangor Human Resource Department.

Table 17

CITY OF BANGOR, MAINE
Operating Indicators by Function*
Last Ten Calendar Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Code enforcement										
Building permits	522	514	537	550	485	501	427	518	405	453
Certificates of occupancy	342	341	432	446	430	440	341	448	350	361
Sign permits	98	107	115	116	118	103	90	96	70	69
Police										
Calls for service	24,407	23,945	27,052	28,157	32,392	34,329	32,351	30,167	31,640	33,740
Fire										
Calls for service	7,470	7,805	7,492	7,992	7,477	7,990	7,357	8,000	9,020	9,044
Sewer										
Treated flow (billions of gallons)	3.42	2.75	4.23	3.62	3.21	3.89	3.55	2.81	3.10	2.68
Biosolids (cubic yards)	9,379	9,280	9,348	9,775	10,043	10,561	10,509	9,046	9,422	8,095

* Source - City of Bangor Departmental records.

Table 18

CITY OF BANGOR, MAINE
Capital Asset Statistics by Function*
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	56	57	51	52	47	50	54	54	50	50
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	20	20	24	27	28	31	32	35	36	36
Public works										
Streets (miles)	422	422	422	422	427	429	429	429	431	431
Sidewalks (miles)	99.6	99.6	99.6	99.6	99.6	99.6	99.6	101.4	101.7	101.7
Parks and recreation										
Parks	29	29	29	29	29	29	29	29	29	29
Parks acreage	950	950	950	950	950	950	950	950	950	950
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Public golf courses	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Indoor ice arena	1	1	1	1	1	1	1	1	1	1
Semi-pro baseball stadium	1	1	1	1	1	1	1	1	1	1
Sewer										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Pump stations	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewers	103	103	103	103	103	103	103	103	103	103
Miles of combined sewers	44	44	44	44	44	44	44	44	44	47

* Source - City of Bangor Departmental records.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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Upon issuance and delivery of the 2014 Bonds described herein, Pierce Atwood LLP, Portland, Maine, Bond Counsel, proposes to issue its opinion in substantially the following form:

[Dated date of delivery]

City of Bangor
Bangor, Maine 04401

RE: City of Bangor, Maine
\$8,669,000 2014 Series A General Obligation Bonds
Dated as of March 1, 2014

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bangor, Maine (the "City") in connection with the issuance and sale by the City of \$8,669,000 principal amount of its 2014 Series A General Obligation Bonds dated as of March ____, 2014 (the "Bonds"). In such capacity, we have examined the law, including the Charter of the City and Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and the record of proceedings submitted to us by the City, in connection with the issue and sale of the above-described Bonds, including among other documents, certified copies of City Council orders: 13-117 (passed by the City Council on April 8, 2013; and approved by voter referendum held on June 18, 2013); 13-157 (passed by the City Council on May 29, 2013); 13-250 (passed by the City Council on August 12, 2013); and 13-291 (passed by the City Council on September 9, 2013) (collectively, the "Bond Authorizations").

We understand the Bonds are dated as of March 1, 2014 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of March 1 of each year as reflected hereinbelow:

<u>March 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>March 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2015	\$489,000	%	2025	\$480,000	%
2016	\$490,000	%	2026	\$480,000	%
2017	\$490,000	%	2027	\$450,000	%
2018	\$490,000	%	2028	\$450,000	%
2019	\$490,000	%	2029	\$450,000	%
2020	\$485,000	%	2030	\$300,000	%
2021	\$485,000	%	2031	\$300,000	%
2022	\$480,000	%	2032	\$300,000	%
2023	\$480,000	%	2033	\$300,000	%
2024	\$480,000	%	2034	\$300,000	%

Bonds maturing on or before March 1, 2024 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after March 1, 2024, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

The Bonds should be signed by the Finance Director of the City and countersigned by the Chairman of the City Council to be sealed with the seal of the City attested by its Clerk, and should bear the signed certificate of the certifying agent identified thereon.

In expressing the opinions set forth in paragraphs 3 and 5 hereinbelow, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Finance Director of the City and the City's Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") delivered concurrently herewith, which contain representations, certifications, warranties, provisions and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The City, in executing such Tax Certificates, (i) has set forth facts, estimates, circumstances and reasonable expectations of the City as of the date hereof as to future events regarding the amount, use and investment of the proceeds of the Bonds and the use of the improvements financed or refinanced with the proceeds of the Bonds that are material for purposes of Sections 141 and 148 of the Code, and (ii) has certified that the information therein is true and accurate and that the City will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds is not includable in gross income for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5 below, we have relied upon the representations and certifications of the City set forth in such Tax Certificates, and we have assumed that the City will comply with the requirements of the Code and with the representations, certifications, warranties, provisions and procedures set forth in such Tax Certificates.

We note that the Code establishes certain requirements regarding the use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Owners of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

We are of the opinion that:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of Bangor, with lawful power and authority to adopt the Bond Authorizations and to issue the Bonds.
2. The Bonds are in proper form and have been duly authorized and executed by the City and, subject to due authentication, are valid and binding general obligations of the City, enforceable in accordance with their terms and all taxable property within the City (except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the City establishes or has established municipal development districts as tax increment financing districts or municipal affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Series A Bonds) is subject to the levy of limited *ad valorem* taxes to pay the Series A Bonds unless certain procedural requirements under 30-A M.R.S.A. §5721-A are met, in which case such *ad valorem* taxes may be levied without limit as to rate or amount; provided, however, that the Bonds issued to finance school improvements are not subject to the property tax levy limit in Section 5721-A.
3. Based on existing statutes, regulations and court decisions, interest payable on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Code. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals and corporations; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax.
4. Pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest paid on the Bonds is exempt from income tax within the State of Maine under existing statutes, regulations and decisions.
5. The Bonds will constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the City, including the Bonds, may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the City and nothing set forth herein shall be construed as assurance as to the City's financial condition or ability to make required debt service payments on the Bonds.

City of Bangor, Maine
March 1, 2014
Page 4

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PIERCE ATWOOD LLP

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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**CITY OF BANGOR, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

In connection with the issuance by the City of Bangor, Maine (the “Issuer”) of its \$8,669,000 2014 Series A General Obligation Bonds, dated as of March 1, 2014 (the “Bonds”) and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the “Rule”), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated March 12, 2014 relating to the Bonds (the “Official Statement”), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (“MSRB”): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2014, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax and rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension and other post employment benefit obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - g. Modifications to the rights of holders of the Bonds, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. The release, substitution, or sale of property securing repayment of the Bonds, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.);
 - m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into

- a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above. However, the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission> or such other locations or address as the MSRB shall require.
7. Except as discussed below, Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure.

The Rule was changed such that on and after July 1, 2009, filings were no longer to be filed with the four former Nationally Recognized Municipal Securities Information Repository (each a "NRMSIR")) but were instead to be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA"). As a general matter, the City files its Annual Financial Report in mid-January to mid-February of each year, thus within the applicable 270-day filing period, including the 2009 filing. However, following the 2009 Rule change, the City inadvertently continued to file with the NRMSIRs, but not with EMMA. (Bloomberg Municipal Repositories (a former NRMSIR) reports that the City's 2009 filing was received June 21, 2010 (356 days after the end of the 2009 period). While the City believes that it followed its regular filing

procedures (i.e., mid-January to mid-February), and that any delay was attributable to the NRMSIR the City is unable to provide documentation to prove that the 2009 filing was received in a timely manner, and the City, therefore, accepts that this was a “late filing”. Such delay caused the City to make a second submission to the NRMSIR in June 2010, of the 2009 filing, as the first filing apparently was not posted by the NRMSIR in a timely manner and to also post on EMMA, on October 11, 2012, as a duplicate filing, when this was discovered.

The City has posted timely filings with EMMA for each subsequent fiscal years 2010through 2013, inclusive. The City Council has adopted a post-issuance compliance policy that provides for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings.

8. The Issuer’s Finance Director, or such official’s designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Deborah A. Cyr, Finance Director, City of Bangor, 73 Harlow Street, Bangor, ME 04401; Telephone: (207) 992-4253.

CITY OF BANGOR, MAINE

By: _____

Its: _____

Dated: _____, 2014

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