



**MOORS & CABOT**  
INVESTMENTS

*Banking & Advisory Group*

**NEW ISSUE**

**Moody's: Aa2**

**S&P: AA-**

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 Series A 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 the purpose 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, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax. Interest on the Series B Bonds is not excludable from gross income for purposes of federal income taxation. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid on the Series A Bonds and Series B Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The City will designate the Series A Bonds 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**

**\$3,120,000**

**2015 GENERAL OBLIGATION BONDS – SERIES A**

**Dated: Date of Delivery**

**Due: April 1, as shown below**

**and**

**\$1,600,000**

**2015 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)**

**Dated: Date of Delivery**

**Due: April 1, as shown below**

The 2015 General Obligation Bonds – Series A (the "Series A Bonds") and 2015 General Obligation Bonds – Series B (Federally Taxable) (the "Series B Bonds") (collectively, the "Bonds") will be issued by the City of Bangor, Maine (the "City") 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. 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 October 1, 2015 and semi-annually on each April 1 and October 1 thereafter until maturity, or redemption prior to maturity.

The legal opinion of Pierce Atwood LLP of Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of 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. The portion of the Series A Bonds issued for a School Project (as defined herein) is 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 the City has no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality. 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, 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 and before April 1, 2025 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after April 1, 2026 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after April 1, 2025 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein). Series B Bonds maturing 2035 are subject to mandatory redemption, as more fully set forth herein (see "THE BONDS—MANDATORY REDEMPTION" herein).

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP, of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about April 30, 2015.

**For the Series  
A Bonds:**



**For the Series  
B Bonds:**



**CITY OF BANGOR, MAINE**  
**\$3,120,000**  
**2015 GENERAL OBLIGATION BONDS – SERIES A**

**Dated: Date of Delivery**

**Due: April 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>
2016	\$225,000	2.00%	0.35	2024	\$220,000	2.00%	1.75
2017	225,000	2.00	0.55	2025	220,000	2.00	1.90
2018	225,000	2.00	0.80	2026	180,000	2.00	2.00
2019	225,000	2.00	1.00	2027	180,000	2.50	2.25 <sup>(*)</sup>
2020	220,000	3.00	1.20	2028	180,000	2.50	2.35 <sup>(*)</sup>
2021	220,000	3.00	1.35	2029	180,000	2.75	2.50 <sup>(*)</sup>
2022	220,000	3.00	1.45	2030	180,000	2.75	2.60 <sup>(*)</sup>
2023	220,000	3.00	1.55				

NOTE: <sup>(\*)</sup> Priced assuming redemption on April 1, 2025, at the option of the City (see “THE BONDS - OPTIONAL REDEMPTION PRIOR TO MATURITY”).

and

**\$1,600,000**  
**2015 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)**

**Dated: Date of Delivery**

**Due: April 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>
2016	\$80,000	3.00%	0.85	2021	\$80,000	3.00%	2.20
2017	80,000	3.00	1.20	2022	80,000	3.50	2.35
2018	80,000	3.00	1.55	2023	80,000	3.50	2.60
2019	80,000	3.00	1.80	2024	80,000	3.50	2.75
2020	80,000	3.00	2.00	2025	80,000	3.50	3.00

**\$800,000<sup>(†)</sup> 3.65% Bond, due April 1, 2035, @100%**

NOTE: <sup>(†)</sup> Series B Bonds maturing 2035 are subject to mandatory redemption, as more fully set forth herein. See “THE BONDS - MANDATORY REDEMPTION” herein.

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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 the 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 of the City 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  
\$3,120,000  
2015 GENERAL OBLIGATION BONDS – SERIES A  
and  
\$1,600,000  
2015 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)**

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 2015 General Obligation Bonds – Series A (the “Series A Bonds”) and of its 2015 General Obligation Bonds – Series B (Federally Taxable) (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”).

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be dated April 30, 2015 and 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” or the “Securities Depository”). 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. The Bonds will bear interest, payable on October 1, 2015 and semi-annually thereafter on April 1 and October 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 April 30, 2015. The Bonds will mature as follows:

**Series A Bonds**

<u>Amount</u>	<u>April 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>April 1,</u>	<u>CUSIP</u>
\$225,000	2016	0600956D3	\$220,000	2024	0600956M3
225,000	2017	0600956E1	220,000	2025	0600956N1
225,000	2018	0600956F8	180,000	2026	0600956P6
225,000	2019	0600956G6	180,000	2027	0600956Q4
220,000	2020	0600956H4	180,000	2028	0600956R2
220,000	2021	0600956J0	180,000	2029	0600956S0
220,000	2022	0600956K7	180,000	2030	0600956T8
220,000	2023	0600956L5			

**Series B Bonds**

<u>Amount</u>	<u>April 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>April 1,</u>	<u>CUSIP</u>
\$80,000	2016	0600956U5	\$80,000	2021	0600956Z4
80,000	2017	0600956V3	80,000	2022	0600957A8
80,000	2018	0600956W1	80,000	2023	0600957B6
80,000	2019	0600956X9	80,000	2024	0600957C4
80,000	2020	0600956Y7	80,000	2025	0600957D2

\$800,000<sup>(†)</sup> Series B Bond, due April 1, 2035, CUSIP: 0600957E0

NOTE: <sup>(†)</sup>Series B Bonds maturing 2035 are subject to mandatory redemption, as more fully set forth herein. See “THE BONDS - MANDATORY REDEMPTION” herein.

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 April 1, 2025 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after April 1, 2026 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after April 1, 2025, 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 original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

**MANDATORY REDEMPTION**

The Series B Bonds maturing 2035 are subject to mandatory redemption, plus accrued interest to the date of redemption thereof, on April 1 in the following years and principal amounts:

<b>Series B Bonds</b>			
<b><u>Due April 1, 2035</u></b>			
2026	\$80,000	2031	\$80,000
2027	80,000	2032	80,000
2028	80,000	2033	80,000
2029	80,000	2034	80,000
2030	80,000	2035 <sup>(†)</sup>	80,000

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NOTE: <sup>(†)</sup> Year of final maturity.

**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 that 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 when held by a Securities Depository by lot and when not held by a Securities Depository 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 15<sup>th</sup> 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 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.

### **AUTHORIZATION AND PURPOSE**

#### **Bond Referendum Requirement**

Article VIII, Section 19 of the City Charter provides as follows:

- 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 \$2,481,850,000 x 0.0005 = \$1,240,925) 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 \$2,481,850,000 x 0.00075 = \$1,861,387.50) 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...."

Each project 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).

### 2015 CIP & BIA Projects

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, as displayed below, to provide funds to finance the respective project being defined herein.

<u>Project</u>	<u>Order #</u>	<u>Date of Passage</u>	<u>Amount</u>
<b><u>Series A Bonds</u></b>			
<b>School Projects:</b>			
School Building Renovations	14-173	May 28, 2014	\$250,000
School Building Renovations	14-332	November 10, 2014	150,000
<b>Total School Projects</b>			<b>\$400,000</b>
<b>CIP Projects:</b>			
Streets & Sidewalks	14-246	August 11, 2014	2,205,000
Parks & Recreation	14-246	August 11, 2014	70,000
Equipment	14-246	August 11, 2014	415,000
Fire Station	14-246	August 11, 2014	30,000
<b>Total CIP Projects</b>			<b>2,720,000</b>
	<b>Total Series A bonds</b>		<b>\$3,120,000</b>
<b><u>Series B Bonds</u></b>			
BIA <sup>(1)</sup> Terminal Renovation	15-104	March 23, 2015	\$1,600,000
	<b>Total Series B Bonds</b>		<b>\$1,600,000</b>

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NOTE: <sup>(1)</sup> "BIA" indicates Bangor International Airport". See "CITY OF BANGOR – MUNICIPAL SERVICES – Bangor International Airport, herein.

### Unspent Bond Proceeds

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

## AMORTIZATION OF THE BONDS

<u>FY end June 30,</u>	<u>Due April 1,</u>	<u>School Projects</u>	<u>CIP Projects</u>	<u>Total Series A</u>	<u>Total Series B</u>
2016	2016	\$40,000	\$185,000	\$225,000	\$80,000
2017	2017	40,000	185,000	225,000	80,000
2018	2018	40,000	185,000	225,000	80,000
2019	2019	40,000	185,000	225,000	80,000
2020	2020	40,000	180,000	220,000	80,000
2021	2021	40,000	180,000	220,000	80,000
2022	2022	40,000	180,000	220,000	80,000
2023	2023	40,000	180,000	220,000	80,000
2024	2024	40,000	180,000	220,000	80,000
2025	2025	40,000	180,000	220,000	80,000
2026	2026		180,000	180,000	80,000
2027	2027		180,000	180,000	80,000
2028	2028		180,000	180,000	80,000
2029	2029		180,000	180,000	80,000
2030	2030		180,000	180,000	80,000
2031	2031				80,000
2032	2032				80,000
2033	2033				80,000
2034	2034				80,000
2035	2035				80,000
<b>Bonds</b>		<b>\$400,000</b>	<b>\$2,720,000</b>	<b>\$3,120,000</b>	<b>\$1,600,000</b>

## SOURCE OF PAYMENT AND REMEDIES

### General

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 limited ad valorem taxes unless the City follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case such ad valorem taxes may be levied without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein), except to the extent that, with respect to the Bonds, 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, with respect to the Bonds, 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” section herein). The Bonds, issued for the School Project, 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 tax base sharing agreement now exists. 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 these districts to pay costs of the development project within the districts. Within the limits established by statute, the City has the right to designate additional municipal development districts or pursuant to Chapter 206 of Title 30-A

of the Maine Revised Statutes, as amended. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

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 adopt a property tax levy that exceeds 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 funds provided by the State for existing services funded in whole or in part by the property tax levy.

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.

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.

See also, "CITY FINANCES – REVENUES FROM THE STATE - The 2016/2017 Biennium State Budget Proposal" herein.

### **School Bonds**

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 of bonds issued for school projects, including the debt service on the School Projects portion of the Series A Bonds, 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 that portion of the Series A Bonds.

## **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 Series A Bonds is excludable from the gross income of the owners of the Series A Bonds 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 on the Series A 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.

Interest on the Series B Bonds is not excludable from gross income for purposes of federal income taxation.

Bond Counsel's opinion will state that the Code, establishes certain requirements regarding use, expenditure and investment of the proceeds of the Series A 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 Series A Bonds in order that interest on the Series A Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. The City's failure to comply with such requirements may cause interest on the Series A Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Series A Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate and the General Certificate of the Finance Director of the City and the Issuer's Certificate Regarding Qualified and Designated Status (the "Tax Certificates") delivered concurrently with Series A 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 Series A Bonds shall not be included in the 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 payable 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.

#### **Designated as Qualified Tax-Exempt Obligations**

The City *will designate* the Series A 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 Series A Bonds, interest on the Series A Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Series A Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Series A Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series A 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 Series A 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 Series A Bonds will be audited. If an audit is commenced, under current IRS procedures Holders of the Series A Bonds may not be permitted to participate in the audit process and the value and liquidity of the Series A 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 Series A Bonds, gain from the sale or other disposition of the Series A Bonds, the market value of the Series A Bonds or the marketability of the Series A 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 Series A 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 Series A Bonds). Prospective purchasers of the Series A 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 Series A Bonds other than its opinion with regard to (a) the exclusion of interest on the Series A Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Series A 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](http://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 affect 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 which published it at the time such rating is assigned and is 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 for 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.

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 assist the underwriter of the Bonds 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 for the following discussion, 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.

### **Financial 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 rule, 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 for the period ended June 30, 2009. Bloomberg Municipal Repositories (a former NRMSIR) reports that the City’s 2008 filing was received on April 16, 2009 and the 2009 filing was received June 21, 2010. 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 a filings history of the City:

<b>Financial Statements FY ended June 30,</b>	<b>EMMA Filings</b>		<b>Bloomberg Filings</b>	
	<b>Date Filed</b>	<b>Days after Fiscal Period</b>	<b>Date Filed</b>	<b>Days after Fiscal Period</b>
2014	02/22/15	237	NA	NA
2013	12/31/13	184	NA	NA
2012	12/31/12	184	NA	NA
2011	01/03/12	187	NA	NA
2010	01/18/11	202	NA	NA
2009	10/11/12	>270 days	06/21/10	>270 days
2008	NA	NA	04/16/09	>270 days
2007	NA	NA	01/09/08	193
2006	NA	NA	02/15/07	230
2005	NA	NA	02/22/06	237
2004	NA	NA	03/07/05	250

NOTE: Searches using some specific series' may not show all filings. 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 of the Bonds, 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 of Portland, Maine, Bond Counsel. The 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 OPINION" 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 he 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 any 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.



## **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 downtown Police Station. The Police Department operates 43 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 72 firefighters. The Fire Department operates from three fire stations and maintains approximately 26 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 69 full-time employees. The Department utilizes approximately 135 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 \$78.25/ton and gross fee of \$81.05/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 "MRC") elected from the 130 charter communities (the "Charter Communities"), included in the 187 participating communities, which send waste to PERC. The MRC 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 2013/2014 and 2014/2015 bring the net tipping fee to \$51 and \$54 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 MRC has voted to enter into a development agreement with Fiberright Technologies to advance a solid waste facility in Hampden. This agreement does not preclude continued discussions with the majority owners of PERC, but it does identify an alternative for solid waste disposal post-2018.

### **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, 2014 total net assets for the Sewer Utility Fund were \$56.6million. Sewer rates are reviewed annually to ensure that the fee structure is sufficient to cover costs. Effective July 1, 2014, sewer rates were increased by 3.25%, to \$6.10 per 100 cubic feet. One superintendent and approximately 24 employees staff the Sewer Department. The Sewer Department maintains one plant, five pumping stations and approximately 152 miles of 8" to 72" sewer lines.

### **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; however, the City is actively planning a transition of the Park Woods properties to the Bangor Housing Authority.

### **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.

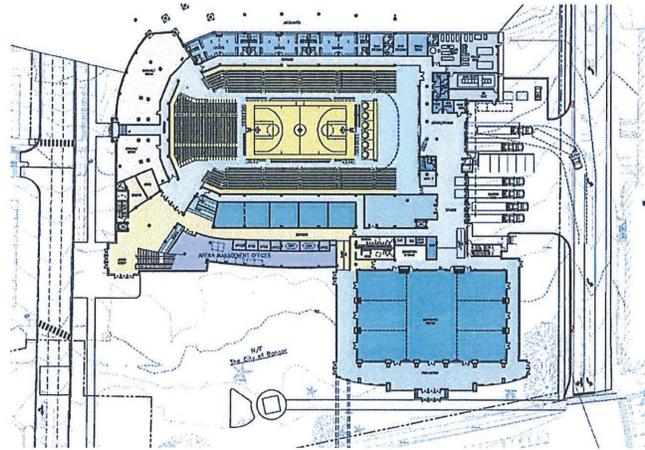
### **Municipal Golf Course**

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.

## 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.

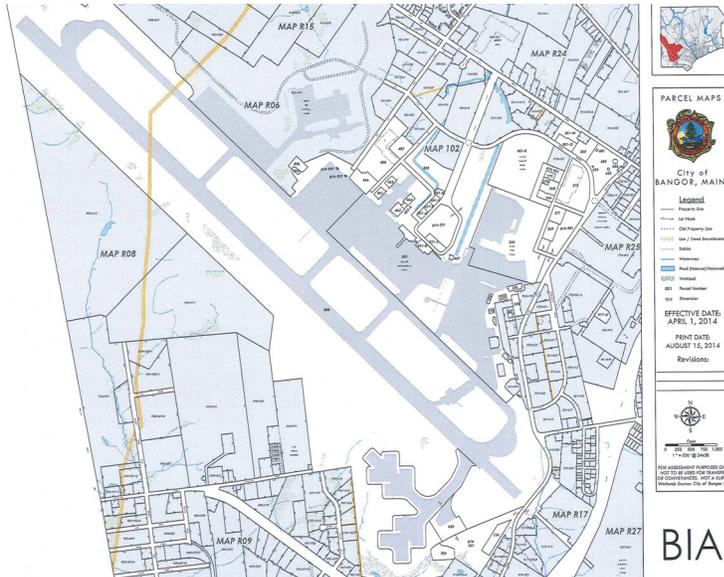
On August 15, 2012 the City issued \$53,800,000 of its 2012 General Obligation Bonds (the “Arena Project Bonds”) to provide \$56,500,000 in funds to finance a portion of a \$68,600,000 state-of-the-art 5,800-seat arena and adjoining convention center at the Cross Insurance Center. The City expects to 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**

## 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, 2014 BIA’s net assets were \$121,981,521.



BIA is also the home of the 101<sup>st</sup> 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.

## **Bangor International Airport**

## 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 590 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	232
Downeast	K - 3	400	388
Fourteenth Street	K - 3	200	153
Fruit Street	K - 3	385	350
Vine Street	K - 3	385	213
Fairmount	4 - 5	430	263
Mary Snow	4 - 5	410	243
James F. Doughty	6 - 8	630	397
William S. Cohen	6 - 8	640	397
Bangor High School	9 - 12	1,500	1,174

April 1,	Grades					Total Enrollment
	K-3	4-5	6-8	9-12	Other	
2014	1,336	506	794	1,174	NA	3,810
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

### Career and Technical 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. The City currently sends 107 students to Region #4, or 20.2% of the 529 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 2014/2015 assessment is \$440,724 or 17% of Region #4’s total assessments of \$2,586,652. Region #4’s territory is comprised by the following 14 SAUs:

AOS 47 (Dedham, Orrington)	Maine Indian Education
AOS 81 (SAD 63 – Clifton, Eddington, Holden; Airline CSD – Amherst, Aurora, Great Pond, Osborn)	Milford School Department
Bangor School Department	RSU 22 (Hampden)
Brewer School Department	RSU 34 (Alton, Bradley, Old Town)
Glenburn School Department	RSU 64 (Corinth)
Greenbush School Department	RSU 87 (Carmel)
Hermon School Department	Veazie School Department.

**Other Education**

The *Southern Penobscot Regional Program for Children with Exceptionalities* (“SPRPCE”) was established to comply with United States Public Law 94-142 that “guaranteed a free appropriate public education to each child with a disability”. As of July 1, 2014, all of the SPRPCE programs are housed under the Bangor School Department. The SPRPCE sending SAU’s are:

Bangor School Department	RSU 22 (Hampden, Newburgh, Winterport & Frankfort)
Brewer School Department	RSU 26 (Orono)
Glenburn School Department	RSU 64 (Corinth, Bradford, Hudson, Kenduskeag, Stetson)
Greenbush School Department	RSU 87 (Carmel, Levant)
Hermon School Department	AOS 47 (Dedham, Orrington)
Indian Island (MIE)	AOS 81 (Amherst, Aurora, Clifton, Eddington, Great Pond, Holden, Osborn)
Milford School Department	
Veazie School Department	

**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 recently completed 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 was completed in 2014 and the interior renovations are currently underway.

## LABOR RELATIONS

The City employs approximately 1,100 full-time equivalent employees, approximately 590 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 <sup>(1)</sup>	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	88	Firefighters	7/1/12	6/30/15
BFPE-AFT	13	Motor Pool	7/1/12	6/30/15
AFSCME	3	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	3	Airport CSRs & PT Ramp Attend.	7/1/12	6/30/15
AFSCME	56	Public Works	7/1/12	6/30/15
AFSCME	10	Treatment Plant Operations	NA <sup>(2)</sup>	NA <sup>(2)</sup>
ATU (Local 714)	35	Community Connector Bus Drivers	5/12/14	6/30/15
MEA	233	School Teachers	9/1/12	8/31/15
MEA	27	School Instructional Assistants	7/1/12	6/30/15
AFL/CIO	16	School Administrators	7/1/12	6/30/15
MEA	31	School Support Staff	7/1/12	6/30/15

NOTE: <sup>(1)</sup> “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.

<sup>(2)</sup> “NA” indicates not yet available. Treatment Plant Operations staff 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
2014	5.3%	5.2%	5.7%	6.2%
2013	6.2	7.0	6.7	7.4
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

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
	<b>16,623</b>	<b>100.00%</b>		<b>37,129</b>	<b>100.00%</b>

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
	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 2014, Bangor realized 9% of the State's retail sales; and 74% 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**

	<b>Business/ Operating</b>	<b>Building Supply</b>	<b>Food Store</b>	<b>General Mdse.</b>	<b>Other Retail</b>	<b>Auto/ Transp.</b>	<b>Rest. &amp; Lodging</b>	<b>Group Total</b>	<b>Consumer Sales</b>
<b>2014</b>	83,274	163,507	59,958	333,335	111,262	349,028	192,742	1,293,106	1,209,833
<b>2013</b>	73,273	145,323	56,658	345,160	111,955	329,796	185,541	1,247,706	1,174,433
<b>2012</b>	75,404	135,242	55,498	350,465	108,596	304,660	178,906	1,208,772	1,133,368
<b>2011</b>	81,695	135,459	54,776	354,738	107,018	306,949	170,994	1,211,628	1,129,933
<b>2010</b>	80,563	118,552	54,081	353,260	106,308	288,042	165,083	1,165,889	1,085,326
<b>2009</b>	81,442	119,879	57,043	334,884	102,791	281,097	158,112	1,135,248	1,053,806
<b>2008</b>	103,073	146,425	56,174	339,196	109,475	301,917	153,231	1,209,492	1,106,419
<b>2007</b>	110,803	162,274	54,968	341,365	110,740	311,844	151,890	1,243,884	1,133,081
<b>2006</b>	111,732	167,502	53,845	332,446	127,291	322,285	146,400	1,261,500	1,149,769
<b>2005</b>	109,874	164,050	51,848	322,789	131,096	320,077	143,780	1,243,515	1,133,641

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

**Building Permits**

<b>Calendar Year</b>	<b>Permits</b>			<b>Est. Cost of Construction</b>
	<b>Residential</b>	<b>Non-Resid't'l</b>	<b>Total</b>	
2014	226	202	428	\$43,660,878
2013	143	136	279	132,227,792 <sup>(1)</sup>
2012	137	178	315	24,795,673
2011	130	145	275	102,434,811 <sup>(2)</sup>
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 <sup>(3)</sup>
2006	167	206	373	47,717,741
2005	164	208	372	67,027,954

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

<sup>(2)</sup> Major component comprised of Cross Insurance Center Project

<sup>(3)</sup> 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:

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

NOTE: <sup>(1)</sup> Source: 2014 Peterson's<sup>®</sup>, a part of The Thompson Corporation.

<sup>(2)</sup> Source: [www.uma.edu/UCB](http://www.uma.edu/UCB).

<sup>(3)</sup> Source: [www.bts.edu](http://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)

	2011	2012	2013	2014	2015
<b>Revenues</b>					
Taxes	\$50,428	\$50,630	\$51,751	\$55,013	\$58,099
Intergovernmental	26,326	25,245	25,447	24,185	22,783
Licenses and Permits	653	656	677	677	702
Charges for Services	11,250	11,550	11,827	11,436	11,439
Fines, Forfeits and Penalties	37	33	33	32	32
Use of Property	656	709	689	721	697
Other Sources	1,341	1,348	1,475	1,482	1,452
<b>Total Revenues</b>	<b>90,691</b>	<b>\$90,171</b>	<b>91,899</b>	<b>93,546</b>	<b>95,204</b>
<b>Expenditures</b>					
General Government	7,293	7,549	7,469	7,567	7,780
Public Safety	15,947	16,078	16,436	16,767	17,298
Health, Welfare and Recreation	4,388	4,949	5,670	4,992	4,939
Public Services	10,159	10,287	10,296	10,284	10,319
Other Agencies	4,251	4,341	4,327	4,493	4,593
Education	42,536	40,917	41,419	42,803	43,328
Other	2,769	2,641	2,865	2,987	2,846
Debt Service	3,348	3,409	3,417	3,653	4,101
<b>Total Expenditures</b>	<b>\$90,691</b>	<b>\$90,171</b>	<b>\$91,899</b>	<b>\$93,546</b>	<b>\$95,204</b>

## 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>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%
City Property Growth Factor:	<u>5.34%</u>	<u>3.14%</u>	<u>3.44%</u>	<u>3.42%</u>	<u>3.43%</u>
Growth Limitation Factor:	7.12%	4.80%	4.87%	4.47%	4.52%
Property Tax Levy Limit:	\$24,160,432	\$25,320,961	\$26,554,981	\$27,741,178	\$28,996,160
Property Tax Levy:	<u>21,996,254</u>	<u>21,143,656</u>	<u>21,794,144</u>	<u>23,666,134</u>	<u>24,854,280</u>
Over/(under) Property Tax Levy Limit:	(\$2,892,671)	(\$4,177,035)	(\$4,760,837)	(\$4,075,044)	(\$4,141,880)

## 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:

	<b>Fiscal Year Ended June 30,</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Assigned and Unassigned <sup>(1)</sup> General Fund Balance	\$13,202,140	\$12,522,640	\$12,352,764	\$11,920,429	\$13,016,263
Prior Years' Expenses (less Debt Service)	85,088,991	88,013,947	86,633,312	86,862,545	88,206,129
Fund Bal as % Prior Years' Expenses	15.52%	14.23%	14.26%	13.72%	14.76%
Unassigned <sup>(2)</sup> General Fund Balance	\$8,499,692	\$8,017,940	\$7,563,658	\$7,727,014	\$9,598,472
Prior Years' Expenses (less Debt Service)	85,088,991	88,013,947	86,633,312	86,862,545	88,206,129
Fund Bal as % Prior Years' Expenses	9.99%	9.11%	8.73%	8.90%	10.88%

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

<sup>(2)</sup> 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 2014 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,)**

	2014	2013	2012	2011	2010
<b>ASSETS</b>					
Cash	\$12,701,394	\$8,058,272	\$13,164,922	\$13,518,284	\$12,953,810
Investments	50,000	50,000	50,000	50,000	50,000
Receivables:					
Taxes	2,765,960	2,810,832	2,674,944	2,555,470	2,412,585
Accounts (net of allowances)	751,691	1,246,085	725,537	1,425,307	657,371
Inter-fund loans	3,455,129	6,415,524	4,528,785	3,251,585	3,293,510
Intergovernmental	3,438,342	2,625,755	2,116,745	2,823,413	1,917,845
Loan	753,992	820,615	884,339	945,289	996,806
Inventory, at cost	748,711	797,655	819,345	912,743	855,035
Prepaid items	104,554	76,059	40,842	51,027	84,252
<b>TOTAL ASSETS</b>	<b>24,769,773</b>	<b>22,900,797</b>	<b>25,005,459</b>	<b>25,533,118</b>	<b>23,221,214</b>
<b>LIABILITIES</b>					
Accounts payable	1,138,907	996,982	1,740,176	1,111,343	987,276
Accrued wages and benefits	4,000,984	4,013,128	3,993,853	5,091,810	3,991,851
Unearned revenues	36,919	45,161	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,176,810</b>	<b>5,055,271</b>	<b>5,734,029</b>	<b>6,203,153</b>	<b>4,979,127</b>
<b>DEFERRED RESOURCES</b>	<b>2,557,443</b>	<b>2,664,910</b>	<b>2,498,706</b>	<b>2,305,395</b>	<b>2,319,816</b>
<b>FUND BALANCE</b>					
Reserved:					
Prepaid	-	-	-	-	967,379
Encumbrances	-	-	-	-	84,252
Inter-fund loans or advances	-	-	-	-	1,650,500
Unreserved:					
Designated	-	-	-	-	4,720,448
Undesignated	-	-	-	-	8,499,692
Non-spendable <sup>(1)</sup>	2,753,765	2,774,214	2,760,687	2,864,270	-
Restricted <sup>(1)</sup>	1,262,869	475,390	1,285,520	1,618,627	-
Committed <sup>(1)</sup>	2,623	10,583	373,753	19,033	-
Assigned <sup>(1)</sup>	3,417,791	4,193,415	4,789,106	4,504,700	-
Unassigned <sup>(1)</sup>	9,598,472	7,727,014	7,563,658	8,017,940	-
<b>TOTAL FUND BALANCE</b>	<b>17,035,520</b>	<b>15,180,616</b>	<b>16,772,724</b>	<b>17,024,570</b>	<b>15,922,271</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$24,769,773</b>	<b>\$22,900,797</b>	<b>\$25,005,459</b>	<b>\$25,533,118</b>	<b>\$23,221,214</b>

Prepared from Audited Financial Statements  
NOTE: <sup>(1)</sup> 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,)**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>REVENUES</b>					
Taxes	\$56,005,218	\$51,862,260	\$50,707,941	\$50,578,542	\$49,976,511
Intergovernmental	30,285,356	30,157,317	32,916,799	34,312,276	34,253,927
Licenses and permits	1,389,717	576,559	948,267	601,202	633,339
Charges for services	11,970,430	13,019,247	12,548,967	14,141,121	12,735,266
Revenue from use of property	769,067	833,643	947,722	810,705	1,021,850
Other	27,263	32,696	41,628	39,090	30,657
<b>TOTAL REVENUES</b>	<b>100,447,051</b>	<b>96,481,722</b>	<b>98,111,324</b>	<b>100,482,936</b>	<b>98,651,550</b>
<b>EXPENDITURES</b>					
General government	5,172,972	5,612,408	5,390,049	4,858,721	5,422,805
Public safety	16,409,651	16,209,402	16,028,180	15,800,938	15,287,575
Health, com. serv. and recreation	4,826,149	4,945,994	5,383,295	5,584,184	4,720,477
Public buildings and services	10,052,683	9,835,549	9,842,829	10,196,576	10,055,161
Other agencies	4,566,380	4,382,776	4,409,545	4,347,617	4,291,329
Education	50,771,925	49,880,770	50,159,407	51,391,657	51,590,324
TIF	632,364	550,308	524,013	165,133	432,033
Unclassified	90,061	122,772	33,100	56,882	48,010
Capital outlay	64,768	1,027,506	366,021	529,990	427,746
Debt service	5,102,600	4,871,912	4,822,905	4,813,592	4,490,927
<b>TOTAL EXPENDITURES</b>	<b>97,689,553</b>	<b>97,439,397</b>	<b>96,959,344</b>	<b>97,745,290</b>	<b>96,766,387</b>
<b>EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES</b>	<b>2,757,498</b>	<b>(957,675)</b>	<b>1,151,980</b>	<b>2,737,646</b>	<b>1,885,163</b>
<b>OTHER FINANCING SOURCES (USES)</b>	<b>(902,594)</b>	<b>(634,433)</b>	<b>(1,403,826)</b>	<b>(1,635,347)</b>	<b>(1,422,151)</b>
<b>EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES</b>	<b>1,854,904</b>	<b>(1,592,108)</b>	<b>(251,846)</b>	<b>1,102,299</b>	<b>463,012</b>
<b>BEGINNING FUND BALANCE</b>	<b>15,180,616</b>	<b>16,772,724</b>	<b>17,024,570</b>	<b>15,922,271</b>	<b>15,459,259</b>
<b>ENDING FUND BALANCE</b>	<b>\$17,035,520</b>	<b>\$15,180,616</b>	<b>\$16,772,724</b>	<b>\$17,024,570</b>	<b>\$15,922,271</b>

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 2014/2015 the tax due dates are September 15, 2014 and March 16, 2015. 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 08/31/14
2015	\$2,481,850	\$2,613,028	\$21.80	\$56,964	----- In Process -----		
2014	2,464,250	2,603,586	20.80	53,078	\$51,692	97.47%	97.47%
2013	2,462,650	2,582,242	19.65	49,714	48,276	97.37	97.37
2012	2,456,450	2,576,995	19.20	48,530	47,026	97.25	98.89
2011	2,466,650	2,578,274	19.20	48,363	46,858	97.23	99.47
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, 2014 (\$ in thousands)				
		Real Estate	Personal Property	Assessed Total	Property Tax	% Total Levy
GLP Capital LP	Gaming	\$92,856,800	\$0	\$92,856,800	\$2,024,278	3.57%
General Electric	Steam Turbine Manuf	30,871,500	30,908,900	61,780,400	1,346,813	2.37
Bangor Mall LLC	Shopping Mall	60,182,800	0	60,182,800	1,311,985	2.31
Emera Maine	Utility	34,981,600	5,667,700	40,649,300	886,155	1.56
HC Bangor LLC	Gaming	0	21,880,000	21,880,000	476,984	0.84
WalMart	Retailer	18,720,100	3,020,900	21,741,000	473,954	0.84
Bangor Gas	Utility	17,489,500	731,000	18,220,500	397,207	0.70
GM Realty of Bangor	Real Estate	16,511,400	0	16,511,400	359,949	0.63
QV Realty Trust	Shopping Mall	16,383,900	0	16,383,900	357,169	0.63
Harvest Sunbury	Retirement	14,958,300	412,200	<u>15,370,500</u>	<u>335,077</u>	<u>0.59</u>
<b>Top Ten Taxpayers</b>				<b>\$365,576,600</b>	<b>\$7,969,570</b>	<b>14.04%</b>

## **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 1<sup>st</sup> 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, 125<sup>th</sup> 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:

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>State School Subsidy</b>	<b>Other School</b>	<b>BETE</b>	<b>Homestead Exemption</b>	<b>Other State</b>	<b>Total From State</b>
2014	\$2,305,725	\$16,970,557	\$4,020,167	\$906,627	\$548,761	\$2,006,608	\$26,758,445
2013	3,513,711	16,208,643	3,571,471	787,746	530,369	1,648,274 <sup>(1)</sup>	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

NOTE: <sup>(1)</sup> 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.

## The 2016/2017 Biennium State Budget Proposal

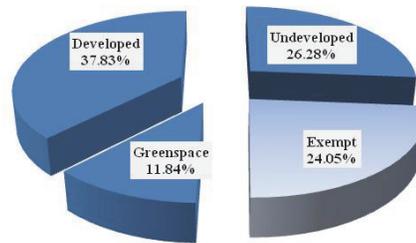
Maine Governor Paul LePage has proposed a major restructuring of Maine's tax system as part of his FY2016/2017 budget submission. Among other things, the governor's proposal would reduce income tax revenue, increase sales and use tax revenue, repeal the estate tax, limit property tax exemptions, and eliminate state-local Municipal Revenue Sharing. The full text of the bill can be found at <http://www.maine.gov/budget/index.htm>. There is uncertainty as to which portions, if any, of the Governor's proposal will be enacted into law and thus uncertainty as to the consequences of the proposed budget on municipalities in the State.

Pursuant to Title 5, Section 1666-A. of the Maine Revised Statutes, as amended, “Enactment of Budget” the Legislature shall review a biennial or supplemental budget submitted to it in accordance with this chapter and enact a budget no later than 30 days prior to the date of adjournment prescribed in Title 3, Section 2, of the Maine Revised Statutes, as amended (the first regular session of the Legislature, after its convening, shall adjourn no later than the 3rd Wednesday in June). The times for adjournment for the regular sessions may also be extended for one additional legislative day for the purpose of considering possible objections of the Governor to any bill or resolution presented to him by the Legislature under the State Constitution, Article IV, Part Third, Section 2.

**TAX BASE AND TAX BASE GROWTH**

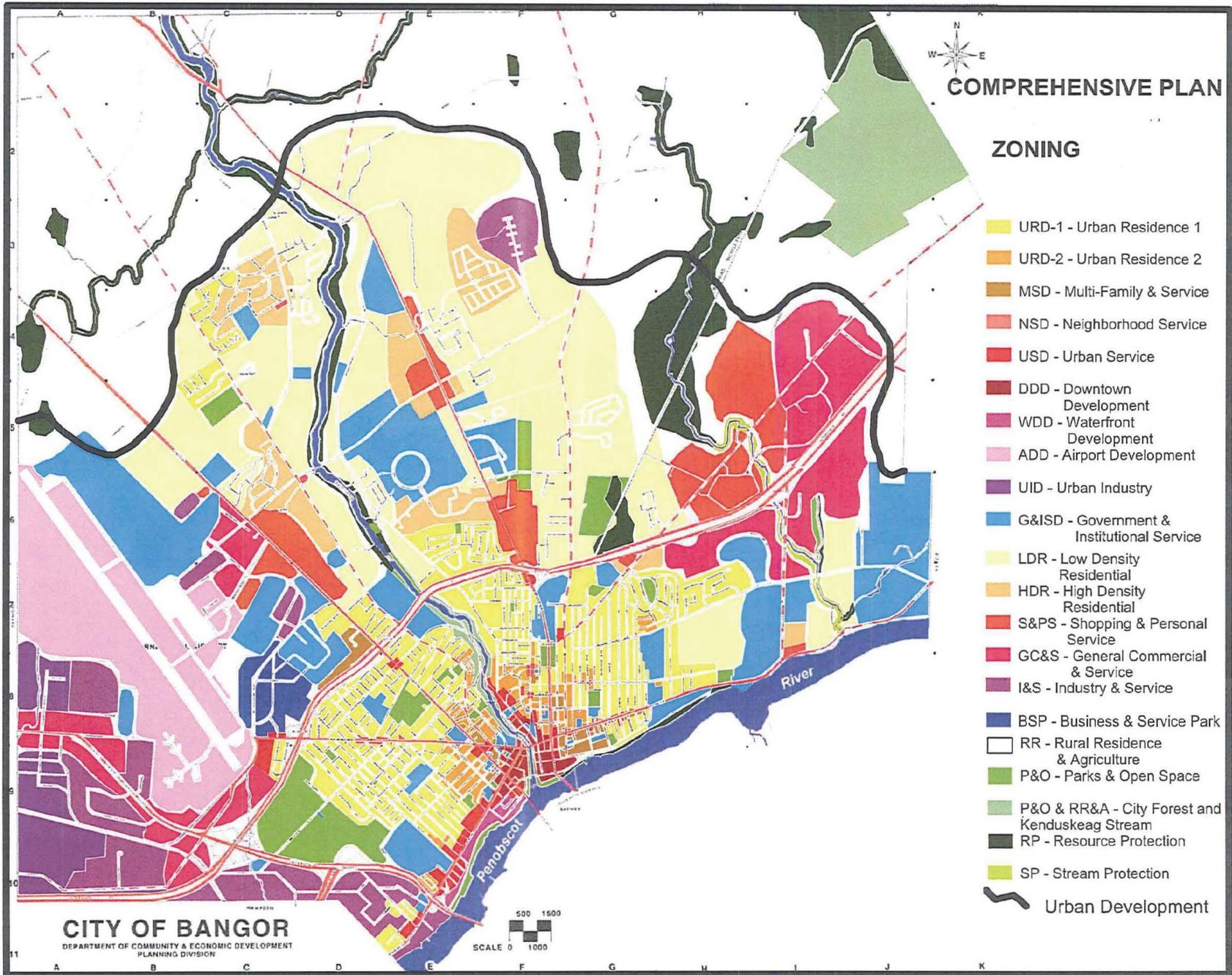
The City’s land area is comprised of 22,032 acres. The below table and chart displays the acreage available for potential increase in tax base by the conversion of undeveloped or exempt land to developed.

<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%
<b>Total City</b>	<b>22,032</b>	<b>100.00%</b>



**ZONING**

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



## **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 2015 equalized state valuation (“equalized State Valuation”) is listed at \$2,481,850,000. The 15% debt limit is \$372,277,500. As of June 30, 2014 the City’s long term general obligation debt outstanding was \$146,954,498, or 5.92% 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, 2014				Projected, June 30, 2015	
			General Fund		Enterprise Funds	Total Debt	Payments	Balance Due
			City	School				
1996B	2,942.90	10/1/2016			555,153	555,153	(179,010)	376,143
1996 <sup>(1)</sup>	975.00	5/1/2016	200,041			200,041	(97,796)	102,245
1997A	2,452.40	10/1/2017			586,854	586,854	(140,830)	446,024
1998 <sup>(1)</sup>	280.00	11/1/2017	80,830			80,830	(21,824)	59,006
1999A <sup>(2)</sup>	259.80	7/17/2017			73,935	73,935	(17,154)	56,781
2001 <sup>(1)</sup>	699.90	9/1/2021	375,015			375,015	(39,961)	335,054
2003(SRF) <sup>(3)</sup>	3,000.00	10/1/2022			1456213	1,456,213	(151,741)	1,304,472
2003 <sup>(1)</sup>	200.00	7/1/2014	17,180			17,180	(17,180)	0
2003 <sup>(4)</sup>	1,300.00	3/1/2023			753,991	753,991	(69,656)	684,335
2004	9,227.00	11/1/2023	210,000			210,000	(210,000)	0
2005(SRF) <sup>(3)</sup>	2,650.00	10/1/2024			1,582,335	1,582,335	(130,431)	1,451,904
2005A	3,650.00	11/1/2024	155,000		50,000	205,000	(205,000)	0
2005B	2,315.00	10/1/2024			115,000	115,000	(115,000)	0
2006 <sup>(2)</sup>	2,250.00	12/1/2025			1,600,222	1,600,222	(100,535)	1,499,687
2006	4,933.00	9/1/2025	888,969		91,031	980,000	(335,000)	645,000
2006(SRF) <sup>(3)</sup>	2,000.00	4/1/2027			1,372,666	1,372,666	(95,594)	1,277,072
2007	3,555.00	9/1/2026	2,155,000			2,155,000	(200,000)	1,955,000
2007(SRF) <sup>(3)</sup>	2,000.00	4/1/2028			1,473,375	1,473,375	(93,414)	1,379,961
2009A	3,100.00	9/1/2028	2,325,000			2,325,000	(155,000)	2,170,000
2009ARRA <sup>(5)</sup>	1,960.00	4/1/2029			726,681	726,681	(48,445)	678,236
2009ARRA <sup>(5)</sup>	1,040.00	4/1/2030			411,008	411,008	(25,688)	385,320
2009B	14,425.00	9/1/2019	2,733,332	4,901,620	795,048	8,430,000	(1,625,000)	6,805,000
2011	6,391.00	4/1/2021	1,419,624		3,140,376	4,560,000	(625,000)	3,935,000
2011 QSCB	5,610.00	7/15/2028		5,610,000		5,610,000	0	5,610,000
2012	6,525.00	4/1/2022	2,013,604	1,808,910	1,172,486	4,995,000	(660,000)	4,335,000
2012B	53,800.00	7/15/2042			53,800,000	53,800,000	(980,000)	52,820,000
2012 QSCB	2,800.00	7/15/2035		2,800,000		2,800,000	0	2,800,000
2013A	9,030.00	11/1/2032	7,307,965		1,417,035	8,725,000	(335,000)	8,390,000
2013B	4,300.00	11/1/2033			4,300,000	4,300,000	(150,000)	4,150,000
2014A	8,669.00	3/1/2034	7,169,000	1,200,000	300,000	8,669,000	(489,000)	8,180,000
2014(SRF) <sup>(3)</sup>	2,500.00	11/1/2034				0	0	2,500,000
2015A	3,120.00	4/1/2030				0	0	3,120,000
2015B	1,600.00	4/1/2035				0	0	1,600,000
	<b>Sub-totals</b>		<b>27,050,560</b>	<b>16,320,530</b>	<b>75,773,409</b>	<b>119,144,498</b>	<b>(7,313,259)</b>	<b>119,051,240</b>
2002(POB) <sup>(6)</sup>	34,030.00	6/1/2026	21,757,695	1,390,190	4,662,115	27,810,000	(1,180,000)	26,630,000
	<b>Total Projected Debt</b>		<b>48,808,255</b>	<b>17,710,720</b>	<b>80,435,524</b>	<b>146,954,498</b>	<b>(8,493,259)</b>	<b>\$145,681,240</b>

NOTE: <sup>(1)</sup> 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.

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

<sup>(3)</sup> 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.

<sup>(4)</sup> The Briggs Building Note is a 20-year obligation funded by the City's Workers Compensation Reserve.

<sup>(5)</sup> "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%.

<sup>(6)</sup> "POB" indicates Pension Obligation Bonds.



**PROJECTED DEBT SERVICE REQUIREMENTS**

Fiscal Yr. End June 30,	Prior Debt				The Bonds			Projected Total Debt Service
	Principal	Interest (and fees)	POBs (Total D/S)	Total Debt	Series A Total D/S	Series B Total D/S	The Bonds	
2015	\$7,313,261	\$3,553,120	\$2,973,745	\$13,840,126	\$0	\$0	\$0	\$13,840,126
2016	7,499,968	3,350,335	3,062,635	13,912,939	294,602	130,386	424,988	14,337,926
2017	7,403,767	3,148,707	3,150,882	13,703,356	296,200	132,400	428,600	14,131,956
2018	7,135,745	2,928,221	3,197,842	13,261,808	291,700	130,000	421,700	13,683,508
2019	6,301,065	2,721,917	3,290,450	12,313,432	287,200	127,600	414,800	12,728,232
2020	6,267,145	2,525,940	3,390,158	12,183,243	277,700	125,200	402,900	12,586,143
2021	5,214,025	2,341,395	3,490,675	11,046,094	271,100	122,800	393,900	11,439,994
2022	4,761,928	2,170,915	3,596,035	10,528,878	264,500	120,400	384,900	10,913,778
2023	4,208,519	2,009,404	3,704,948	9,922,871	257,900	117,600	375,500	10,298,371
2024	4,010,406	1,867,251	3,816,122	9,693,780	251,300	114,800	366,100	10,059,880
2025	3,935,139	1,735,748	3,928,270	9,599,157	246,900	112,000	358,900	9,958,057
2026	3,604,258	1,610,116	4,045,100	9,259,475	202,500	109,200	311,700	9,571,175
2027	3,351,369	1,490,832		4,842,202	198,900	106,280	305,180	5,147,382
2028	3,162,391	1,389,847		4,552,238	194,400	103,360	297,760	4,849,998
2029	8,399,569	1,298,403		9,697,972	189,900	100,440	290,340	9,988,312
2030	2,566,249	1,212,649		3,778,898	184,950	97,520	282,470	4,061,368
2031	2,605,687	1,135,042		3,740,729		94,600	94,600	3,835,329
2032	2,675,813	1,055,291		3,731,104		91,680	91,680	3,822,784
2033	2,745,938	971,275		3,717,213		88,760	88,760	3,805,973
2034	2,781,065	883,114		3,664,179		85,840	85,840	3,750,019
2035	2,336,190	795,895		3,132,085		82,920	82,920	3,215,005
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
<b>TOTAL</b>	<b>\$121,644,498</b>	<b>\$43,489,687</b>	<b>\$41,646,862</b>	<b>\$206,781,047</b>	<b>\$3,709,752</b>	<b>\$2,193,786</b>	<b>\$5,903,538</b>	<b>\$212,684,585</b>

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

(\$ in thousands)	Audited					Budgeted
	2010	2011	2012	2013	2014	2015
Gross Current Debt Service:	\$17,271	\$14,694	\$16,994	\$11,779	\$12,242	\$13,963
(less Self Support Enterprise):	(4,389)	(4,130)	(4,272)	(4,279)	(4,804)	(5,895)
(less State Qual. School):	(616)	(375)	(357)	(311)	(0)	0
(less POB):	(2,572)	(2,646)	(2,723)	(2,803)	(2,885)	(2,974)
(less Refunded Debt):	(5,750)	(5,075)	(5,230)	0	(0)	0
Tax Backed Current Debt Service:	\$3,944	\$2,468	\$4,412	\$4,386	\$4,553	\$5,094
Budgeted Operating Expense:	\$91,250	\$90,691	\$90,171	91,899	93,546	95,204
Debt Service as % Oper. Expense:	4.32%	2.72%	4.89%	4.77%	4.87%	5.35%

## 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
2014	32,673	\$2,481,850	\$2,603,586	\$146,954	5.92%	\$4,498	4.80%	\$3,647
2013	32,963	2,462,650	2,582,242	145,219	5.90%	4,395	4.73%	3,562
2012	33,000	2,456,450	2,576,995	89,382	3.64%	2,705	2.42%	1,866
2011	33,039	2,466,650	2,578,274	90,441	3.67%	2,737	2.17%	1,896
2010	31,450	2,436,000	2,626,791	96,645	3.97%	2,925	2.69%	2,189
2009	31,329	2,377,800	2,544,916	94,311	3.87%	3,035	2.57%	2,123
2008	31,262	2,358,250	2,406,089	98,721	4.19%	3,177	2.82%	2,268
2007	31,749	2,213,950	2,224,049	104,132	4.70%	3,351	4.70%	2,404
2006	31,054	2,063,300	2,060,055	106,785	5.18%	3,436	3.53%	2,543
2005	31,119	1,861,350	1,868,245	106,193	5.71%	3,361	3.88%	2,519

### 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		
2014	48,808	17,711	80,436	146,954	2.0%	0.7%	3.2%	5.9%	1,494	542	2,462	4,498
2013	45,039	17,688	82,492	145,219	1.8%	0.7%	3.4%	5.9%	1,366	537	2,503	4,406
2012	44,434	16,240	28,708	89,382	1.8%	0.7%	1.2%	3.6%	1,346	492	870	2,709
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%	1,542	419	1,112	3,073
2009	48,390	8,298	37,623	94,311	2.0%	0.3%	1.6%	3.9%	1,545	265	1,201	3,010
2008	47,552	9,446	41,723	98,721	2.0%	0.4%	1.8%	4.2%	1,521	302	1,335	3,158
2007	49,711	10,610	43,810	104,131	2.2%	0.5%	2.0%	4.7%	1,566	334	1,380	3,280
2006	49,231	11,772	45,781	106,785	2.4%	0.6%	2.2%	5.2%	1,585	379	1,474	3,439
2005	46,493	12,926	46,774	106,193	2.5%	0.7%	2.5%	5.7%	1,494	415	1,503	3,412

## 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, 2015 the City's equalized State Valuation of \$2,481,850,000 was 24.29% of the County's 2015 equalized State Valuation of \$10,215,600,000 (excluding Unorganized Territories). The County has \$0 long-term debt outstanding as of June 30, 2014.

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, 2014, 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**

	<b>General Fund</b>	<b>Enterprise</b>	<b>Overlapping</b>	<b>Total Debt</b>
C/O Bangor-School	\$16,320,530			\$16,320,530
C/O Bangor-School (POB)	1,390,190			1,390,190
C/O Bangor-Other Gen'l Fund	27,050,560			27,050,560
C/O Bangor-Other Gen'l Fund (POB)	21,757,695			21,757,695
C/O Bangor- Enterprise		\$75,773,408		75,773,408
C/O Bangor- Enterprise (POB)		4,662,115		4,662,115
County of Penobscot			\$0	0
Region #4			0	0
<b>Total A/O June 30, 2014</b>	<b>\$66,518,975</b>	<b>\$80,435,523</b>	<b>\$0</b>	<b>\$146,954,498</b>

**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, 2014, \$155,000 remains authorized and unissued. The City expects to issue the debt within the next 36 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, 2014, \$1,590,000 remains authorized but unissued. The City will continue to monitor when and if further debt will be issued.

**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 2014 covered payroll was \$16,739,257 and City contributions were \$1,436,492. 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 \$480,810 and \$55,372, respectively, in fiscal year 2014.

**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 6.5% for Plan AC, 12.8% for Special Plan 1C and 7.9% 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, 2014, 2013 and 2012 were \$956,294, \$936,700 and \$942,629 respectively, equal to the required contributions for each year.

**Employer Contribution Rates**

The MainePERS Board of Trustees has increased employer contribution rates for the CPPLD Plan based upon actuarial recommendations. The following table shows the rates for fiscal years ended June 30, 2014, June 30, 2015 and June 30, 2016:

<u>Plan</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Regular AC	6.5%	7.8%	8.9%
Special 1C	12.8%	13.4%	14.0%
Special 2C	7.9%	8.3%	8.9%

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 unfunded actuarial portion of the employer contribution rate (13.03%) and the health and benefits component (2.33%) for a total of 15.36%, which amounts to \$3,585,343 for fiscal year 2014. . 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 18.48% 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](http://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:	(169,418)
Interest:	<u>115,757</u>
Annual OPEB cost:	\$550,729

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

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Annual OPEB cost:	\$344,143	\$557,850	\$550,729
City contributions:	<u>(57,070)</u>	<u>(274,117)</u>	<u>(235,369)</u>
Increase in OPEB	287,073	283,733	315,360
Net OPEB, beginning year:	<u>2,323,123</u>	<u>2,610,196</u>	<u>2,893,929</u>
Net OPEB, end year:	\$2,610,196	\$2,893,929	\$3,209,289
% contributed:	16.58%	49.14%	42.74%

**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, 2014</u>
Actuarial accrued liability (“AAL”):			
Actuarial value of plan assets:	\$5,213,644	\$1,657,448	\$6,871,092
Unfunded actuarial accrued liability (“UAAL”):	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll:	\$5,213,644	\$1,657,448	\$6,871,092
UAAL as a percentage of covered payroll:	\$16,098,456	\$5,117,794	\$21,216,250
			32.39%

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, 2014**

**(With Report of Independent Auditors' Thereon)**

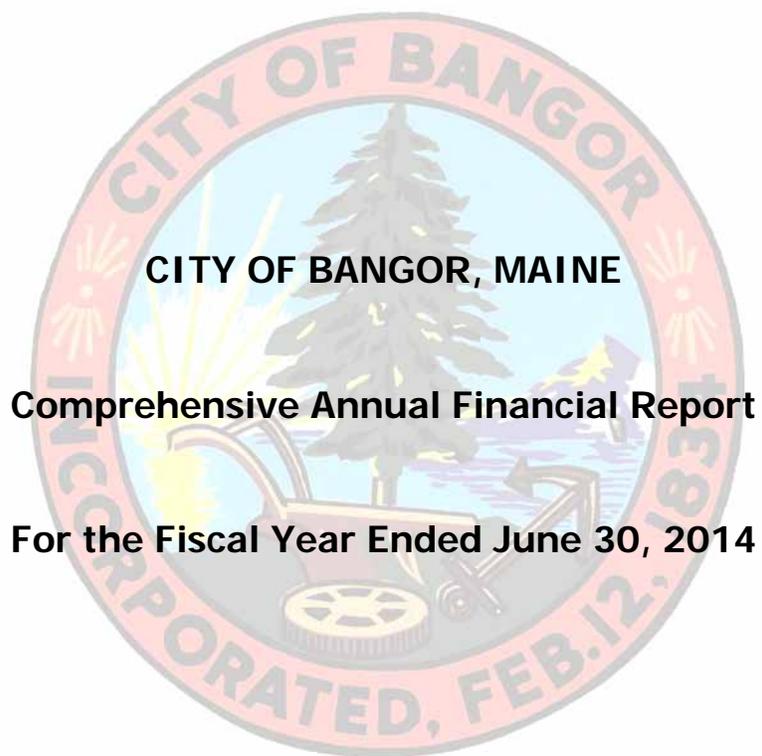
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# 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2014



**CITY OF BANGOR, MAINE**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2014**

Prepared by:

Debbie Cyr, Finance Director

David Little, Tax Collector/Deputy Treasurer

**CITY OF BANGOR, MAINE**  
**Comprehensive Annual Financial Report**  
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**For the Fiscal Year Ended June 30, 2014**

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# **INTRODUCTORY SECTION**



(207)992-4260  
fax (207)945-4446  
debbie.cyr@bangormaine.gov

**FINANCE DEPARTMENT**  
Deborah A. Cyr, Finance Director

January 26, 2015

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, 2014 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, is 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, storm water utility, 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 eight 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 a service center community, as such it is a major center for the communications, banking, commercial, industrial, healthcare, and governmental sectors of the State, serving the economic, educational, recreational, distribution, and health care needs of central, eastern, and northern Maine regions. In addition, Bangor serves as northern New England's economic link to the Canadian Maritimes and Eastern Quebec.

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 2014 unemployment rate of 5.4% continues to be on par with or below both country and state rates of 6.1% and 5.5%, respectively.

Bangor is the largest retail market in Maine. 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 FY 2014, Bangor's retail taxable sales were \$1.63 billion, the highest within the State, and represent 8.82% of total State retail taxable 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. While assessed value has remained relatively flat since the economic downturn realized in FY 2011, the City has seen modest to average increases in assessed value of 4.19% over the last ten years. A stable tax base and the City's focus on controlling budgetary growth has resulted in a 5.67% reduction in its tax rate from 2005 to 2014, in spite of significant state funding reductions and costs shifts.

The City is committed to preserving its viable economic base while creating new opportunities for future residential and commercial growth. To achieve these objectives, the City is proactive in supporting economic activity through planned capital improvements, innovative financing, and aggressive marketing as well as enhancing our citizens' quality of life.

**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.

The City has made significant investments in its operating and capital infrastructure to support its economic base. Major areas of investment include:

- Ø Construction of the Cross Insurance Center, a 5,800 seat state of the art arena and adjoining conference center;
- Ø Redevelopment of nearly a mile of prime Penobscot River frontage extending from the City's downtown area to the Bass Park Complex, which provides a significant regional entertainment and recreational area;
- Ø Relocation of C&L Aerospace, which provides worldwide operators with aircraft parts, service, maintenance, sales and leasing services;
- Ø Revitalization of the City's core downtown to encourage mixed use development, including residential, commercial and cultural opportunities;
- Ø Improvements to our local environment and protection of natural resources, the major emphasis being storm water management with the implementation of a storm water utility in order to fund the associated costs.

Beginning in FY 2013, the City began to proactively address quality of life issues and housing opportunities. Key initiatives to date include:

- Ø Implementation of the west side neighborhood revitalization plan;
- Ø Enactment of disruptive property ordinance and foreclosed property registration program;
- Ø Community engagement with residents through enhanced technology, including a new website, mobile app and social media as well as departmental outreach to address public safety concerns;
- Ø Provided assistance to homeowners through CDBG funding including expansion of two programs;
- Ø Sustained commitment to academic excellence for all;
- Ø Continued support of arts and culture.

**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, 2014 was 10.88% 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, 2013 for the eighteenth 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

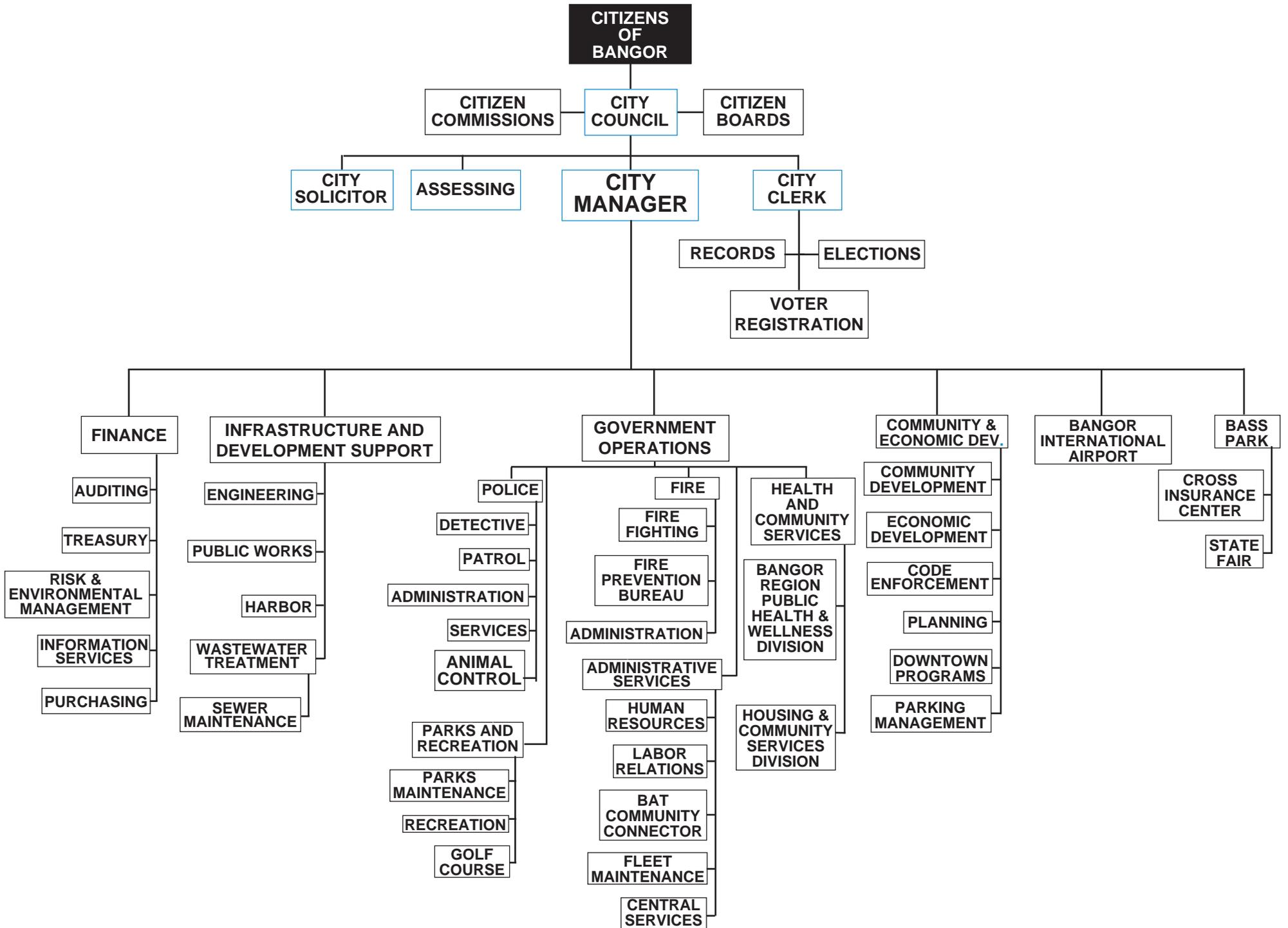
**City of Bangor  
Maine**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

CITY OF BANGOR ORGANIZATIONAL CHART Revised (09-13)



**City of Bangor, Maine  
Elected Officials and Principal Administrative Officers  
June 30, 2014**

**City Council**

Benjamin Sprague, Chair

Joseph Baldacci  
Pauline Civiello  
James Gallant  
David Nealley

Patricia Blanchette  
Nelson Durgin  
Gibran Graham  
Joshua Plourde

**City Staff**

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

**School Committee**

Warren Caruso, Chair

Marc Eastman  
Susan Hawes  
Christine Szal

Phyllis Guerette  
Sarah Smiley  
Jay Ye, Vice Chair

**School Staff**

Betsy Webb, Superintendent of Schools

# **FINANCIAL SECTION**

## 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 discretely 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, 2014, 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.

City Council  
City of Bangor, Maine

### ***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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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, other 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, other schedules and statistical section 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 January 26, 2015, 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.



January 26, 2015  
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, 2014. 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 \$199.7 million (net position).
- At the close of fiscal year 2014, the City of Bangor's governmental funds reported combined ending fund balances of \$26.0 million, which was in essence unchanged in total over the prior year balance of \$25.5 million. However, there were significant changes within individual government funds. The reduction in the Arena Fund was expected as the final construction costs for the Cross Insurance Center were incurred. The Capital Projects Fund balance can vary significantly from year to year depending upon specific near term projects. These decreases were offset by a \$1.9 million increase in the General Fund ending fund balance resulting from significant one time revenues related to permits and excise tax. Approximately 73% of the total amount, or \$19.0 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 \$9.6 million, or 10.88% 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 were relatively unchanged at \$14.5 million or an increase of \$200 thousand. Enterprise fund liabilities decreased by \$4.4 million (4.5%), primarily due to the repayment of interfund loans and general obligation debt payables. Accounts payable balances 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, Stormwater Utility, 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 eight individual proprietary funds, of which the Sewer Utility, Airport, and Bass Park Funds are considered to be major. Data from five 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 – C11).

- 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 can be found on pages II-30 through II-56 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			
	2014	2013	2014	2013	2014	2013
Current & other assets	40,224,214	39,522,674	25,355,267	26,067,159	65,579,481	65,589,833
Capital assets, net of						
accumulated depreciation	77,801,071	76,641,969	233,583,931	236,621,877	311,385,002	313,263,846
Total assets	118,025,285	116,164,643	258,939,198	262,689,036	376,964,483	378,853,679
Long-term debt outstanding	74,428,709	70,199,367	85,221,365	87,282,407	159,650,074	157,481,774
Other liabilities	6,941,010	6,637,178	5,463,473	4,978,188	12,404,483	11,615,366
Total liabilities	81,369,719	76,836,545	90,684,838	92,260,595	172,054,557	169,097,140
Deferred inflows of resources	5,200,850	5,082,840	-	-	5,200,850	5,082,840
Total deferred inflows	5,200,850	5,082,840	-	-	5,200,850	5,082,840
Net position:						
Net investment in capital assets	49,674,874	54,540,288	159,871,743	165,548,784	209,546,617	220,089,072
Restricted	1,027,484	1,041,443	-	-	1,027,484	1,041,443
Unrestricted	(19,247,642)	(21,336,473)	8,382,617	4,879,657	(10,865,025)	(16,456,816)
Total net position	31,454,716	34,245,258	168,254,360	170,428,441	199,709,076	204,673,699

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 refers to 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 \$10.9 million, the governmental activities deficit of \$19.3 million is partially offset by the business type activities balance of \$8.4 million. The governmental activities deficit is primarily due to \$23.1 million in outstanding pension obligation bonds.

Governmental activities net position decreased \$2.8 million. The major component associated with the decrease in governmental activities net position is the reduction in the Arena fund associated with the construction costs of the Cross Insurance Center, net of the receipt of \$2.0 million of revenues that result from the casino operation.

Business-type net position decreased \$2.2 million. The decrease in net position is largely due to the fact that user fees cannot absorb annual depreciation expense, due to the significant cost of infrastructure, specifically within the Airport Fund. This was dampened by the fact that due to the newly implemented stormwater utility fee and increased sewer user fees generated approximately \$1.1 million in additional revenues.

## Changes in Net Position

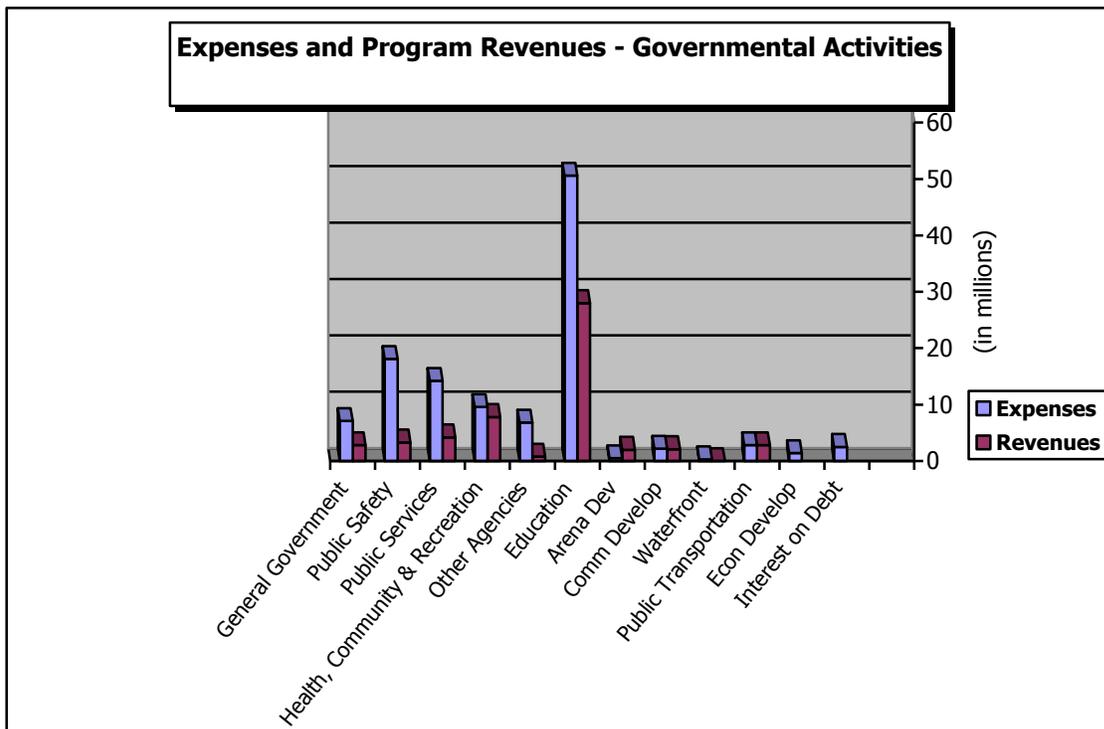
The following is a condensed version of the Statement of Activities.

	Governmental		Business-type		Total	
	Activities		Activities			
	2014*	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for services	17,634,792	17,728,344	26,221,323	23,460,843	43,856,115	41,189,187
Operating grants & contributions	34,600,320	31,901,386	-	-	34,600,320	31,901,386
Capital grants & contributions	1,720,879	2,345,794	4,039,968	6,121,523	5,760,847	8,467,317
General Revenues						
Property and other taxes	58,155,135	54,983,518	750,000	-	58,905,135	54,983,518
Grants and contributions not restricted to specific programs	3,787,128	4,857,030	-	-	3,787,128	4,857,030
Other	512,292	169,680	504,584	85,075	1,016,876	254,755
<b>Total Revenues</b>	<b>116,410,546</b>	<b>111,985,752</b>	<b>31,515,875</b>	<b>29,667,441</b>	<b>147,926,421</b>	<b>141,653,193</b>
<b>Expenses</b>						
General government	7,110,075	4,733,021	-	-	7,110,075	4,733,021
Public safety	18,050,107	17,864,294	-	-	18,050,107	17,864,294
Health, community and recreation	9,586,571	9,298,196	-	-	9,586,571	9,298,196
Public services	14,249,015	14,408,500	-	-	14,249,015	14,408,500
Other agencies	6,799,934	4,630,915	-	-	6,799,934	4,630,915
Education	50,594,050	50,145,937	-	-	50,594,050	50,145,937
Arena development	500,566	2,201,200	-	-	500,566	2,201,200
Community development	2,178,972	1,356,184	-	-	2,178,972	1,356,184
Waterfront	272,857	381,437	-	-	272,857	381,437
Public transportation	2,782,968	3,250,752	-	-	2,782,968	3,250,752
Interest on debt	2,464,804	3,343,590	-	-	2,464,804	3,343,590
Economic development (tif)	1,440,452	1,334,470	-	-	1,440,452	1,334,470
Sewer Utility	-	-	6,843,975	6,827,790	6,843,975	6,827,790
Airport	-	-	20,855,066	20,722,960	20,855,066	20,722,960
Park Woods	-	-	497,833	473,289	497,833	473,289
Stormwater Utility	-	-	149,590	-	149,590	-
Parking	-	-	925,595	972,327	925,595	972,327
Bass Park	-	-	6,317,039	3,314,865	6,317,039	3,314,865
Municipal Golf Course	-	-	643,323	687,317	643,323	687,317
Economic Development	-	-	628,252	586,140	628,252	586,140
<b>Total Expenses</b>	<b>116,030,371</b>	<b>112,948,496</b>	<b>36,860,673</b>	<b>33,584,688</b>	<b>152,891,044</b>	<b>146,533,184</b>
Excess (deficiency) before transfers	380,175	(962,744)	(5,344,798)	(3,917,247)	(4,964,623)	(4,879,991)
Transfers	(3,170,717)	(8,772,781)	3,170,717	8,772,781	-	-
<b>Change in net position</b>	<b>(2,790,542)</b>	<b>(9,735,525)</b>	<b>(2,174,081)</b>	<b>4,855,534</b>	<b>(4,964,623)</b>	<b>(4,879,991)</b>

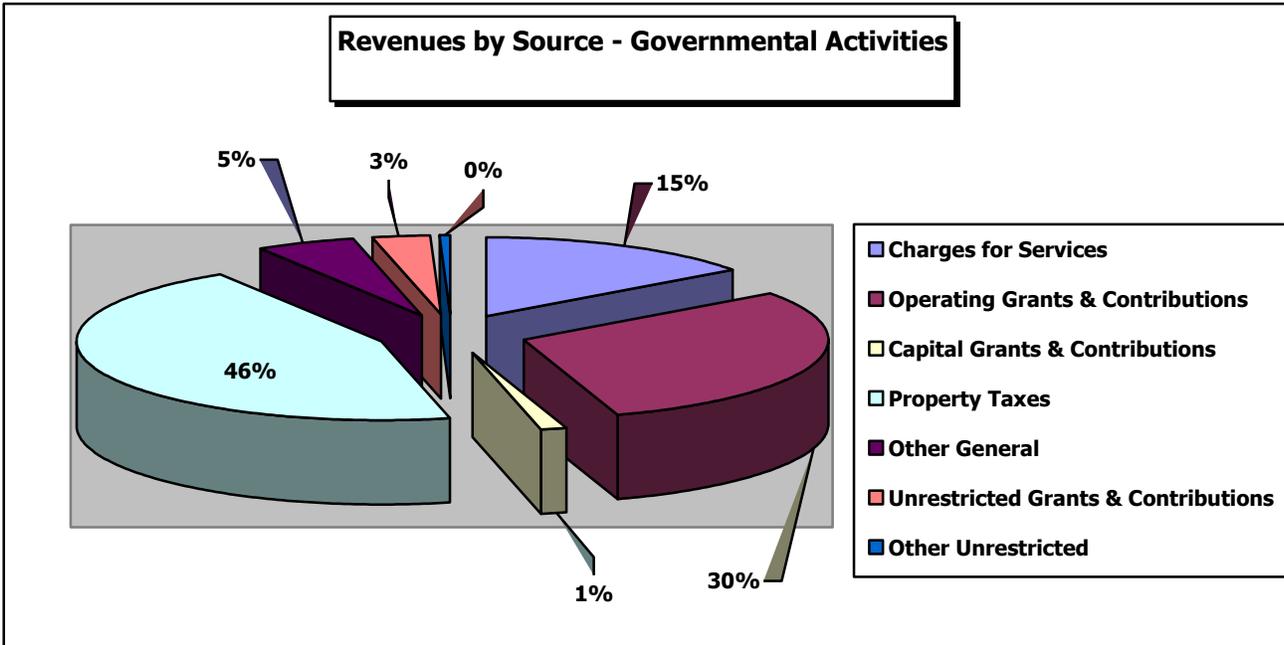
\* - Beginning with 2014 certain departmental costs are reflected in General government expenses instead of other functional areas.

## Governmental Activities

The cost of all governmental activities was \$116.0 million. As shown on the Statement of Activities, the total amount financed by the property tax was \$52.2 million, or 45% of expenses. Those who directly benefit from an activity provided \$17.6 million in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$34.6 million. Capital grants and contributions accounted for \$1.7 million. The City also received \$10.2 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 increased \$3.1 million over the prior year. Over the last two fiscal years, the Community Development Block Grant program had realized significant amounts of program income (\$1 million), which were fully expended during FY 2014, thereby increasing governmental activities expenses. In addition, the City received and expended approximately \$500 thousand of additional health and community services grant funding mainly surrounding public health issues. As these grant funds are made available on a competitive basis through the State of Maine, their continued existence is not guaranteed. As part of the FY 2014 budget, City employees did receive a cost of living adjustment of 1.5% and realized health insurance increases of 10.62% which resulted in increased expenses of approximately \$800 thousand.

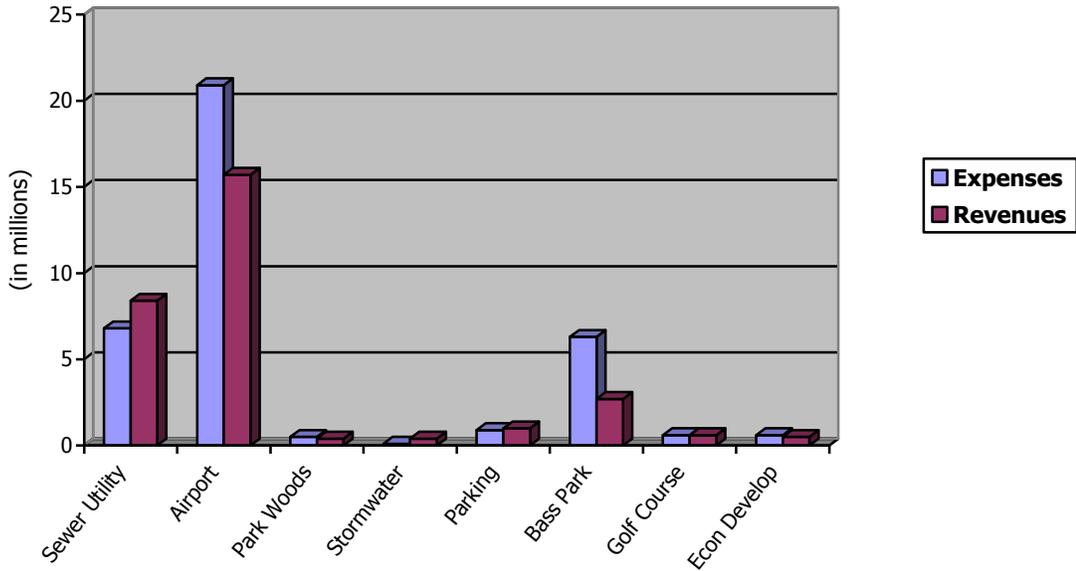


Total governmental activities' revenues increased \$4.4 million, or 4.0%. The largest single source of revenue continues to be the property tax, which increased \$2.3 million. In addition, the City realized one time increases in excise taxes and building permit fees of \$800 thousand and \$690 thousand, respectively. Capital grants and contributions decreased \$600 thousand due to fewer Bangor Area Comprehensive Transportation System (BACTS) funding. BACTS is the organization designated by federal and Maine state government to carry out transportation planning in the Greater Bangor urbanized area. Operating grants and contributions increased \$2.7 million due to an increase of \$1.1 million in State and Federal funding of education in FY 2014, increased draw on federal Community Development Block Grant funds in the amount of \$1.5 million, and increased health and community services public health grant funding of \$900 thousand. In total, charges for services remained relatively flat with a decrease of \$94 thousand.

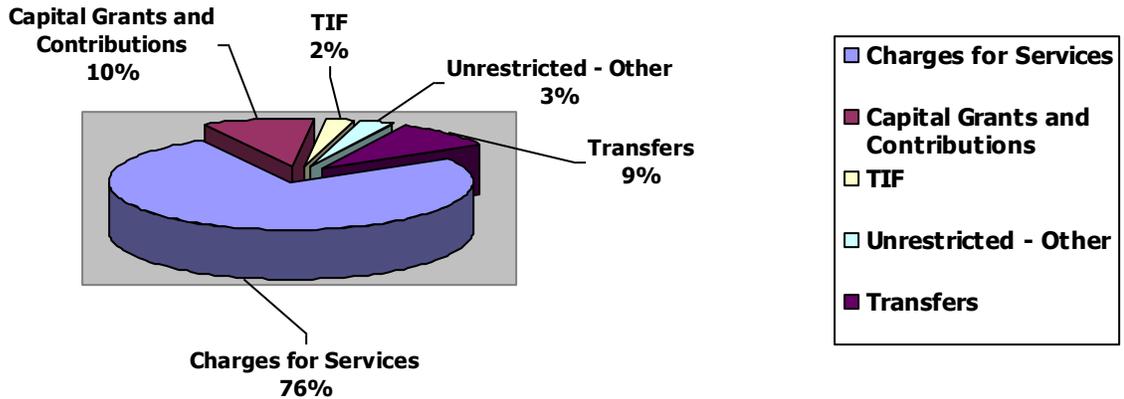
**Business-type Activities**

Total business-type activities expenses increased \$3.3 million compared to prior year levels. For FY 2014, the City employees working in business-type activities did receive a 1.5% cost of living adjustment and realized health insurance increases of 10.62%. Lastly, the most significant increase in business-type activities expenses of \$3 million is related to the operation of the City's new arena and conferences center, the Cross Insurance Center, which opened in September 2013 and is reported within the Bass Park Fund.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



In total, business-type activities revenue increased \$1.8 million or 6.1%, the decrease of \$2.1 million in capital grants and contribution was related to the Airport capital grants which vary year to year due to the biennial funding cycle. This decrease was more than offset by increased revenues from the operations of the Cross Insurance Center of \$2.2 million, gains on the sale of two properties resulting in increased revenues of \$800 thousand and \$1.1 million of increased sewer user fees and the implementation of a stormwater utility fee.

## 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 \$26.0 million, an increase of \$500 thousand over the prior year balance. While overall ending fund balances remained stable, there were significant changes within individual government funds. The reduction in the Arena Fund fund balance is related to the Cross Insurance Center construction costs incurred in FY 2014. Annual changes in the Capital Projects Fund fund balance are not unexpected as its balances are dependent upon the funding and timing of specific near term projects. Decreases in other governmental fund fund balances were offset by a \$1.8 million increase in the General Fund ending fund balance owing to significant one time revenues related to permits and excise tax. Of the ending balance of \$26.0 million, approximately 73% of this total (\$19.0 million) is either committed, assigned or unassigned and is available for spending by formal action of the City Council and \$3.7 million, or 14.2%, 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 \$17.0 million, a \$1.8 million increase from the prior year's balance of \$15.2 million. Generally, the overall increase in fund balance is related to one time permit fees and automobile excise tax receipts, which in turn increased the municipal unassigned fund balance by \$1.9 million.

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 2014 were significantly higher compared to the prior year, which was as expected as the City had set aside funding for specific targeted areas including the west side neighborhood revitalization, enhanced residential rehabilitation programs and specific economic development projects, which were funded during the year. While the FY 2014 federal funding amount remained relatively flat, it does represent a nearly 35% reduction since FY 2012.

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 \$3.2 million towards the construction costs and annual debt service costs of the Cross Insurance Center.

The Capital Projects Fund varies significantly from year to year depending upon City Council priorities and available funding opportunities. Total expenditures increased \$3.3 million over the prior year. Significant project costs incurred in FY 2014 include \$2.5 to replace the Bangor Public Library dome and \$1.1 million to renovate Cameron Stadium, a multi-sport school based facility.

**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 eight enterprise funds decreased \$2.1 million to a total of \$168.3 million. With the exceptions of decreased capital grants received by the Airport Fund and increased revenues resulted from the newly opened Cross Insurance Center, increased sewer user fees and the implementation of a stormwater utility fee, all other operating revenues and expenses remained relatively flat. The overall decrease in net position is driven by the fact that depreciation expense within the Airport and Sewer Funds significantly exceeds capital acquisitions.

## **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 \$3.1 million. There were minimal additional amendments to the originally adopted budget. The City's commitment to budgetary integrity continues, actual operating revenues ended the year over budget estimates 1.68%, or \$1.6 million, municipal expenditures were under budget by 4.94%, or \$4.9 million. Education expenditures were under budget by \$4 million or 7.7% and by statute, education balances must be segregated from municipal balances.

## **Capital Asset and Debt Administration**

**Capital assets.** As of June 30, 2014, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$311.4 million (net of accumulated depreciation), a decrease of \$1.9 million over the prior year. This investment includes land, buildings, machinery and equipment, roads, runways, and sewer lines. Depreciation expense of \$16.0 million exceeded the City's investment in capital assets for the current fiscal year of \$14.7 million. Governmental activities invested \$5.4 million, and business-type activities invested \$9.3 million and depreciation expense was \$4 million and \$12 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 \$1.2 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.
- The school department invested \$1.1 million to replace aging electrical infrastructure and bleachers at Cameron stadium, a multi-sport facility.
- Construction of the Cross Insurance Center was completed in September 2013. During the year, the City invested \$2.6 million towards the total project cost of approximately \$68.7 million.
- 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 and open space infrastructure upgrades, which amounted to \$800 thousand and spent \$1.8 million to replace vehicles.

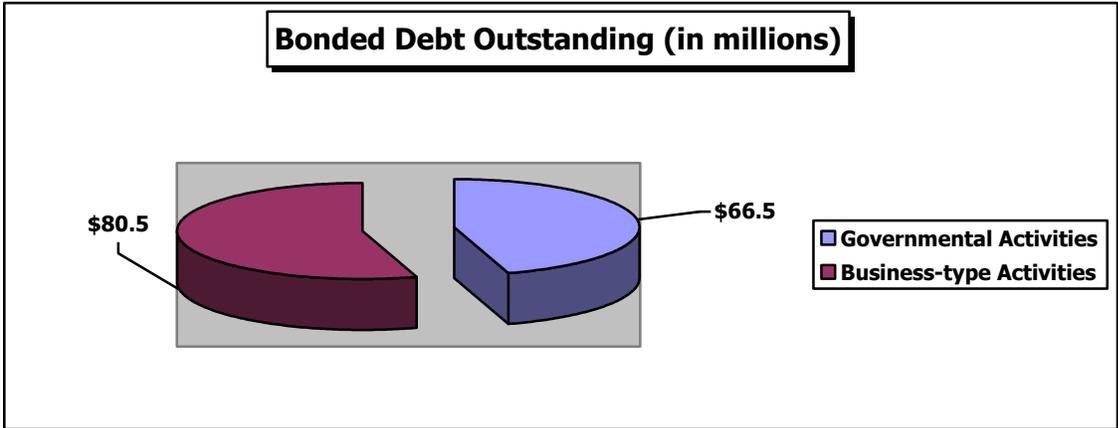
- The Airport Fund invested \$5.3 million in operational assets at Bangor International Airport including rental building improvements, runway system upgrades and domestic terminal renovations. Nearly \$2.4 million of this investment was funded through the Federal Department of Transportation’s Airport Improvement Plan and an Economic Development Administration grant.

**Capital Assets (net of depreciation)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Land and improvements	12,118,627	4,950,664
Buildings and improvements	42,551,907	74,084,903
Machinery and equipment	1,938,218	3,138,666
Vehicles	6,911,867	-
Infrastructure	11,371,924	46,069,009
Parking structures	-	2,690,740
Aircraft operational assets	-	95,528,033
Construction in process	2,908,528	7,121,916
<b>Total</b>	<b>77,801,071</b>	<b>233,583,931</b>

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 \$147.0 million, an increase of \$1.8 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 had actively worked to replace the City's aging, inadequately sized and equipped auditorium and civic center. Their long term goal and vision came to its long awaited 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.

Just prior to its grand opening, the University of Maine Orono chose the facility as its home for both its men's and women's basketball teams. As could be expected, the facility did experience some growing pains initially, but by the end of the fiscal year the facility was operating more effectively and as anticipated. During its first year of operations, the Cross Insurance Center hosted 215 events ranging from trade and consumer shows, to banquets and meetings, sporting events as well as musical and theatrical entertainment performances. The facility grossed \$7.5 million in revenues and played host to over 280,000 attendees. The facility has spurred additional development in the construction of an adjacent 100+ room hotel, which is expected to be completed in 2015. After a year of operations, the facility continues to garner and build upon the support of promoters and is focused on enhancing conference and convention bookings. The facility is expected to generate sufficient income to cover its operating costs and 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.

### **State of Maine Biennial Budget**

The Governor recently released the proposed FY2016-2017 State Biennial budget. This proposal once again proves challenging to Maine municipalities. The proposal contains substantial changes that would have a significant negative impact on individual property owners and municipalities alike.

The largest fiscal challenge will be the proposed elimination of revenue sharing in FY 2017. Revenue sharing was established to share a portion of sales and income taxes generated by municipally based economic activity in order to contribute to the increased operating and capital costs necessary to support this municipal activity. Over the last seven fiscal years, the State has transferred \$310.2 million of revenue sharing funds to its General Fund. It is estimated that had revenue sharing been maintained as proscribed by Statute, the City would have received an additional \$10.8 million over this period. The impact of these actions is especially relevant to the City, as Bangor businesses generate the highest amount of retail sales tax in the State of Maine. For FY 2014, Bangor generated \$1.63 billion in taxable retail sales or \$87.5 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 \$2.0 million currently anticipated.

To date, through cost containment measures, the City has absorbed the loss of \$3 million in revenue sharing funds. Should the elimination of revenue sharing be enacted, there will need to be significant reductions in services and level of services offered.

Beginning with FY 2014, the State of Maine transferred a portion of teacher retirement costs to the local school districts. Prior to that time, 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.

The largest challenge faced by all municipalities, but especially service centers such as Bangor, is the incremental nature of federal and state budget decisions. At the State level, Legislative changes are reviewed at the Committee level. While individual changes implemented over a number of sessions, seem tolerable, the totality of these actions has resulted in a significant municipal tax shift and there isn't enough growth in the tax base to offset these actions. The City has reduce/limited spending by limiting cost of living increases, reducing its workforce, managing health care costs, participating in regional efforts, investing in energy efficiency improvements and technology, as well as limiting its long term exposure by not contributing to retiree health coverage and no longer offering a defined benefit pension plan. The estimated tax shift of the legislative mandates with no funding and statutory funding not upheld by the Legislature represents \$3.77 of the City's FY 2015 tax rate of \$21.80.

In addition to monitoring legislative actions, city and school staff and elected officials will work collaboratively with other municipalities and professional organizations and actively participate in the upcoming legislative hearings.

### **Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for the City of Bangor in 2014 was 5.4%, which continues to be on par with or below both the national and State rates of 6.1% and 5.5%, respectively.
- While Bangor represents less than 3% of the state's population, businesses within the City generate the highest amount of retail sales tax within the State at 8.8% of the statewide total.
- 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 2015 increased \$14.4 million, or 20%, for a total of \$87 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 2014, the City's LD 1 tax levy limit was as follows:

Prior Year Base Municipal Commitment		\$ 27,741,178
Growth Factor:		4.47%
Average Real Personal Income	1.05%	
Property Growth Factor	3.42%	
Net New State Funds		-
Municipal Commitment Limit		\$ 23,666,134

The Fiscal Year 2014 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 2014 and 2015 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. 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 2015 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 2015 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 4.8% allowed the City Council to provide a 2% 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](mailto:finance@bangormaine.gov).

**BASIC FINANCIAL STATEMENTS**



**CITY OF BANGOR, MAINE**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bangor Public Library
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,468,814	\$ 3,151,404	\$ 21,620,218	\$ 3,538,662
Investments	1,930,150	15,685,070	17,615,220	13,507,985
Receivables:				
Accounts (net of allowance of \$465,108 and \$705,000, respectively)	912,174	6,150,012	7,062,186	748,958
Intergovernmental	4,281,493	982,902	5,264,395	-
Taxes and liens receivable - prior years	1,423,484	-	1,423,484	-
Taxes receivable - current year	1,342,476	-	1,342,476	-
Unearned special assessments	30,130	87,664	117,794	-
Loans	7,704,929	2,237,344	9,942,273	-
Internal balances	3,277,299	(3,277,299)	-	-
Inventories	748,711	292,018	1,040,729	-
Prepaid items	104,554	26,152	130,706	-
Other assets	-	20,000	20,000	-
Non-depreciable capital assets	8,000,896	10,737,912	18,738,808	-
Depreciable capital assets, net	69,800,175	222,846,019	292,646,194	9,253,750
Total assets	118,025,285	258,939,198	376,964,483	27,049,355
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	2,769,045	5,283,433	8,052,478	206,906
Accrued wages and benefits payable	4,006,652	180,040	4,186,692	-
Unearned revenues	165,313	-	165,313	-
Noncurrent liabilities:				
Due within one year	7,275,627	3,970,959	11,246,586	104,471
Due in more than one year	67,153,082	81,250,406	148,403,488	447,420
Total liabilities	81,369,719	90,684,838	172,054,557	758,797
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - loans	5,200,850	-	5,200,850	-
Total deferred inflows of resources	5,200,850	-	5,200,850	-
<b>NET POSITION</b>				
Net investment in capital assets	49,674,874	159,871,743	209,546,617	8,831,161
Restricted for:				
Nonexpendable trust principal	544,200	-	544,200	4,381,312
Expendable income	483,284	-	483,284	11,932,385
Unrestricted	(19,247,642)	8,382,617	(10,865,025)	1,145,700
<b>Total net position</b>	<b>\$ 31,454,716</b>	<b>\$ 168,254,360</b>	<b>\$ 199,709,076</b>	<b>\$ 26,290,558</b>

*See accompanying notes to financial statements.*

CITY OF BANGOR, MAINE  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

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	\$ 7,110,075	\$ 2,764,659	\$ 3,151	\$ -	\$ (4,342,265)	\$ -	\$ (4,342,265)	\$ -
Public safety	18,050,107	2,682,248	208,532	439,792	(14,719,535)	-	(14,719,535)	-
Health, community services and recreation	9,586,571	1,164,090	6,669,871	-	(1,752,610)	-	(1,752,610)	-
Public services	14,249,015	3,758,666	-	459,920	(10,030,429)	-	(10,030,429)	-
Other agencies	6,799,934	46,882	-	789,984	(5,963,068)	-	(5,963,068)	-
Education	50,594,050	3,446,006	24,576,067	-	(22,571,977)	-	(22,571,977)	-
Arena development	500,566	196,087	-	-	1,460,310	-	1,460,310	-
Community development	2,178,972	994,546	1,144,538	-	(39,888)	-	(39,888)	-
Waterfront	272,857	-	-	-	(272,857)	-	(272,857)	-
Public transportation	2,782,968	816,819	1,998,161	31,183	63,195	-	63,195	-
Economic development (tif)	1,440,452	-	-	-	(1,440,452)	-	(1,440,452)	-
Interest on debt	2,464,804	-	-	-	(2,464,804)	-	(2,464,804)	-
<b>Total governmental activities</b>	<b>116,030,371</b>	<b>17,634,792</b>	<b>34,600,320</b>	<b>1,720,879</b>	<b>(62,074,380)</b>	<b>-</b>	<b>(62,074,380)</b>	<b>-</b>
Business-type activities:								
Sewer Utility	6,843,975	8,426,054	-	-	-	1,582,079	1,582,079	-
Airport	20,855,066	12,220,328	-	3,824,968	-	(4,809,770)	(4,809,770)	-
Park Woods	497,833	440,295	-	-	-	(57,538)	(57,538)	-
Stormwater Utility	149,590	359,029	-	-	-	209,439	209,439	-
Parking	925,595	1,002,164	-	-	-	76,569.00	76,569	-
Bass Park	6,317,039	2,683,094	-	215,000	-	(3,418,945)	(3,418,945)	-
Municipal Golf Course	643,323	575,020	-	-	-	(68,303)	(68,303)	-
Economic Development	628,252	515,339	-	-	-	(112,913)	(112,913)	-
<b>Total business-type activities</b>	<b>36,860,673</b>	<b>26,221,323</b>	<b>-</b>	<b>4,039,968</b>	<b>-</b>	<b>(6,599,382)</b>	<b>(6,599,382)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 152,891,044</b>	<b>\$ 43,856,115</b>	<b>\$ 34,600,320</b>	<b>\$ 5,760,847</b>	<b>(62,074,380)</b>	<b>(6,599,382)</b>	<b>(68,673,762)</b>	<b>-</b>
Component unit								
<b>Bangor Public Library</b>	<b>\$ 2,645,273</b>	<b>1,868,436</b>	<b>2,173,569</b>	<b>2,981,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 4,378,566</b>
General revenues:								
Property taxes, levied for general purposes					52,243,583	750,000	52,993,583	-
Payment in lieu of taxes					161,438	-	161,438	-
Excise taxes					5,400,100	-	5,400,100	-
Franchise taxes					350,014	-	350,014	-
Grants and contributions not restricted to specific programs:								
Homestead/BETE exemption					1,455,388	-	1,455,388	-
Other State aid					26,015	-	26,015	-
State Revenue Sharing					2,305,725	-	2,305,725	-
Unrestricted investment earnings					510,429	504,584	1,015,013	153,792
Miscellaneous revenues					1,863	-	1,863	-
Transfers					(3,170,717)	3,170,717	-	-
<b>Total general revenues and transfers</b>					<b>59,283,838</b>	<b>4,425,301</b>	<b>63,709,139</b>	<b>153,792</b>
Change in net position					(2,790,542)	(2,174,081)	(4,964,623)	4,532,358
Net position, beginning of year (Restated see Other Information Note G)					34,245,258	170,428,441	204,673,699	21,758,200
<b>Net position, end of year</b>					<b>\$ 31,454,716</b>	<b>\$ 168,254,360</b>	<b>\$ 199,709,076</b>	<b>\$ 26,290,558</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,701,394	\$ 62,419	\$ 922,416	\$ 3,718,847	\$ 1,063,738	\$ 18,468,814
Investments	50,000	-	-	1,751,353	128,797	1,930,150
Receivables:						
Taxes	2,765,960	-	-	-	-	2,765,960
Accounts (net of allowance of \$465,108)	751,691	-	129,164	-	31,319	912,174
Interfund	3,455,129	-	-	-	-	3,455,129
Intergovernmental	3,438,342	25,661	-	623,431	194,059	4,281,493
Loans/Notes	753,992	5,010,721	-	-	1,940,216	7,704,929
Unearned special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	748,711	-	-	-	-	748,711
Prepaid items	104,554	-	-	-	-	104,554
<b>Total assets</b>	<b>\$ 24,769,773</b>	<b>\$ 5,098,801</b>	<b>\$ 1,051,580</b>	<b>\$ 6,123,761</b>	<b>\$ 3,358,129</b>	<b>\$ 40,402,044</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,138,907	\$ 2,563	\$ 446	\$ 1,147,085	\$ 21,418	\$ 2,310,419
Accrued wages and benefits payable	4,000,984	5,668	-	-	-	4,006,652
Interfund loans payable	-	-	-	-	177,830	177,830
Unearned revenues	36,919	50,096	-	78,298	-	165,313
Due to rehabilitation recipients	-	33,029	-	-	-	33,029
<b>Total liabilities</b>	<b>5,176,810</b>	<b>91,356</b>	<b>446</b>	<b>1,225,383</b>	<b>199,248</b>	<b>6,693,243</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - property taxes	2,557,443	-	-	-	-	2,557,443
Unavailable revenues - loans	-	5,010,720	-	-	160,000	5,170,720
Unavailable revenues - special assessments	-	-	-	30,130	-	30,130
<b>Total deferred inflows of resources</b>	<b>2,557,443</b>	<b>5,010,720</b>	<b>-</b>	<b>30,130</b>	<b>160,000</b>	<b>7,758,293</b>
<b>FUND BALANCES (DEFICITS) (Note J)</b>						
Nonspendable	2,753,765	-	-	-	544,200	3,297,965
Restricted	1,262,869	-	-	-	2,454,681	3,717,550
Committed	2,623	-	1,051,134	-	-	1,053,757
Assigned	3,417,791	-	-	4,868,248	-	8,286,039
Unassigned	9,598,472	(3,275)	-	-	-	9,595,197
<b>Total fund balances (deficits)</b>	<b>17,035,520</b>	<b>(3,275)</b>	<b>1,051,134</b>	<b>4,868,248</b>	<b>2,998,881</b>	<b>25,950,508</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,769,773</b>	<b>\$ 5,098,801</b>	<b>\$ 1,051,580</b>	<b>\$ 6,123,761</b>	<b>\$ 3,358,129</b>	

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.	77,801,071
Unavailable revenues - property taxes are not available to pay for current-period expenditure and, therefore, are deferred in the funds.	2,557,443
Long-term liabilities, including bonds payable \$66,518,975, accrued interest \$425,597, compensated absences \$2,672,339, self insurance liability \$1,857,752, net OPEB obligation \$2,466,252, bond premium \$635,663, and capital leases \$277,728 are not due and payable in the current period and, therefore, are not reported in the funds.	(74,854,306)
Net position of governmental funds	<u>\$ 31,454,716</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, 2014**

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 56,005,218	\$ -	\$ -	\$ 1,328,575	\$ 814,460	\$ 58,148,253
Intergovernmental	30,285,356	1,144,538	-	1,638,526	6,957,554	40,025,974
Licenses and permits	1,389,717	-	-	-	-	1,389,717
Charges for services	11,970,430	-	-	-	811,606	12,782,036
Program income	-	752,817	-	-	12,325	765,142
Revenue from use of money and property	769,067	211	1,960,876	263,244	121,419	3,114,817
Other	27,263	1,851	-	52,223	75,322	156,659
<b>Total revenues</b>	<b>100,447,051</b>	<b>1,899,417</b>	<b>1,960,876</b>	<b>3,282,568</b>	<b>8,792,686</b>	<b>116,382,598</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	5,172,972	-	-	-	-	5,172,972
Public safety	16,409,651	-	-	-	-	16,409,651
Health, community services and recreation	4,826,149	-	-	-	-	4,826,149
Public services	10,052,683	-	-	-	-	10,052,683
Other agencies	4,566,380	-	-	-	-	4,566,380
Education	50,771,925	-	-	-	-	50,771,925
Tax increment financing	632,364	-	-	-	-	632,364
Unclassified	90,061	-	500,566	-	-	590,627
Restricted grants	-	2,155,171	-	-	8,574,321	10,729,492
Capital outlay	64,768	-	-	12,470,015	-	12,534,783
Debt service	5,102,600	-	-	77,000	-	5,179,600
<b>Total expenditures</b>	<b>97,689,553</b>	<b>2,155,171</b>	<b>500,566</b>	<b>12,547,015</b>	<b>8,574,321</b>	<b>121,466,626</b>
Excess (deficiency) of revenues over (under) expenditures	2,757,498	(255,754)	1,460,310	(9,264,447)	218,365	(5,084,028)
<b>Other financing sources (uses)</b>						
Issuance of debt	-	-	-	8,369,000	-	8,369,000
Premium on debt issuance	-	-	-	133,552	-	133,552
Sale of assets	106,930	-	-	80,830	-	187,760
Transfers to other funds	(1,090,500)	-	(3,170,717)	(110,554)	(35,000)	(4,406,771)
Transfers from other funds	80,976	-	-	1,105,500	49,578	1,236,054
<b>Total other financing sources (uses)</b>	<b>(902,594)</b>	<b>-</b>	<b>(3,170,717)</b>	<b>9,578,328.00</b>	<b>14,578</b>	<b>5,519,595</b>
Changes in fund balances	1,854,904	(255,754)	(1,710,407)	313,881	232,943	435,567
Fund balances, beginning of year	15,180,616	252,479	2,761,541	4,554,367	2,765,938	25,514,941
<b>Fund balances (deficits), end of year</b>	<b>\$ 17,035,520</b>	<b>\$ (3,275)</b>	<b>\$ 1,051,134</b>	<b>\$ 4,868,248</b>	<b>\$ 2,998,881</b>	<b>\$ 25,950,508</b>

*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, 2014**

Net change in fund balances - total governmental funds (from Exhibit 4)	\$	435,567
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p>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 \$5,369,647, exceeded depreciation expense of \$4,024,648 and loss on disposal of assets of \$185,897.</p>		
		1,159,102
<p>Financing proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and 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 general obligation bond proceeds of \$8,369,000 exceeded principal payments of \$4,577,592 and \$83,281 in general obligation bonds and capital leases, respectively.</p>		
		(3,708,127)
<p>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 (\$239,289), compensated absences (\$411,279), accrued interest (\$48,402) and decrease unavailable revenues (\$107,467), self insurance liability (\$125,166), and bond premium (\$4,187).</p>		
		(677,084)
<b>Change in net position of governmental activities (see Exhibit 2)</b>		<b>\$ (2,790,542)</b>

*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, 2014**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 55,067,630	\$ 55,067,630	\$ 56,005,218	\$ 937,588
Intergovernmental	26,744,242	26,751,989	26,700,013	(51,976)
Licenses and permits	677,759	677,759	1,389,717	711,958
Charges for services:				
municipal	8,678,761	8,678,761	8,423,681	(255,080)
school	3,194,042	3,194,042	3,446,006	251,964
Fines, forfeits and penalties	32,000	32,000	27,263	(4,737)
Revenue from use of money and property				
municipal	721,400	721,400	700,557	(20,843)
Total revenues	95,115,834	95,123,581	96,692,455	1,568,874
<b>Expenditures</b>				
Current:				
General government	5,055,090	5,055,673	4,982,683	72,990
Public safety	16,767,249	16,774,996	16,410,045	364,951
Health, community services and recreation	4,992,146	4,992,146	4,824,616	167,530
Public buildings and services	10,283,684	10,283,684	10,047,240	236,444
Other agencies	4,539,005	4,549,005	4,566,381	(17,376)
Education	48,483,537	51,609,961	47,581,964	4,027,997
Unclassified	756,814	756,814	722,425	34,389
Debt service	5,102,419	5,102,419	5,102,600	(181)
Total expenditures	95,979,944	99,124,698	94,237,954	4,886,744
Excess (deficiency) of revenues over (under) expenditures	(864,110)	(4,001,117)	2,454,501	6,455,618
<b>Other financing sources (uses)</b>				
Appropriation from restricted, committed and assigned fund balances	1,480,760	1,480,760	68,339	(1,412,421)
Appropriation from unassigned fund balance	91,350	91,350	(288,450)	(379,800)
Sale of assets	21,500	21,500	53,253	31,753
Contributions	-	-	485	485
Insurance settlements	23,500	23,500	53,192	29,692
Transfers to other funds	(780,000)	(780,000)	(830,000)	(50,000)
Transfers from other funds	27,000	27,000	21,113	(5,887)
Total other financing sources (uses)	864,110	864,110	(922,068)	(1,786,178)
Net change in fund balance	\$ -	\$ (3,137,007)	1,532,433	\$ 4,669,440
Unassigned fund balance, beginning of year			7,727,014	
Changes in fund balance classification in accordance with GAAP				
Changes in balances carried			318,576	
Inventory and prepaids (GASB 54)			20,449	
<b>Unassigned fund balance, end of year</b>			<b>\$ 9,598,472</b>	

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 930,036	\$ 16,746	\$ 1,288,938	\$ 915,684	\$ 3,151,404
Investments	-	8,176,246	-	-	8,176,246
Interfund loans receivable	89,000	-	-	-	89,000
Accounts receivable	3,318,916	3,016,291	265,110	254,695	6,855,012
Less allowance for uncollectible accounts	(45,000)	(660,000)	-	-	(705,000)
Net accounts receivable	3,273,916	2,356,291	265,110	254,695	6,150,012
Due from other governments	-	982,902	-	-	982,902
Inventories, at cost	-	292,018	-	-	292,018
Prepaid items	13,151	13,001	-	-	26,152
Total current assets	4,306,103	11,837,204	1,554,048	1,170,379	18,867,734
Noncurrent assets					
Capital Assets:					
Land and improvements	683,865	-	579,157	5,524,242	6,787,264
Buildings and improvements	28,665,849	-	68,830,406	7,164,184	104,660,439
Machinery and equipment	5,950,856	-	2,020,234	328,811	8,299,901
Infrastructure	58,301,449	-	-	683,189	58,984,638
Aircraft operational assets	-	263,928,910	-	-	263,928,910
Parking structures	-	-	-	11,317,169	11,317,169
Construction in process	-	7,009,247	112,669	-	7,121,916
	93,602,019	270,938,157	71,542,466	25,017,595	461,100,237
Less accumulated depreciation	(42,052,369)	(168,400,877)	(3,012,454)	(14,050,606)	(227,516,306)
Net capital assets	51,549,650	102,537,280	68,530,012	10,966,989	233,583,931
Investments	648,788	6,860,036	-	-	7,508,824
Loans receivable	-	747,001	-	1,490,343	2,237,344
Unearned special assessments	87,664	-	-	-	87,664
Deposits	-	-	-	20,000	20,000
Total noncurrent assets	52,286,102	110,144,317	68,530,012	12,477,332	243,437,763
Total assets	56,592,205	121,981,521	70,084,060	13,647,711	262,305,497

*See accompanying notes to financial statements.*

Continued on next page

**CITY OF BANGOR, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	411,936	1,757,003	277,447	71,834	2,518,220
Accrued wages and benefits payable	35,459	127,382	-	17,199	180,040
Accrued interest	65,891	38,018	1,019,915	74,076	1,197,900
Workers' compensation	20,000	117,351	-	3,665	141,016
Interfund loans payable	-	226,325	1,967,574	1,172,400	3,366,299
General obligation debt payable	1,383,712	396,586	1,037,386	554,795	3,372,479
Capital lease obligation payable	-	-	8,631	-	8,631
Accrued compensated absences	83,975	249,085	-	25,061	358,121
Other liabilities	-	11,280	1,646,745	-	1,658,025
<b>Total current liabilities</b>	<b>2,000,973</b>	<b>2,923,030</b>	<b>5,957,698</b>	<b>1,919,030</b>	<b>12,800,731</b>
Long-term liabilities					
Workers' compensation	-	207,649	-	6,335	213,984
General obligation debt payable	10,848,460	7,206,957	53,323,080	5,684,547	77,063,044
Capital lease obligation	-	-	33,068	-	33,068
Accrued compensated absences	52,303	157,352	-	22,933	232,588
Net OPEB obligation	150,481	551,197	-	41,359	743,037
Other long-term liabilities	294,503	-	2,456,776	213,406	2,964,685
<b>Total long-term liabilities</b>	<b>11,345,747</b>	<b>8,123,155</b>	<b>55,812,924</b>	<b>5,968,580</b>	<b>81,250,406</b>
<b>Total liabilities</b>	<b>13,346,720</b>	<b>11,046,185</b>	<b>61,770,622</b>	<b>7,887,610</b>	<b>94,051,137</b>
<b>NET POSITION</b>					
Net investment in capital assets	40,174,618	98,233,206	15,373,761	6,090,158	159,871,743
Unrestricted	3,070,867	12,702,130	(7,060,323)	(330,057)	8,382,617
<b>Total net position</b>	<b>\$ 43,245,485</b>	<b>\$ 110,935,336</b>	<b>\$ 8,313,438</b>	<b>\$ 5,760,101</b>	<b>\$ 168,254,360</b>

*See accompanying notes to financial statements.*

Continued from previous page

**CITY OF BANGOR, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Charges for services	\$ 8,422,958	\$ 12,220,328	\$ 2,683,094	\$ 2,891,847	\$ 26,218,227
Total operating revenues	8,422,958	12,220,328	2,683,094	2,891,847	26,218,227
Operating expenses					
Operating expenses other than depreciation and amortization	4,760,209	12,466,736	2,853,348	2,010,319	22,090,612
Depreciation and amortization	1,750,496	8,062,412	1,574,826	618,307	12,006,041
Total operating expenses	6,510,705	20,529,148	4,428,174	2,628,626	34,096,653
Operating income (loss)	1,912,253	(8,308,820)	(1,745,080)	263,221	(7,878,426)
Nonoperating revenue (expenses)					
Interest income	39,786	400,902	-	63,896	504,584
Interest expense	(333,270)	(325,918)	(1,888,865)	(215,967)	(2,764,020)
Taxes (Downtown TIF)	-	-	750,000	-	750,000
Gain(loss) on sale of assets	-	347,540	215,000	-	562,540
Miscellaneous income (expense)	3,096	-	-	-	3,096
Total nonoperating revenue (expenses)	(290,388)	422,524	(923,865)	(152,071)	(943,800)
Net income (loss) before grants/contributions and transfers	1,621,865	(7,886,296)	(2,668,945)	111,150	(8,822,226)
Grants/contributions received for capital assets	-	3,477,428	-	-	3,477,428
Transfers from other funds	-	-	3,170,717	-	3,170,717
Change in net position	1,621,865	(4,408,868)	501,772	111,150	(2,174,081)
Net position, beginning of year (Restated Note G)	41,623,620	115,344,204	7,811,666	5,648,951	170,428,441
<b>Net position, end of year</b>	<b>\$ 43,245,485</b>	<b>\$ 110,935,336</b>	<b>\$ 8,313,438</b>	<b>\$ 5,760,101</b>	<b>\$ 168,254,360</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**  
**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 7,688,604	\$ 13,157,567	\$ 4,120,582	\$ 2,662,803	\$ 27,629,556
Cash paid to suppliers for goods and services	(3,053,112)	(5,205,597)	(2,655,528)	(1,385,792)	(12,300,029)
Cash paid to employees for services	(1,583,830)	(6,608,536)	(6,509)	(595,509)	(8,794,384)
Net cash provided by (used in) operating activities	3,051,662	1,343,434	1,458,545	681,502	6,535,143
Cash flows from noncapital financing activities					
Interfund loans (repayments)	(310,995)	(2,275,000)	(445,000)	120,600	(2,910,395)
Taxes (Downtown TIF)	-	-	750,000	-	750,000
Transfers in	-	-	3,170,717	-	3,170,717
Net cash provided by (used in) noncapital financing activities	(310,995)	(2,275,000)	3,475,717	120,600	1,010,322
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	300,000	-	-	-	300,000
Acquisition and construction of capital assets	(761,759)	(6,565,222)	(3,696,323)	-	(11,023,304)
Principal paid on general obligation bonds	(1,532,904)	(229,193)	(54,828)	(539,775)	(2,356,700)
Interest paid on general obligation bonds	(338,149)	(323,770)	(2,063,075)	(218,661)	(2,943,655)
Proceeds from sale of property	3,096	347,540	565,000	-	915,636
Grant/contribution monies received for capital assets	-	3,192,619	-	-	3,192,619
Net cash provided by (used in) capital and related financing activities	(2,329,716)	(3,578,026)	(5,249,226)	(758,436)	(11,915,404)
Cash flows from investing activities					
Net sales (purchases) of investments	(648,788)	8,646	-	-	(640,142)
Investment of unexpended bond proceeds	225,600	-	-	-	225,600
Interest on investments	39,799	400,902	-	90,153	530,854
Loan repayments	-	186,159	-	-	186,159
Net cash provided by (used in) investing activities	(383,389)	595,707	-	90,153	302,471
Net increase (decrease) in cash	27,562	(3,913,885)	(314,964)	133,819	(4,067,468)
Cash, beginning of year	902,474	3,930,631	1,603,902	781,865	7,218,872
<b>Cash, end of year</b>	<b>\$ 930,036</b>	<b>\$ 16,746</b>	<b>\$ 1,288,938</b>	<b>\$ 915,684</b>	<b>\$ 3,151,404</b>

## Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized gain on investments in the amount of \$524,674.

During the year, the Bass Park Fund executed capital leases for capital assets in the amount of \$52,837.

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

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**Business-type Activities - Enterprise Funds**

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	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 1,912,253	\$ (8,308,820)	\$ (1,745,080)	\$ 263,221	\$ (7,878,426)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,750,496	8,062,412	1,574,826	618,307	12,006,041
Allowance for uncollectible accounts	-	141,647	(10,000)	-	131,647
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(761,216)	937,239	(108,545)	(229,044)	(161,566)
(Increase) decrease in due from water district	26,863	-	-	-	26,863
(Increase) decrease in inventories	-	30,417	-	-	30,417
(Increase) decrease in prepaid items	(2,604)	(867)	17,980	-	14,509
Increase (decrease) in accounts payable	111,457	455,821	179,840	17,692	764,810
Increase (decrease) in unearned revenue	-	-	1,556,033	-	1,556,033
Increase (decrease) in other liabilities	14,413	25,585	(6,509)	11,326	44,815
Total adjustments	1,139,409	9,652,254	3,203,625	418,281	14,413,569
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,051,662</b>	<b>\$ 1,343,434</b>	<b>\$ 1,458,545</b>	<b>\$ 681,502</b>	<b>\$ 6,535,143</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

		<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	120,448
<b>Total assets</b>	<b>\$</b>	<b>120,448</b>
<b>LIABILITIES</b>		
Amounts held for others	\$	120,448
<b>Total liabilities</b>	<b>\$</b>	<b>120,448</b>

*See accompanying notes to financial statements.*

## INDEX OF NOTES TO THE FINANCIAL STATEMENTS

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**CITY OF BANGOR, MAINE**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**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, 2014. 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, 2013 (most recent data available) the City of Bangor's share of the Joint Venture's net assets was \$5,839,499. 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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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 fund a portion of the debt service related to the construction of the Cross Insurance Center.

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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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 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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 asset lives are not capitalized.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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**

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**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 30<sup>th</sup>, 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:

Excess of revenues over expenditures and other financing sources and uses (Budget)	\$ 1,532,433
Activity in assigned fund balance	(160,000)
2014 encumbrances	1,246,557
2013 encumbrances paid	(757,097)
2013 encumbrances lapsed	<u>(6,989)</u>
Excess of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ 1,854,904</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	\$ (543,040)
Airport	(7,980,788)
Park Woods	(56,986)
Parking	(122,197)
Bass Park	(1,366,456)
Municipal Golf Course	(93,278)
Economic Development	(254,998)
Stormwater Utility	<u>135,306</u>
	(10,282,437)
Nonoperating revenues classification	(2,164,667)
Investments at market value	(10,396)
Capital outlay	(79,766)
Adjustments for accrual basis	598,075
Principal payments	2,367,838
2013 encumbrances	(249,418)
Nonoperating expenses classification	<u>1,942,345</u>
Operating loss	<u><u>\$ (7,878,426)</u></u>

**C. Excess of Expenditures Over Appropriations**

The following General Fund departments were over-expended by the indicated dollar amounts; Executive \$107,353, Legal \$14,109, Insurance \$1,012, Parks and Recreation \$98,795, Fire \$91,475 and Other Agencies \$19,999. These over-expenditures were funded by receipt of revenues in excess of appropriations and under-expenditures within other General Fund departments.

The Economic Development Fund was over-expended by \$6,972, due to increased utility costs associated with vacant properties.

**D. Deficit Fund Equity**

The Park Woods Fund has a deficit net position of \$32,035. The City is actively pursuing a sale of this property, which would fund this deficit. The Stormwater Utility Fund has a deficit net position of \$1,002,383 as a result of the transfer of outstanding debt related to stormwater improvements. The deficit will be funded in subsequent years through the collection of fees. The Community Development Block Grant Fund has a deficit fund equity of \$3,275 due to accrued expenses reimbursed 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 2014.

**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, 2014, \$0 of the City's bank balance of \$21,986,613 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At June 30, 2014, the City had the following investments and maturities:

Investment types	Fair Value	Not Applicable	Maturity (years)	
			<1	1-5
Mutual Funds	\$ 10,818,573	\$ 10,818,573	\$ -	\$ -
Repurchase Agreements	1,299,456	1,299,456	-	-
US Treasuries	4,736,665	-	2,574,975	2,161,690
Common Stock	710,526	710,526	-	-
Certificate of Deposit	50,000	-	50,000	-
Totals	\$ 17,615,220	\$ 12,828,555	\$ 2,624,975	\$ 2,161,690

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, 2014, 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**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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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 9, 2013, 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 16, 2013 and March 18, 2014. 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, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,092,368	\$ -	\$ -	\$ 5,092,368
Construction in process	467,131	2,573,888	132,491	2,908,528
Total capital assets not being depreciated	5,559,499	2,573,888	132,491	8,000,896
Capital assets, being depreciated:				
Land improvements	11,309,931	-	-	11,309,931
Buildings and improvements	68,346,864	1,213,214	-	69,560,078
Machinery and equipment	11,310,645	267,161	-	11,577,806
Vehicles	17,373,004	1,266,432	1,026,155	17,613,281
Infrastructure	22,733,494	181,443	-	22,914,937
Total capital assets being depreciated	131,073,938	2,928,250	1,026,155	132,976,033
Less accumulated depreciation for:				
Land improvements	(3,789,373)	(494,299)	-	(4,283,672)
Buildings and improvements	(25,590,632)	(1,417,539)	-	(27,008,171)
Machinery and equipment	(9,056,117)	(583,471)	-	(9,639,588)
Vehicles	(10,355,375)	(1,186,297)	(840,258)	(10,701,414)
Infrastructure	(11,199,971)	(343,042)	-	(11,543,013)
Total accumulated depreciation	(59,991,468)	(4,024,648)	(840,258)	(63,175,858)
Total capital assets being depreciated, net	71,082,470	(1,096,398)	185,897	69,800,175
<b>Governmental activities capital assets, net</b>	<b>\$ 76,641,969</b>	<b>\$ 1,477,490</b>	<b>\$ 318,388</b>	<b>\$ 77,801,071</b>

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

**DETAILED NOTES ON ALL FUNDS, CONTINUED**

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,965,996	\$ -	\$ 350,000	\$ 3,615,996
Construction in process	6,329,946	6,791,521	5,999,551	7,121,916
Total capital assets not being depreciated	<u>10,295,942</u>	<u>6,791,521</u>	<u>6,349,551</u>	<u>10,737,912</u>
Capital assets, being depreciated:				
Land improvements	3,171,268	-	-	3,171,268
Buildings and improvements	102,276,401	2,384,038	-	104,660,439
Machinery and equipment	7,863,744	436,157	-	8,299,901
Infrastructure	58,546,938	437,700	-	58,984,638
Airport operational assets	258,713,164	5,268,230	52,484	263,928,910
Parking structures	11,317,169	-	-	11,317,169
Total capital assets being depreciated	<u>441,888,684</u>	<u>8,526,125</u>	<u>52,484</u>	<u>450,362,325</u>
Less accumulated depreciation for:				
Land improvements	(1,765,462)	(71,138)	-	(1,836,600)
Buildings and improvements	(27,898,754)	(2,676,782)	-	(30,575,536)
Machinery and equipment	(4,826,202)	(335,033)	-	(5,161,235)
Infrastructure	(12,323,267)	(592,362)	-	(12,915,629)
Airport operational assets	(160,390,949)	(8,062,412)	(52,484)	(168,400,877)
Parking structures	(8,358,115)	(268,314)	-	(8,626,429)
Total accumulated depreciation	<u>(215,562,749)</u>	<u>(12,006,041)</u>	<u>(52,484)</u>	<u>(227,516,306)</u>
Total capital assets being depreciated, net	<u>226,325,935</u>	<u>(3,479,916)</u>	<u>-</u>	<u>222,846,019</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 236,621,877</u></b>	<b><u>\$ 3,311,605</u></b>	<b><u>\$ 6,349,551</u></b>	<b><u>\$ 233,583,931</u></b>

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

Governmental Activities:	
General government	\$ 1,511,813
Public safety	862,286
Health, community services and recreation	81,663
Public building and services	475,381
Education	<u>1,093,505</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 4,024,648</u></b>
Business-type activities:	
Sewer Utility Fund	\$ 1,750,496
Airport Fund	8,062,412
Park Woods	89,123
Parking Fund	268,315
Bass Park Fund	1,574,826
Municipal Golf Course	76,371
Economic Development Fund	<u>184,498</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 12,006,041</u></b>

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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Construction commitments

The government has active construction projects as of June 30, 2014. The projects include traffic flow improvements, construction of a new athletic stadium, 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, 2014 the balances were as follows:

	Receivable	Payable
General Fund	\$ 3,455,129	\$ -
Grant Fund	-	177,830
Airport Fund	-	226,325
Sewer Fund	89,000	-
Stormwater Utility Fund	-	89,000
Park Woods Fund	-	330,500
Bass Park Fund	-	1,967,574
Economic Development	-	752,900
	\$ 3,544,129	\$ 3,544,129

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2014 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	\$ 1,090,500	\$ 80,976
Arena Fund	3,170,717	-
Dedicated Revenue Funds	-	49,141
Capital Projects Fund	110,554	1,105,500
Other Nonmajor Permanent Funds	35,000	437
Bass Park Fund	-	3,170,717
	\$ 4,406,771	\$ 4,406,771

**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, 2014:

	Federal Government	State of Maine	Other	Total
General Fund	\$ 2,063,020	\$ 807,071	\$ 568,251	\$ 3,438,342
Community Development	25,661	-	-	25,661
Nonmajor Special Revenue Funds	188,686	5,373	-	194,059
Capital Projects Fund	439,528	183,903	-	623,431
Proprietary Funds	887,798	95,104	-	982,902

Amounts due from Federal Government are comprised of operating and capital grants for all fund types. Of the General Fund's \$807,071 due from State of Maine, \$349,989 represents school grant and State agency billings, and \$160,982 represents general assistance claims. Amounts owed to the Capital Projects and Proprietary funds by the State of Maine are for capital grant purposes. Amounts due from other communities for tuition reimbursement to Bangor account for \$399,844 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, 2014 are:

Fiscal year ending June 30,	Airport	Economic Development
2015	\$ 1,900,913	\$ 384,845
2016	1,288,534	336,266
2017	953,605	324,840
2018	838,745	296,404
2019	563,007	204,446
Subsequent to 2019	3,787,893	1,956,459
	<u>\$ 9,332,697</u>	<u>\$ 3,503,260</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$2,925,352 in contingent rentals in fiscal year 2014.

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	(15,770,204)	(1,469,201)
Total	<u>\$ 7,681,655</u>	<u>\$ 5,586,084</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 and office equipment. 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, 2014:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 514,581	\$ 52,837
Less accumulated depreciation	(154,374)	(4,081)
Carrying value	\$ 360,207	\$ 48,756

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, 2014:

Fiscal Year ending June 30,	Governmental Activities	Business-type Activities
2015	\$ 95,572	\$ 10,074
2016	95,572	10,074
2017	95,575	10,074
2018	-	10,074
2019	-	7,929
Subsequent to 2019	-	2,938
Total minimum lease payments	286,719	51,163
Less: amount representing interest	(8,991)	(9,464)
Present value of future minimum lease payments	\$ 277,728	\$ 41,699

**G. Other Assets**

Other assets are comprised of the following:

	Proprietary Fund
Deposits	\$ 20,000
Total	\$ 20,000

**H. Unearned Revenue**

General Fund, Community Development Block Grant and Capital Projects Fund unearned revenues consist of \$36,919, \$50,096 and \$78,298 in advance deposits, respectively.

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**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 \$203,099,948. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2014:

Bonds and notes payable at June 30, 2013	\$ 145,219,790
Add: principal additions	8,669,000
Less: principal repayments	<u>6,934,292</u>
Bonds and notes payable at June 30, 2014	<u>\$ 146,954,498</u>

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

**DETAILED NOTES ON ALL FUNDS, CONTINUED**

Bonds and notes payable at June 30, 2014 are comprised of the following:

Long-term debt	Fiscal year of maturity	Interest rate	Governmental Activities		Business-type Activities	Total June 30, 2014
			City	School		
Combined sewer overflow	2017	3.52%	-	-	555,153	555,153
Tax increment financing note*	2016	4.50%	200,041	-	-	200,041
Combined sewer overflow	2018	3.03%	-	-	586,854	586,854
Tax increment financing note*	2018	4.50%	80,830	-	-	80,830
Maine Business Enterprise Park	2018	5.00%	-	-	73,935	73,935
Public improvements note*	2020	4.50%	375,015	-	-	375,015
Pension obligation bonds	2026	3.06% - 6.45%	21,757,695	1,390,190	4,662,115	27,810,000
Combined sewer overflow	2023	1.94%	-	-	1,456,213	1,456,213
Tax increment financing note*	2015	2.50% - 4.00%	17,180	-	-	17,180
Briggs Building note	2023	4.50%	-	-	753,991	753,991
Refunding/public improvements - 2004	2024	2.50% - 4.80%	210,000	-	-	210,000
Combined sewer overflow	2025	1.41%	-	-	1,582,335	1,582,335
Public improvements - 2005	2025	3.50% - 4.30%	155,000	-	50,000	205,000
Airport building sprinklers	2025	3.25% - 5.00%	-	-	115,000	115,000
Chancellor's property note	2026	5.00%	-	-	1,600,222	1,600,222
Public improvements/refunding	2026	4.00% - 4.20%	888,969	-	91,031	980,000
Combined sewer overflow	2027	1.64%	-	-	1,372,666	1,372,666
Public improvements - 2007	2027	4.00%	2,155,000	-	-	2,155,000
Combined sewer overflow	2028	1.81%	-	-	1,473,375	1,473,375
Public improvements - 2009	2029	2.00% - 4.375%	2,325,000	-	-	2,325,000
ARRA - CWSRF	2029	0.00%	-	-	749,438	749,438
ARRA - CWSRF	2030	0.00%	-	-	388,250	388,250
Public improvements/refunding	2020	2.00% - 3.25%	2,733,332	4,901,620	795,048	8,430,000
Public improvements/refunding	2021	2.00% - 3.25%	1,419,624	-	3,140,376	4,560,000
Qualified school construction bond	2028	4.65%	-	5,610,000	-	5,610,000
Refunding/public improvements	2022	2.00% - 2.25%	2,013,604	1,808,910	1,172,486	4,995,000
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%	7,307,965	-	1,417,035	8,725,000
Refunding/airport improvements	2033	.50% - 4.25%	-	-	4,300,000	4,300,000
Public Improvements	2034	2.00% - 4.00%	7,169,000	1,200,000	300,000	8,669,000
Total bonds and notes payable			\$ 48,808,255	\$ 17,710,720	\$ 80,435,523	\$ 146,954,498

\* Notes aggregating \$673,066 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
2015	\$ 5,120,781	\$ 2,484,297	\$ 3,372,479	\$ 2,861,605
2016	5,237,687	2,307,519	3,483,464	2,751,701
2017	5,204,002	2,136,271	3,595,825	2,634,691
2018	5,143,808	1,934,967	3,532,872	2,517,593
2019	4,718,052	1,745,903	3,323,824	2,393,085
2020-2024	20,559,493	5,945,604	16,254,724	10,000,511
2025-2029	16,370,152	1,243,883	12,716,647	6,957,528
2030-2034	1,450,000	161,738	11,295,688	5,061,866
2035-2039	2,715,000	-	11,785,000	3,182,613
2040-2043	-	-	11,075,000	901,175
Total	\$ 66,518,975	\$ 17,960,182	\$ 80,435,523	\$ 39,262,368

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**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, 2014, the statutory limit for the City was \$369,637,500. The City's outstanding long-term debt of \$146,954,498 at June 30, 2014 was within the statutory limit.

**Advance Refunding**

In prior years, the City defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2014, \$4,415,000 of defeased bonds remain outstanding.

**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, 2014, \$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, 2014, no debt for this purpose had been issued. The City will continue to monitor when and if the debt will be issued.

On May 28, 2014, the City Council authorized the issuance of up to \$250,000 in general obligations bonds to provide funding for the regional school program building renovations. The City expects to issue the debt within the next twelve months.

**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, 2014, Penobscot County had no debt outstanding.

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**Changes in Long-term Liabilities**

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

	June 30, 2013	Additions	Reductions	June 30, 2014	one year
Governmental activities:					
General obligation debt	\$ 62,727,567	\$ 8,369,000	\$ 4,577,592	\$ 66,518,975	\$ 5,120,781
Accrued compensated absences*	2,261,060	2,044,224	1,632,945	2,672,339	1,445,363
Capital leases	361,009	-	83,281	277,728	90,476
Bond premium	639,850	-	4,187	635,663	6,280
Net OPEB obligation*	2,226,963	417,882	178,593	2,466,252	-
Long-term obligation for self insurance	1,982,918	512,921	638,087	1,857,752	612,727
Governmental activities long-term liabilities	<u>\$ 70,199,367</u>	<u>\$ 11,344,027</u>	<u>\$ 7,114,685</u>	<u>\$ 74,428,709</u>	<u>\$ 7,275,627</u>
Business-type activities:					
General obligation debt	\$ 82,492,223	\$ 300,000	\$ 2,356,700	\$ 80,435,523	\$ 3,372,479
Accrued compensated absences*	535,262	554,290	498,843	590,709	358,121
Capital leases	-	52,837	11,138	41,699	8,631
Net OPEB obligation*	666,966	132,847	56,776	743,037	-
Long-term obligation for self insurance	355,000	-	-	355,000	141,016
Other	3,232,956	-	177,559	3,055,397	90,712
Business-type activities long-term liabilities	<u>\$ 87,282,407</u>	<u>\$ 1,039,974</u>	<u>\$ 3,101,016</u>	<u>\$ 85,221,365</u>	<u>\$ 3,970,959</u>

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

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**J. Fund Balances**

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

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Advances to other funds	\$ 1,900,500	\$ -	\$ -	\$ -
Inventory and prepaid items	853,265	-	-	-
PEG capital support	-	23,769	-	-
Arbitrage	-	265,088	-	-
School Department				
Regular	-	571,279	-	-
Adult education	-	24,275	-	-
General evening	-	33,310	-	-
Reading assessment	-	247	-	-
Special revenue	-	61,400	-	-
School lunch	-	116,213	-	-
Trust and agency	-	167,288	-	-
Cultural Commission/Econ Develop	-	-	2,623	-
Subsequent year expenditures	-	-	-	31,347
Pooled equipment reserve	-	-	-	318,739
Bus equipment reserve	-	-	-	46,835
Fire equipment reserve	-	-	-	107,821
Self insurance reserve	-	-	-	1,857,302
Improvement reserve	-	-	-	422,739
Cameron Stadium reserve	-	-	-	218
Demolition reserve	-	-	-	52,483
Benefit reserve	-	-	-	565,114
Parks & Recreation reserve	-	-	-	15,193
Subtotal	<u>2,753,765</u>	<u>1,262,869</u>	<u>2,623</u>	<u>3,417,791</u>
Arena Fund	-	-	1,051,134	-
Capital Projects Fund:				
Capital project funds	-	-	-	4,868,248
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,868,248</u>
Other Governmental Funds:				
Nonexpendable trust principal	544,200	-	-	-
Nonmajor Special Revenue Funds	-	1,971,397	-	-
Nonmajor Permanent Funds	-	483,284	-	-
Subtotal	<u>544,200</u>	<u>2,454,681</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,297,965</u>	<u>\$ 3,717,550</u>	<u>\$ 1,053,757</u>	<u>\$ 8,286,039</u>

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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Encumbrances at year end were \$1,246,557 for General Fund, \$1,713,684 for Capital Projects Fund, \$2,465,482 for Airport Fund, \$1,697,787 for Sewer Utility Fund and \$376 for nonmajor proprietary funds.

**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, 2014:

	Governmental	Business-type
Capital assets	\$ 140,976,929	\$ 461,100,237
Accumulated depreciation	(63,175,858)	(227,516,306)
Bonds payable	(66,518,975)	(80,435,523)
Capital leases	(277,728)	(41,699)
Non capital related bonds payable	36,969,265	9,201,596
Premium on long term debt	(635,663)	(2,547,488)
Unspent bond proceeds	2,336,904	110,926
Net invested in capital assets	\$ 49,674,874	\$ 159,871,743

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**OTHER INFORMATION**

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**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, 2014, 2013 and 2012.

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, 2014, the amount of self-insurance liabilities was \$2,212,302. This liability is the City's best estimate based on available information.

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

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**OTHER INFORMATION, CONTINUED**

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Changes in the reported liabilities since July 1, 2012 resulted from the following:

	Workers' Compensation	All other self- insured risks	Total
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	2,024,926	312,992	2,337,918
Incurred claims	533,535	-	533,535
Payments	(718,917)	-	(718,917)
Changes in estimates and other adjustments	59,851	365	60,216
 Unpaid claims as of July 1, 2014	 \$ 1,899,395	 \$ 313,357	 \$ 2,212,752

**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**

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**OTHER INFORMATION, CONTINUED**

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**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 2014 covered payroll was \$16,739,257 and City contributions were \$1,436,492. 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 \$480,810 and \$55,372 respectively, in fiscal year 2014.

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

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**OTHER INFORMATION, CONTINUED**

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**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 6.50% to 12.80% 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, 2014, 2013, and 2012 were \$956,294, \$936,700, and \$942,629 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 State of Maine Department of Education is required to contribute the unfunded actuarial portion of the employer contribution rate (13.03%) and the health and benefits component (2.33%) for a total of 15.36%, which amounts to \$3,585,343 for fiscal year 2014. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. The school department is required to contribute the normal cost of the employer contribution which amounts to 2.65% of their compensation. The school department is required to contribute the entire amount of the employer contribution for federally funded teachers, for which they contributed 18.48% of their compensation. This cost is charged to the applicable grant.

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

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**OTHER INFORMATION, CONTINUED**

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**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 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](http://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	(169,418)
Interest on net OPEB obligation	<u>115,757</u>
Annual OPEB cost	<u>\$ 550,729</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, 2012, 2013 and 2014 are as follows:

	June 30, 2012	June 30, 2013	June 30, 2014
Annual OPEB cost	\$ 344,143	\$ 557,850	\$ 550,729
City contributions	(57,070)	(274,117)	(235,369)
Increase in net OPEB obligation	287,073	283,733	315,360
Net OPEB obligation, beginning of year	2,323,123	2,610,196	2,893,929
Net OPEB obligation, end of year	<u>\$ 2,610,196</u>	<u>\$ 2,893,929</u>	<u>\$ 3,209,289</u>
Percentage contributed	16.58%	49.14%	42.74%

The unfunded actuarial accrued liability as a percentage of covered payroll for June 30, 2014 is as follows:

	Governmental Activities	Business-type Activities	Total June 30, 2013
Actuarial accrued liability (AAL)	\$ 5,213,644	\$ 1,657,448	\$ 6,871,092
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,213,644</u>	<u>\$ 1,657,448</u>	<u>\$ 6,871,092</u>
Covered payroll	<u>\$ 16,098,456</u>	<u>\$ 5,117,794</u>	<u>\$ 21,216,250</u>
UAAL as a percentage of covered payroll			32.39%

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 six 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**

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**OTHER INFORMATION, CONTINUED**

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**F. Subsequent Events**

On August 11, 2014 the City Council authorized the issuance of up to \$2,720,000 in general obligation bonds for the purpose of funding street and sidewalk work, parks & recreation infrastructure and equipment, the City's annual fleet/equipment replacement and fire station improvements.

On November 10, 2014, the City Council authorized the issuance of up to \$150,000 in general obligation bonds for the purpose of regional school program building renovations.

On December 19, 2014 the City issued \$2,500,000 in 20 year general obligation bonds for the purpose of funding sewer infrastructure improvements. The bonds were issued through the Maine Municipal Bond Bank's Clean Water State Revolving Loan Fund at an interest rate of .10%.

**G. Restatement**

The beginning of year, net position for the Stormwater and Airport funds were restated. The restatement was due to the transfer of stormwater project related debt being transferred to the Stormwater Utility fund. Until the creation of the fund, this debt was being paid by the Airport fund.

Net position for the Airport Fund as of June 30, 2014 has been restated as follows:

Net position, beginning of year	\$114,132,382
Transfer of general obligation bonds	<u>1,211,822</u>
Net position, beginning of year, as restated	<u>\$115,344,204</u>

Net position for the Stormwater Utility Fund as of June 30, 2014 has been restated as follows:

Net position, beginning of year	\$ -
Transfer of general obligation bonds	<u>(1,211,822)</u>
Net position, as restated	<u>\$(1,211,822)</u>

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

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**OTHER INFORMATION, CONTINUED**

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The 2013 actuarial accrued liability (AAL) and covered payroll balances for business-type activities were restated on the Required Supplemental Information, Schedule of Funding Progress. The restatements were due to the City discontinuing employment for all employees in the Bass Park Fund.

2013 Actuarial accrued liability (AAL)	\$1,671,709
Reduction due to position eliminations	<u>(84,662)</u>
2013 Actuarial accrued liability (AAL), as restated	<u>\$1,587,047</u>
2013 Covered payroll	\$5,347,204
Reduction due to position eliminations	<u>(293,398)</u>
2013 Covered payroll, as restated	<u>\$5,053,806</u>

The Bangor Public Library, a component unit of the City of Bangor, restated its financial statements for the year ended June 30, 2013, to reflect additional contributed income and increased construction in progress in the amount of \$447,227. The amount of the restatement is reflective of payments made by the City of Bangor in the prior year related to the repairs of the facility's dome.

**CITY OF BANGOR, MAINE**  
**Required Supplemental Information**  
**Schedule of Funding Progress - Retiree Healthcare Plan**  
**For the Fiscal Year Ended June 30, 2014**

	Fiscal Year					
	2009	2010	2011	2012	2013*	2014
Actuarial Valuation Date	7/1/2008	7/1/2008	1/1/2011	1/1/2011	6/30/2013	6/30/2013
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	5,213,644
Unfunded actuarial accrued liability (UAAL)	\$ 8,488,427	\$ 8,488,427	\$ 3,407,638	\$ 3,430,307	\$ 5,284,045	\$ 5,213,644
Funded ratio	0.00%	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	\$ 16,098,456
Business-type activities:						
Actuarial value of assets	\$ -	-	-	\$ -	-	\$ -
Actuarial accrued liability (AAL)	2,710,336	2,710,336	1,095,160	1,072,491	1,587,047	1,657,448
Unfunded actuarial accrued liability (UAAL)	\$ 2,710,336	\$ 2,710,336	\$ 1,095,160	\$ 1,072,491	\$ 1,587,047	\$ 1,657,448
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 5,190,927	\$ 5,439,647	\$ 5,582,428	\$ 5,369,798	\$ 5,053,806	\$ 5,117,794
Primary government:						
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	11,198,763	11,198,763	4,502,798	4,502,798	6,871,092	6,871,092
Unfunded actuarial accrued liability (UAAL)	\$ 11,198,763	\$ 11,198,763	\$ 4,502,798	\$ 4,502,798	\$ 6,871,092.00	\$ 6,871,092
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 21,448,246	\$ 22,664,132	\$ 22,952,397	\$ 22,544,822	\$ 21,955,590	\$ 21,216,250
UAAL as a percentage of covered payroll	52.21%	49.41%	19.62%	19.97%	31.30%	32.39%

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

\* - restated to reflect the reduction in liability resulting from the City discontinuing employment of all employees in the Bass Park Fund.

## 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.



**CITY OF BANGOR, MAINE**  
**Balance Sheet**  
**General Fund**  
**June 30, 2014**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,701,394
Investments	50,000
Receivables:	
Taxes	2,765,960
Accounts (net of allowance of \$465,108)	751,691
Interfund	3,455,129
Intergovernmental	3,438,342
Loans	753,992
Inventory, at cost	748,711
Prepaid items	104,554
Total assets	24,769,773
<b>LIABILITIES</b>	
Accounts payable	\$ 1,138,907
Accrued wages and benefits payable	4,000,984
Unearned revenue	36,919
Total liabilities	5,176,810
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - property taxes	2,557,443
Total deferred inflows of resources	2,557,443
<b>FUND BALANCES</b>	
Nonspendable	2,753,765
Restricted	1,262,869
Committed	2,623
Assigned	3,417,791
Unassigned	9,598,472
Total fund balance	17,035,520
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,769,773</b>

**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, 2014**

	Balances			Variance	
	Carried 7/1/2013	Budget	Actual	Surplus	Carried
Revenues					
Taxes					
Real and personal property	\$ -	\$ 52,745,345	\$ 52,654,263	\$ (91,082)	\$ -
Change in unavailable property tax	-	-	107,467	107,467	-
Tax increment financing district	-	(2,553,715)	(2,553,715)	-	-
Payment in lieu of taxes	-	150,000	161,438	11,438	-
Excise	-	4,526,000	5,400,100	874,100	-
Interest on delinquent taxes	-	200,000	235,665	35,665	-
<b>Total taxes</b>	<b>-</b>	<b>55,067,630</b>	<b>56,005,218</b>	<b>937,588</b>	<b>-</b>
Intergovernmental					
State revenue sharing	-	2,369,000	2,305,725	(63,275)	-
School subsidy	-	17,160,944	16,970,557	-	(190,387)
Other -					
municipal	-	3,340,533	3,403,564	63,031	-
school	-	3,881,512	4,020,167	-	138,655
<b>Total intergovernmental</b>	<b>-</b>	<b>26,751,989</b>	<b>26,700,013</b>	<b>(244)</b>	<b>(51,732)</b>
Other revenue					
Licenses and permits	-	677,759	1,389,717	711,958	-
Charges for service -					
municipal	-	8,678,761	8,423,681	(255,080)	-
school	-	3,194,042	3,446,006	-	251,964
Fines, forfeits and penalties	-	32,000	27,263	(4,737)	-
Revenue from use of money and property -					
municipal	-	721,400	700,557	(20,843)	-
<b>Total other</b>	<b>-</b>	<b>13,303,962</b>	<b>13,987,224</b>	<b>431,298</b>	<b>251,964</b>
<b>Total revenues</b>	<b>-</b>	<b>95,123,581</b>	<b>96,692,455</b>	<b>1,368,642</b>	<b>200,232</b>

**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, 2014**

	Balances			Variance	
	Carried 7/1/2013	Budget	Actual	Surplus	Carried
Expenditures					
General government					
Council	-	30,484	30,203	281	-
Executive	-	983,418	1,090,771	(107,353)	-
Human resources	-	120,256	99,703	20,553	-
City clerk	-	365,685	351,919	13,766	-
Assessing	-	347,035	338,604	8,431	-
Legal	-	272,022	286,131	(14,109)	-
Finance	-	1,589,545	1,530,944	58,601	-
Insurance	-	155,000	156,012	(1,012)	-
Planning, econ dev, code enforcement	10,000	1,182,228	1,098,396	93,832	-
Total general government	10,000	5,045,673	4,982,683	72,990	-
Public safety					
Police	-	8,471,546	8,015,120	456,426	-
Fire	-	8,303,450	8,394,925	(91,475)	-
Total public safety	-	16,774,996	16,410,045	364,951	-
Health, community services and recreation					
Health and community services	-	3,223,990	2,957,665	266,325	-
Parks and recreation	-	1,768,156	1,866,951	(98,795)	-
Total health, commun. serv and rec.	-	4,992,146	4,824,616	167,530	-
Public buildings and services					
Public buildings and services	-	10,283,684	10,047,240	236,444	-

**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, 2014**

	Balances			Variance	
	Carried 7/1/2013	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	3,010,874	3,020,874	(10,000)	-
Downtown Development District	-	55,542	55,542	-	-
Public library	-	1,401,481	1,401,481	-	-
Other agencies	583	80,525	88,484	(9,999)	2,623
Total other agencies	583	4,548,422	4,566,381	(19,999)	2,623
Education					
Regular	2,630,261	42,802,562	41,948,140	-	3,484,683
Adult education	97,600	508,170	448,113	-	157,657
School lunch	179,746	1,416,772	1,398,588	-	197,930
Special revenue	23,370	2,637,133	2,657,813	-	2,690
Trust and agency	195,447	1,118,900	1,129,310	-	185,037
Total education	3,126,424	48,483,537	47,581,964	-	4,027,997
Other appropriations					
Pensions and other fringe benefits	-	2,206,898	2,149,269	57,629	-
Debt service	-	2,754,485	2,753,492	993	-
Tax increment financing payments	-	897,850	922,264	(24,414)	-
Total other appropriations	-	5,859,233	5,825,025	34,208	-
Total expenditures	3,137,007	95,987,691	94,237,954	856,124	4,030,620
Excess (deficiency) of revenues over/under expenditures	(3,137,007)	(864,110)	2,454,501	2,224,766	4,230,852

**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, 2014**

	Balances			Variance	
	Carried 7/1/2013	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from restricted, committed and assigned fund balances	-	1,480,760	68,339	-	(1,412,421)
Appropriation from unassigned fund balance	-	91,350	-	(91,350)	-
Appropriation to assigned fund balances	-	-	(288,450)	(288,450)	-
Sale of assets	-	21,500	53,253	31,753	-
Contributions	-	-	485	485	-
Insurance Settlements	-	23,500	53,192	29,692	-
Transfers to other funds	-	(780,000)	(830,000)	(50,000)	-
Transfers from other funds	-	27,000	21,113	(5,887)	-
Total other financing sources (uses)	-	864,110	(922,068)	(373,757)	(1,412,421)
Net change in unassigned fund balance	\$ (3,137,007)	\$ -	\$ 1,532,433	1,851,009	\$ 2,818,431
Unassigned fund balance, beginning of year				7,727,014	
Changes in amounts required to be shown as nonspendable fund balance					
Inventory and prepaids				20,449	
<b>Unassigned fund balance, end of year</b>				<b>\$ 9,598,472</b>	

# 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, 2014**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,063,738	\$ -	\$ 1,063,738
Investments	-	128,797	128,797
Receivables:			
Accounts	31,319	-	31,319
Loans /Notes	1,041,529	898,687	1,940,216
Intergovernmental	194,059	-	194,059
<b>Total assets</b>	<b>\$ 2,330,645</b>	<b>\$ 1,027,484</b>	<b>\$ 3,358,129</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 21,418	\$ -	\$ 21,418
Interfund loans payable	177,830	-	177,830
Total liabilities	199,248	-	199,248
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable resources - loans	160,000	-	160,000
Total deferred inflows of resources	160,000	-	160,000
<b>FUND BALANCES</b>			
Nonspendable	-	544,200	544,200
Restricted	1,971,397	483,284	2,454,681
Total fund balances	1,971,397	1,027,484	2,998,881
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,330,645</b>	<b>\$ 1,027,484</b>	<b>\$ 3,358,129</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>Revenues</b>			
Taxes	\$ 814,460	\$ -	\$ 814,460
Intergovernmental	6,957,554	-	6,957,554
Charges for services	811,606	-	811,606
Program income	12,325	-	12,325
Revenue from use of money and property	77,769	-	77,769
Other revenue	70,522	4,800	75,322
Interest revenue	-	43,650	43,650
<b>Total revenues</b>	<b>8,744,236</b>	<b>48,450</b>	<b>8,792,686</b>
<b>Expenditures</b>			
Current:			
Personnel	1,179,851	-	1,179,851
Payments to beneficiaries	824,991	-	824,991
Other	3,739,966	-	3,739,966
Bus operations	2,801,667	-	2,801,667
Program expenditures	-	27,846	27,846
<b>Total expenditures</b>	<b>8,546,475</b>	<b>27,846</b>	<b>8,574,321</b>
<b>Excess of revenues over expenditures</b>	<b>197,761</b>	<b>20,604</b>	<b>218,365</b>
<b>Other financing sources (uses)</b>			
Transfers to other funds	-	(35,000)	(35,000)
Transfers from other funds	49,141	437	49,578
<b>Total other financing sources (uses)</b>	<b>49,141</b>	<b>(34,563)</b>	<b>14,578</b>
<b>Net change in fund balances</b>	<b>246,902</b>	<b>(13,959)</b>	<b>232,943</b>
<b>Fund balances, beginning of year</b>	<b>1,724,495</b>	<b>1,041,443</b>	<b>2,765,938</b>
<b>Fund balances, end of year</b>	<b>\$ 1,971,397</b>	<b>\$ 1,027,484</b>	<b>\$ 2,998,881</b>

**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2014**

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 360,606	\$ 7,969	480,602	\$ 214,561	\$ 1,063,738
Receivables:					
Accounts	-	31,319	-	-	31,319
Loans/Notes	160,000	-	328,639	552,890	1,041,529
Intergovernmental	-	194,059	-	-	194,059
<b>Total assets</b>	<b>\$ 520,606</b>	<b>\$ 233,347</b>	<b>\$ 809,241</b>	<b>\$ 767,451</b>	<b>\$ 2,330,645</b>
<b>LIABILITIES</b>					
Accounts payable	-	\$ 13,577	-	\$ 7,841	\$ 21,418
Interfund loans payable	-	177,830	-	-	177,830
<b>Total liabilities</b>	<b>-</b>	<b>191,407</b>	<b>-</b>	<b>7,841</b>	<b>199,248</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable resources - loans	160,000	-	-	-	160,000
<b>Total deferred inflows of resources</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,000</b>
<b>FUND BALANCES</b>					
Restricted	360,606	41,940	809,241	759,610	1,971,397
<b>Total fund balances</b>	<b>360,606</b>	<b>41,940</b>	<b>809,241</b>	<b>759,610</b>	<b>1,971,397</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 520,606</b>	<b>\$ 233,347</b>	<b>\$ 809,241</b>	<b>\$ 767,451</b>	<b>\$ 2,330,645</b>

**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, 2014**

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 814,460	\$ 814,460
Intergovernmental	-	6,957,554	-	-	6,957,554
Charges for services	-	811,606	-	-	811,606
Program income	12,325	-	-	-	12,325
Revenue from use of money and property	-	-	58,480	19,289	77,769
Contributions	-	-	6,535	63,987	70,522
<b>Total revenues</b>	<b>12,325</b>	<b>7,769,160</b>	<b>65,015</b>	<b>897,736</b>	<b>8,744,236</b>
<b>Expenditures</b>					
Current:					
Personnel	-	1,179,851	-	-	1,179,851
Payments to beneficiaries	-	-	5,873	819,118	824,991
Other	-	3,739,966	-	-	3,739,966
Bus operations	-	2,801,667	-	-	2,801,667
<b>Total expenditures</b>	<b>-</b>	<b>7,721,484</b>	<b>5,873</b>	<b>819,118</b>	<b>8,546,475</b>
Excess (deficiency) of revenues over (under) expenditures	12,325	47,676	59,142	78,618	197,761
<b>Other financing sources</b>					
Transfers from other funds	-	-	49,141	-	49,141
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>49,141</b>	<b>-</b>	<b>49,141</b>
Net change in fund balances	12,325	47,676	108,283	78,618	246,902
Fund balances, beginning of year	348,281	(5,736)	700,958	680,992	1,724,495
<b>Fund balances, end of year</b>	<b>\$ 360,606</b>	<b>\$ 41,940</b>	<b>\$ 809,241</b>	<b>\$ 759,610</b>	<b>\$ 1,971,397</b>

**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2014**

	Other Funds	Revolving Loan Funds	Totals
<b>ASSETS</b>			
Investments	\$ -	\$ 128,797	\$ 128,797
Loans receivable	898,687	-	898,687
<b>Total assets</b>	<b>898,687</b>	<b>\$ 128,797</b>	<b>\$ 1,027,484</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -
Fund balances			
Nonspendable	415,403	128,797	544,200
Restricted	483,284	-	483,284
Total fund balances	898,687	128,797	1,027,484
<b>Total liabilities and and fund balances</b>	<b>\$ 898,687</b>	<b>\$ 128,797</b>	<b>\$ 1,027,484</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Other Funds</b>	<b>Revolving Loan Funds</b>	<b>Totals</b>
<b>Revenues</b>			
Investment income	\$ 36,423	\$ 7,227	\$ 43,650
Lot sales	4,800	-	4,800
Total revenues	41,223	7,227	48,450
<b>Expenditures</b>			
Current:			
Payments to beneficiaries	89	27,757	27,846
Total expenditures	89	27,757	27,846
Excess (deficiency) of revenues over (under) expenditures	41,134	(20,530)	20,604
<b>Other financing sources (uses)</b>			
Transfer to other funds	(35,000)	-	(35,000)
Transfer from other funds	437	-	437
Total other financing source (uses)	(34,563)	-	(34,563)
Net change in fund balances	6,571	(20,530)	(13,959)
Fund balances, beginning of year	892,116	149,327	1,041,443
<b>Fund balances, end of year</b>	<b>\$ 898,687</b>	<b>\$ 128,797</b>	<b>\$ 1,027,484</b>

# 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.

Stormwater Utility – This fund assesses property owners a fee based on the amount of impervious surface to fund the costs associated with stormwater management.

Economic Development Fund – This 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.

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, 2014**

**Business-type Activities - Enterprise Funds**

	<b>Park Woods</b>	<b>Stormwater Utility</b>	<b>Economic Development Fund</b>	<b>Parking Fund</b>	<b>Municipal Golf Course</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 477	\$ 1,133	\$ 75	\$ 391,255	\$ 522,744	\$ 915,684
Accounts receivable	-	236,819	16,820	1,056	-	254,695
<b>Total current assets</b>	<b>477</b>	<b>237,952</b>	<b>16,895</b>	<b>392,311</b>	<b>522,744</b>	<b>1,170,379</b>
Noncurrent assets						
Capital Assets:						
Land and improvements	295,025	-	3,634,485	-	1,594,732	5,524,242
Buildings and improvements	1,933,061	-	4,318,516	-	912,607	7,164,184
Machinery and equipment	22,952	-	-	-	305,859	328,811
Infrastructure	-	-	683,189	-	-	683,189
Parking structures	-	-	-	11,317,169	-	11,317,169
	2,251,038	-	8,636,190	11,317,169	2,813,198	25,017,595
Less accumulated depreciation	(1,721,812)	-	(1,866,564)	(8,626,429)	(1,835,801)	(14,050,606)
<b>Net capital assets</b>	<b>529,226</b>	<b>-</b>	<b>6,769,626</b>	<b>2,690,740</b>	<b>977,397</b>	<b>10,966,989</b>
Loans receivable	-	-	1,490,343	-	-	1,490,343
Deposits	20,000	-	-	-	-	20,000
<b>Total noncurrent assets</b>	<b>549,226</b>	<b>-</b>	<b>8,259,969</b>	<b>2,690,740</b>	<b>977,397</b>	<b>12,477,332</b>
<b>Total assets</b>	<b>549,703</b>	<b>237,952</b>	<b>8,276,864</b>	<b>3,083,051</b>	<b>1,500,141</b>	<b>13,647,711</b>

Continued on next page

**CITY OF BANGOR, MAINE**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2014**

**Business-type Activities - Enterprise Funds**

	Park Woods	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	36,718	11,758	1,700	1,586	20,072	71,834
Accrued wages and benefits payable	1,986	1,888	-	3,356	9,969	17,199
Accrued interest	-	-	58,599	11,590	3,887	74,076
Workers' compensation	-	-	-	3,665	-	3,665
Interfund loans payable	330,500	89,000	752,900	-	-	1,172,400
General obligation debt payable	-	74,133	238,595	207,765	34,302	554,795
Accrued compensated absences	4,379	-	-	8,743	11,939	25,061
<b>Total current liabilities</b>	<b>373,583</b>	<b>176,779</b>	<b>1,051,794</b>	<b>236,705</b>	<b>80,169</b>	<b>1,919,030</b>
Long-term liabilities						
Workers' compensation	-	-	-	6,335	-	6,335
General obligation debt payable	-	1,063,556	2,722,056	1,499,692	399,243	5,684,547
Accrued compensated absences	7,003	-	-	1,390	14,540	22,933
Net OPEB obligation	8,091	-	-	11,575	21,693	41,359
Other long-term liabilities	193,061	-	-	20,345	-	213,406
<b>Total long-term liabilities</b>	<b>208,155</b>	<b>1,063,556</b>	<b>2,722,056</b>	<b>1,539,337</b>	<b>435,476</b>	<b>5,968,580</b>
<b>Total liabilities</b>	<b>581,738</b>	<b>1,240,335</b>	<b>3,773,850</b>	<b>1,776,042</b>	<b>515,645</b>	<b>7,887,610</b>
<b>NET POSITION</b>						
Net investment in capital assets	529,226	-	3,808,975	1,130,127	621,830	6,090,158
Unrestricted	(561,261)	(1,002,383)	694,039	176,882	362,666	(330,057)
<b>Total net position</b>	<b>\$ (32,035)</b>	<b>\$ (1,002,383)</b>	<b>\$ 4,503,014</b>	<b>\$ 1,307,009</b>	<b>\$ 984,496</b>	<b>\$ 5,760,101</b>

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, 2014**  
**Business-type Activities - Enterprise Funds**

	Park Woods	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Operating revenues						
Charges for services	\$ 440,295	\$ 359,029	\$ 515,339	\$ 1,002,164	\$ 575,020	\$ 2,891,847
Operating expenses						
Operating expenses other than depreciation and amortization	408,710	149,590	302,100	602,503	547,416	2,010,319
Depreciation and amortization	89,123	-	184,498	268,315	76,371	618,307
Total operating expenses	497,833	149,590	486,598	870,818	623,787	2,628,626
Operating income (loss)	(57,538)	209,439	28,741	131,346	(48,767)	263,221
Nonoperating revenue (expenses)						
Interest income	-	-	63,572	-	324	63,896
Interest expense	-	-	(141,654)	(54,777)	(19,536)	(215,967)
Total nonoperating revenue (expenses)	-	-	(78,082)	(54,777)	(19,212)	(152,071)
Net income (loss) before grants/contributions and transfers	(57,538)	209,439	(49,341)	76,569	(67,979)	111,150
Grants/contributions received for capital assets	-	-	-	-	-	-
Change in net position	(57,538)	209,439	(49,341)	76,569	(67,979)	111,150
Net position, beginning of year (Restated See Note H)	25,503	(1,211,822)	4,552,355	1,230,440	1,052,475	5,648,951
<b>Net position, end of year</b>	<b>\$ (32,035)</b>	<b>\$ (1,002,383)</b>	<b>\$ 4,503,014</b>	<b>\$ 1,307,009</b>	<b>\$ 984,496</b>	<b>\$ 5,760,101</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Cash Flows - Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**  
**Business-type Activities - Enterprise Funds**

	<b>Park Woods</b>	<b>Stormwater Utility</b>	<b>Economic Development Fund</b>	<b>Parking Fund</b>	<b>Municipal Golf Course</b>	<b>Total Nonmajor Proprietary Funds</b>
Cash flows from operating activities						
Cash received from customers	\$ 441,555	\$ 122,210	\$ 521,854	\$ 1,002,164	\$ 575,020	\$ 2,662,803
Cash paid to suppliers for goods and services	(358,761)	(62,427)	(309,394)	(434,623)	(220,587)	(1,385,792)
Cash paid to employees for services	(42,257)	(73,517)	-	(165,063)	(314,672)	(595,509)
Net cash provided by (used in) operating activities	40,537	(13,734)	212,460	402,478	39,761	681,502
Cash flows from noncapital financing activities						
Interfund loans (repayments)	(40,500)	89,000	72,100	-	-	120,600
Net cash (used in) noncapital financing activities	(40,500)	89,000	72,100	-	-	120,600
Cash flows from capital and related financing activities						
Principal paid on general obligation bonds	-	(74,133)	(231,207)	(199,818)	(34,617)	(539,775)
Interest paid on general obligation bonds	-	-	(143,025)	(55,807)	(19,829)	(218,661)
Net cash (used in) capital and related financing activities	-	(74,133)	(374,232)	(255,625)	(54,446)	(758,436)
Cash flows from investing activities						
Interest on investments	-	-	89,712	117	324	90,153
Net cash provided by investing activities	-	-	89,712	117	324	90,153
Net increase (decrease) in cash	37	1,133	40	146,970	(14,361)	133,819
Cash, beginning of year	440	-	35	244,285	537,105	781,865
<b>Cash, end of year</b>	<b>\$ 477</b>	<b>\$ 1,133</b>	<b>\$ 75</b>	<b>\$ 391,255</b>	<b>\$ 522,744</b>	<b>\$ 915,684</b>

Continued on next page

**CITY OF BANGOR, MAINE**  
**Combining Statement of Cash Flows - Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**  
**Business-type Activities - Enterprise Funds**

	Park Woods	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ (57,538)	\$ 209,439	\$ 28,741	\$ 131,346	\$ (48,767)	\$ 263,221
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	89,123	-	184,498	268,315	76,371	618,307
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	1,260	(236,819)	6,515	-	-	(229,044)
Increase (decrease) in accounts payable	7,323	11,758	(7,294)	1,277	4,628	17,692
Increase (decrease) in unearned revenue	-	-	-	-	-	-
Increase (decrease) in other liabilities	369	1,888	-	1,540	7,529	11,326
Total adjustments	98,075	(223,173)	183,719	271,132	88,528	418,281
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 40,537</b>	<b>\$ (13,734)</b>	<b>\$ 212,460</b>	<b>\$ 402,478</b>	<b>\$ 39,761</b>	<b>\$ 681,502</b>

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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 7,975,494	\$ 7,664,776	\$ (310,718)
Interest and other revenue	35,000	42,882	7,882
<b>Total revenues</b>	<b>8,010,494</b>	<b>7,707,658</b>	<b>(302,836)</b>
<b>Expenditures and encumbrances</b>			
Salaries	1,305,764	1,212,477	93,287
Fringe benefits	415,993	358,613	57,380
Supplies and materials	482,965	330,194	152,771
Contractual services	1,526,068	1,188,135	337,933
Utilites	828,180	745,554	82,626
Interfund charges	910,280	517,925	392,355
Miscellaneous	27,795	17,053	10,742
Debt service	1,897,491	1,871,053	26,438
Depreciation	1,691,486	1,750,496	(59,010)
Outlay	463,970	259,198	204,772
<b>Total expenditures and encumbrances</b>	<b>9,549,992</b>	<b>8,250,698</b>	<b>1,299,294</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>\$ (1,539,498)</b>	<b>\$ (543,040)</b>	<b>\$ 996,458</b>

**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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 13,746,112	\$ 12,567,868	\$ (1,178,244)
Interest and other revenue	817,595	591,906	(225,689)
<b>Total revenues</b>	<b>14,563,707</b>	<b>13,159,774</b>	<b>(1,403,933)</b>
<b>Expenditures and encumbrances</b>			
Salaries	5,544,489	5,153,917	390,572
Fringe benefits	1,494,392	1,401,499	92,893
Supplies and materials	905,700	791,704	113,996
Contractual services	2,515,620	2,484,526	31,094
Utilities	1,478,869	1,713,761	(234,892)
Interfund charges	744,256	689,710	54,546
Miscellaneous	167,853	88,219	79,634
Debt service	740,379	552,963	187,416
Depreciation	7,550,000	8,062,412	(512,412)
Outlay	810,000	201,851	608,149
<b>Total expenditures and encumbrances</b>	<b>21,951,558</b>	<b>21,140,562</b>	<b>810,996</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>\$ (7,387,851)</b>	<b>\$ (7,980,788)</b>	<b>\$ (592,937)</b>

**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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 452,800	\$ 440,295	\$ (12,505)
<b>Total revenues</b>	<b>452,800</b>	<b>440,295</b>	<b>(12,505)</b>
<b>Expenditures and encumbrances</b>			
Salaries	48,313	29,048	19,265
Fringe benefits	25,035	13,025	12,010
Supplies and materials	450	528	(78)
Contractual services	163,323	124,562	38,761
Utilities	207,000	230,499	(23,499)
Interfund charges	190	50	140
Miscellaneous	7,600	10,446	(2,846)
Depreciation	89,123	89,123	-
<b>Total expenditures and encumbrances</b>	<b>541,034</b>	<b>497,281</b>	<b>43,753</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>\$ (88,234)</b>	<b>\$ (56,986)</b>	<b>\$ 31,248</b>

**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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 1,011,507	\$ 1,002,164	\$ (9,343)
<b>Total revenues</b>	<b>1,011,507</b>	<b>1,002,164</b>	<b>(9,343)</b>
<b>Expenditures and encumbrances</b>			
Salaries	179,945	134,603	45,342
Fringe benefits	52,039	29,919	22,120
Supplies and materials	6,450	3,615	2,835
Contractual services	398,522	345,681	52,841
Utilities	7,274	-	7,274
Interfund charges	85,770	86,423	(653)
Miscellaneous	-	180	(180)
Debt service	255,625	255,625	-
Depreciation	270,000	268,315	1,685
Outlay	26,500	-	26,500
<b>Total expenditures and encumbrances</b>	<b>1,282,125</b>	<b>1,124,361</b>	<b>157,764</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>\$ (270,618)</b>	<b>\$ (122,197)</b>	<b>\$ 148,421</b>

**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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 4,485,954	\$ 4,445,997	\$ (39,957)
Downtown TIF	750,000	750,000	-
<b>Total revenues</b>	<b>5,235,954</b>	<b>5,195,997</b>	<b>(39,957)</b>
<b>Expenditures and encumbrances</b>			
Cross Insurance Center operations	3,014,620	2,753,004	261,616
Owner costs	45,000	116,721	(71,721)
Debt service	2,117,903	2,117,902	1
Depreciation	1,710,000	1,574,826	135,174
<b>Total expenditures and encumbrances</b>	<b>6,887,523</b>	<b>6,562,453</b>	<b>325,070</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>\$ (1,651,569)</b>	<b>\$ (1,366,456)</b>	<b>\$ 285,113</b>

**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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 665,500	\$ 575,020	\$ (90,480)
Interest and other revenue	1,500	324	(1,176)
<b>Total revenues</b>	<b>667,000</b>	<b>575,344</b>	<b>(91,656)</b>
<b>Expenditures and encumbrances</b>			
Salaries	304,058	270,525	33,533
Fringe benefits	44,626	42,065	2,561
Supplies and materials	60,050	65,334	(5,284)
Contractual services	50,400	50,679	(279)
Utilities	68,458	51,246	17,212
Interfund charges	60,849	57,876	2,973
Miscellaneous	-	80	(80)
Debt service	53,553	54,446	(893)
Depreciation	82,112	76,371	5,741
Outlay	25,000	-	25,000
<b>Total expenditures and encumbrances</b>	<b>749,106</b>	<b>668,622</b>	<b>80,484</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>\$ (82,106)</b>	<b>\$ (93,278)</b>	<b>\$ (11,172)</b>

**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, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 426,123	\$ 515,339	\$ 89,216
Interest and other revenue	90,507	90,494	(13)
<b>Total revenues</b>	<b>516,630</b>	<b>605,833</b>	<b>89,203</b>
<b>Expenditures and encumbrances</b>			
Contractual services	188,150	174,859	13,291
Utilities	96,060	125,531	(29,471)
Interfund charges	-	1,115	(1,115)
Miscellaneous	1,537	595	942
Debt service	378,614	374,233	4,381
Depreciation	184,498	184,498	-
Outlay	5,000	-	5,000
<b>Total expenditures and encumbrances</b>	<b>853,859</b>	<b>860,831</b>	<b>(6,972)</b>
<b>Deficiency of revenues under expenditures and encumbrances</b>	<b>(337,229)</b>	<b>\$ (254,998)</b>	<b>\$ 82,231</b>

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Stormwater Utility - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Charges for services	\$ 1,050,784	\$ 359,029	\$ (691,755)
Interest and other revenue	105,006	-	(105,006)
<b>Total revenues</b>	<b>1,155,790</b>	<b>359,029</b>	<b>(796,761)</b>
<b>Expenditures and encumbrances</b>			
Salaries	57,033	58,759	(1,726)
Fringe benefits	16,698	16,646	52
Supplies and materials	4,150	-	4,150
Contractual services	231,800	58,481	173,319
Interfund charges	336,139	526	335,613
Miscellaneous	2,080	2,029	51
Debt service	78,140	77,840	300
Outlay	429,750	9,442	420,308
<b>Total expenditures and encumbrances</b>	<b>1,155,790</b>	<b>223,723</b>	<b>932,067</b>
<b>Excess (deficiency) of revenues over (under) expenditures and encumbrances</b>	<b>\$ -</b>	<b>\$ 135,306</b>	<b>\$ 135,306</b>

# 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, 2014**

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>ASSETS</b>				
Cash:				
Bangor Area Stormwater Group	\$ 18,260	\$ 29,014	\$ 47,274	\$ -
School Activity Funds	118,261	206,556	204,369	120,448
<b>Total assets</b>	<b>\$ 136,521</b>	<b>\$ 235,570</b>	<b>\$ 251,643</b>	<b>\$ 120,448</b>
<b>LIABILITIES</b>				
Funds held for others:				
Bangor Area Stormwater Group	\$ 18,260	\$ 29,014	\$ 47,274	\$ -
School Activity Funds	118,261	206,556	204,369	120,448
<b>Total liabilities</b>	<b>\$ 136,521</b>	<b>\$ 235,570</b>	<b>\$ 251,643</b>	<b>\$ 120,448</b>

**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, 2014**

Function and Activity	Balance 2013	Additions	Deletions	Balance 2014
General government				
BAT community connector	\$ 2,315,767	\$ -	\$ 271,374	\$ 2,044,393
Central service	13,565	16,000	5,467	24,098
City hall	595,630	-	24,181	571,449
Community and economic development	10,345,330	-	441,488	9,903,842
Engineering	25,041	-	6,921	18,120
Information services	225,424	150,492	180,765	195,151
Motor pool	3,745,854	722,810	834,207	3,634,457
Other - unclassified	182,058	-	65,798	116,260
Total general government	17,448,669	889,302	1,830,201	16,507,770
Public safety				
Fire	5,071,673	727,945	472,071	5,327,547
Police	10,096,955	165,438	390,215	9,872,178
Total public safety	15,168,628	893,383	862,286	15,199,725
Health, community services and recreation				
Parks and recreation	2,061,822	492,929	81,663	2,473,088
Total health, community services and recreation	2,061,822	492,929	81,663	2,473,088
Public building and services				
Public works	12,969,341	724,034	475,381	13,217,994
Total public buildings and services	12,969,341	724,034	475,381	13,217,994
Education	28,993,509	2,502,490	1,093,505	30,402,494
<b>Total governmental fund capital assets</b>	<b>\$ 76,641,969</b>	<b>\$ 5,502,138</b>	<b>\$ 4,343,036</b>	<b>\$ 77,801,071</b>

## OTHER INFORMATION



**CITY OF BANGOR, MAINE**  
**Assessed Valuation, Commitment and Collections**  
**For the Fiscal Year Ended June 30, 2014**

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**VALUATION**

Land and buildings	\$ 2,306,517,400
Land and buildings - Homestead exemption	52,765,500
Personal property	244,302,800
Personal property - BETE exemption	<u>72,600,700</u>
Total valuation	<u><u>\$ 2,676,186,400</u></u>

**COMMITMENT**

Real estate, personal property (excludes Homestead and BETE exemptions)	\$ 2,550,820,200
Tax rate	<u>0.02080</u>
Total commitment	53,057,060

**ADD**

Supplemental taxes committed	<u>20,933</u>
	53,077,993

**LESS**

Collections 2014	51,692,178
Abatements	<u>43,339</u>
2014 taxes receivable at June 30, 2014	<u><u>\$ 1,342,476</u></u>

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**CITY OF BANGOR, MAINE**  
**General Fund Unassigned Fund Balance Sufficiency Calculation**  
**For the Fiscal Year Ended June 30, 2014**

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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, 2014 General Fund unassigned fund balance.

General Fund expenditures/uses ( Schedule A-2)

General government	\$ 4,982,683
Public safety	16,410,045
Health, community services and recreation	4,824,616
Public buildings and services	10,047,240
Other agencies	4,566,381
Education	47,581,964
Other appropriations	5,825,025
Other uses, gross*	830,000
Gross expenditures and uses	95,067,954
General Fund debt service	<u>6,861,825</u>
Net expenditures and uses	<u><u>\$ 88,206,129</u></u>
Indicated unassigned fund balance @ 8.33%	\$ 7,347,571
Actual unassigned fund balance (Schedule A-2)	\$ 9,598,472
Actual unassigned fund balance as a percentage of net expenditures and uses	10.88%
Over (under) funded status	<u><u>\$ 2,250,901</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
<b>Financial Trends</b>	<b>III - 1</b>
<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>	
<b>Revenue Capacity</b>	<b>III - 8</b>
<p>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</p>	
<b>Debt Capacity</b>	<b>III - 12</b>
<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>	
<b>Demographic and Economic Information</b>	<b>III - 16</b>
<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>	
<b>Operating Information</b>	<b>III - 18</b>
<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>	

Table 1

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	\$ 40,176,260	\$ 67,253,588	\$ 54,540,288	\$ 49,674,874
Restricted	1,019,806	1,039,248	1,041,443	1,027,484
Unrestricted	262,217	(24,620,719)	(21,336,473)	(19,247,642)
Total governmental activities net position	<u>41,458,283</u>	<u>43,672,117</u>	<u>34,245,258</u>	<u>31,454,716</u>
Business-type activities:				
Net investment in capital assets	155,344,528	152,749,709	165,548,784	159,871,743
Unrestricted	<u>15,549,352</u>	<u>12,823,198</u>	<u>4,879,657</u>	<u>8,382,617</u>
Total business-type activities net position	<u>170,893,880</u>	<u>165,572,907</u>	<u>170,428,441</u>	<u>168,254,360</u>
Primary government:				
Net investment in capital assets	195,520,788	220,003,297	220,089,072	209,546,617
Restricted	1,019,806	1,039,248	1,041,443	1,027,484
Unrestricted	15,811,569	(11,797,521)	(16,456,816)	(10,865,025)
Total primary government net position	<u>\$ 212,352,163</u>	<u>\$ 209,245,024</u>	<u>\$ 204,673,699</u>	<u>\$ 199,709,076</u>

Only four 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)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 7,110,075
Public safety	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	18,050,107
Health, community services and recreation	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	9,586,571
Public services**	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	14,249,015
Other agencies	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	6,799,934
Education	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	50,594,050
Unclassified	65,639	947,025	1,136	-	-	-	-	-	-	-
Restricted grants*	7,326,307	-	-	-	-	-	-	-	-	-
Arena development	-	-	417,030	41,091	51,332	39,075	61,334	536,251	2,201,200	500,566
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	2,178,972
Waterfront	-	990,961	399,015	1,754,281	9,252,263	79,911	1,439,065	606,249	381,437	272,857
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	2,782,968
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	1,440,452
Interest on debt	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	2,464,804
Capital maintenance expenses*	1,674,034	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	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	116,030,371
Business-type activities:										
Sewer Utility	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	6,843,975
Airport	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	20,855,066
Park Woods	598,854	540,207	678,867	678,867	590,250	529,610	496,478	533,671	473,289	497,833
Stormwater Utility	-	-	-	-	-	-	-	-	-	149,590
Parking	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	925,595
Bass Park	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	6,317,039
Municipal Golf Course	592,323	647,499	695,969	695,969	745,339	733,380	664,311	671,113	687,317	643,323
Economic Development	397,881	484,264	695,851	695,851	712,195	634,764	618,980	615,816	586,140	628,252
Total business-type activities expenses	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	36,860,673
Total primary government expenses	\$ 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	\$ 152,891,044

\* - 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

Table 2 (con't)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 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	\$ 2,764,659
Public safety	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	2,682,248
Health, community services and recreation	674,364	756,207	681,583	771,254	768,450	836,689	928,307	1,048,707	1,139,382	1,164,090
Public services	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	3,758,666
Other agencies	-	-	-	22,243	22,068	-	20,248	103,560	-	46,882
Education	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	3,446,006
Unclassified	20,036.00	859,682	61,128.00	-	-	-	-	-	-	-
Restricted grants*	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	1,960,876
Community development	-	672,459	658,141	297,394	301,019	332,295	323,494	588,587	474,013	994,546
Public transportation	-	536,491	659,960	809,531	944,804	923,433	1,025,080	1,023,717	1,045,793	816,819
Tax increment financing	-	-	-	-	1,711	-	-	-	-	-
Operating grants and contributions	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	34,600,320
Capital grants and contributions	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	1,720,879
Total governmental activities program revenues	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	53,955,991
Business-type activities:										
Charges for services										
Sewer Utility	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	8,426,054
Airport	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	12,220,328
Park Woods	310,389	287,452	340,494	340,494	369,478	371,832	372,715	397,426	417,407	440,295
Stormwater Utility	-	-	-	-	-	-	-	-	-	359,029
Parking	943,990	963,697	1,001,697	1,001,697	997,111	1,050,579	1,057,710	1,012,109	960,947	1,002,164
Bass Park	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	2,683,094
Municipal Golf Course	586,956	604,365	655,834	655,834	608,930	658,053	643,501	628,869	592,825	575,020
Economic Development	433,694	391,658	422,716	422,716	569,549	507,867	585,785	409,486	462,033	515,339
Capital grants and contributions	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	4,039,968
Total business-type activities program revenues	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	30,261,291
Total primary government program revenues	\$ 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	\$ 84,217,282

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

Continued on next page

Table 2 (con't)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (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)	\$ (62,074,380)
Business-type activities	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)	(6,599,382)
Total primary government expense	(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)	(68,673,762)
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Property taxes	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	52,243,583
Payment in lieu of taxes	186,500	160,457	145,000	122,510	141,595	117,770	161,879	156,629	95,620	161,438
Excise taxes	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	5,400,100
Franchise taxes	265,598	274,986	296,566	300,768	322,526	348,163	367,672	372,542	362,088	350,014
Unrestricted grants and contributions	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	3,787,128
Unrestricted investment earnings	519,225	699,417	1,183,796	1,274,939	874,824	673,295	565,326	530,631	57,620	510,429
Indirect cost charges	472,056	-	-	-	-	-	-	-	-	-
Miscellaneous	8,353	32,550	260,733	161,439	93,967	135,849	92,379	16,698	112,060	1,863
Transfers	(837,806)	(861,290)	(871,864)	(539,088)	(739,179)	761,103	(637,898)	(417,042)	(8,772,781)	(3,170,717)
Total governmental activities	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	59,283,838
Business-type activities:										
Property taxes	-	-	-	-	-	-	-	-	-	750,000
Unrestricted investment earnings	895,064	635,454	1,346,799	1,326,787	1,025,098	1,035,753	752,891	543,493	345,932	504,584
Gain/loss on sale of asset	-	-	-	-	-	-	-	-	(260,857)	-
Transfers	837,806	861,290	539,088	539,088	739,179	(761,103)	637,898	417,042	8,772,781	3,170,717
Total business-type activities	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	4,425,301
Total primary government	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	63,709,139
<b>Change in net position</b>										
Governmental activities	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)	(2,790,542)
Business-type activities	3,361,599	(1,609,572)	129,303	(835,451)	(238,823)	1,976,943	(2,256,880)	(5,320,973)	4,855,534	(2,174,081)
Total primary government	\$ 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)	\$ (4,964,623)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Tax Revenues</b>										
Property taxes	\$ 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	\$ 52,243,583
Excise taxes	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	5,400,100
Franchise taxes	265,598	274,986	296,566	300,768	322,526	348,163	367,672	372,542	362,088	350,014
Total tax revenues	\$ 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	\$ 57,993,697

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	2014
<b>General Fund:</b>				
Nonspendable				
Advances to other funds	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500
Inventory and prepaid items	963,770	860,187	873,714	853,265
Restricted				
Education purposes	1,213,508	936,158	186,871	974,012
Municipal purposes	405,119	349,362	288,519	288,857
Committed - municipal purposes	19,033	373,753	10,583	2,623
Assigned				
Encumbrances	1,389,501	1,548,268	777,788	31,347
Municipal purposes	3,115,199	3,240,838	3,415,627	3,386,444
Unassigned	8,017,940	7,563,658	7,727,014	9,598,472
Total general fund	<u>\$ 17,024,570</u>	<u>\$ 16,772,724</u>	<u>\$ 15,180,616</u>	<u>\$ 17,035,520</u>
<b>All other governmental funds:</b>				
Nonspendable				
Permanent Fund Principal	\$ 608,710	\$ 588,515	\$ 574,492	\$ 544,200
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	1,971,397
Nonmajor Permanent Funds	410,337	449,974	466,951	483,284
Committed				
Arena Fund	6,690,287	-	2,761,541	1,051,134
Assigned				
Capital Project Fund	826,179	-	4,426,655	4,868,248
Capital Project Fund Encumbrances	-	1,853,043	127,712	-
Unassigned				
Community Development Block Grant	-	-	-	(3,275)
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>	<u>\$ 8,914,988</u>

Only four 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)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Taxes:										
Property taxes	\$ 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	\$ 52,748,153
Excise taxes	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	5,400,100
Total tax revenues	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	58,148,253
Intergovernmental	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	40,025,974
Licenses and permits	655,745	538,534	982,879	956,965	644,621	633,339	601,202	948,267	576,559	1,389,717
Charges for services	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	12,782,036
Program income	409,153	663,269	657,987	296,325	288,677	329,800	314,203	575,460	462,380	765,142
Revenue from money and property	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	3,114,817
Other	168,452	526,360	279,261	7,691,463	428,220	1,108,213	279,426	561,118	165,686	156,659
Total revenues	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	116,382,598
<b>Expenditures:</b>										
General government**	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	5,172,972
Public safety	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	16,409,651
Health, community services and recreation	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	4,826,149
Public buildings and services	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	10,052,683
Other agencies	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	4,566,380
Education	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	50,771,925
Tax increment financing	-	-	-	-	215,483	432,033	165,133	524,013	550,308	632,364
Unclassified	65,639	263,702	597,262	166,994	63,115	54,451	118,216	260,685	2,323,972	590,627
Restricted grants	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	10,729,492
Capital outlay*	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	12,534,783
Debt service										
Principal	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	3,222,253
Interest	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	1,957,347
Other charges	37,467	5,070	4,850	299	6,000	61,952	45,988	-	-	-
Total expenditures	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	121,466,626
Excess (deficiency) of revenues over (under) expenditures	(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)	(5,084,028)
<b>Other financing sources/(uses)</b>										
Issuance of debt	2,650,000	4,333,000	3,555,000	-	3,100,000	3,100,000	2,086,100	30,659,143	10,378,985	8,369,000
Capital leases	-	-	-	-	-	-	-	-	456,581	-
Payment to escrow agent	-	-	-	-	-	-	-	-	(4,233,486)	-
Premium on debt issuance	-	-	-	-	-	-	-	-	748,121	133,552
Financing proceeds	-	-	-	-	7,091,928	9,596,640	-	-	-	-
Sale of assets	106,895	120,479	320,034	161,439	104,620	135,849	117,558	84,507	186,709	187,760
Transfers to other funds	(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)	(4,406,771)
Transfers from other funds	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	1,236,054
Total other financing sources	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)	5,519,595
Net change in fund balances	\$ (2,295,313)	\$ (960,607)	\$ 239,100	\$ 7,614,480	\$ 3,278,255	\$ (3,732,910)	\$ (526,486)	\$ (10,196,586)	\$ (28,242,720)	\$ 435,567
Debt service as a percentage of noncapital expenditures	8.22%	6.08%	7.74%	4.26%	4.00%	11.14%	5.52%	7.97%	19.35%	4.46%

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

\*\* - Beginning with 2014, certain departmental costs are reflected in General government expenditures instead of other functional areas.

**Table 6**

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

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property<sup>1</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
	<b>Estimated Residential</b>	<b>Estimated Commercial</b>			
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
2014	1,250,419,936	1,108,862,964	244,302,800	2,603,585,700	19.56

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

<sup>1</sup> Personal Property consists of machinery and equipment.

Table 7

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

<b>Fiscal Year</b>	<b>General City Government</b>	<b>General Fund Debt Service</b>	<b>Education</b>	<b>Total Direct Tax Rate</b>	<b>Penobscot County</b>	<b>Total Tax/ (Mill) Rate</b>
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
2014	8.67	1.48	9.41	19.56	1.24	20.80

Table 8

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

Taxpayer	Business	2014			2005		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
GLP Capital L.P.	Gaming	\$ 92,856,800	1	3.57%	-	-	-
General Electric	Manufacturer	61,780,400	2	2.37%	\$ 43,956,100	2	2.53%
Bangor Mall LLC	Shopping mall	60,182,800	3	2.31%	-	-	-
Emera Maine	Utility	40,649,300	4	1.56%	-	-	-
HC Bangor LLC	Gaming	21,880,000	5	0.84%	-	-	-
Wal Mart Stores	Retailer	21,741,000	6	0.84%	-	-	-
Bangor Gas Company LLC	Utility	18,220,500	7	0.70%	-	-	-
GM Realty of Bangor LLC	Real estate interests	16,511,400	8	0.63%	-	-	-
QV Realty Trust	Real estate interests	16,383,900	9	0.63%	13,226,100	6	0.76%
Harvest Sunbury Village	Retirement Living	15,370,500	10	0.59%	-	-	-
BANMAK Associates	Shopping mall	-	-	-	54,054,100	1	3.11%
Bangor Hydro Electric	Utility	-	-	-	24,450,900	3	1.40%
Bangor Savings Bank	Commercial bank	-	-	-	16,867,900	4	0.97%
Eastern Maine Healthcare	Medical institution	-	-	-	16,073,000	5	0.92%
May Department Stores	Retailer	-	-	-	11,855,800	7	0.68%
Airport Mall Associates	Shopping mall	-	-	-	11,659,800	8	0.67%
Cabrel Company	Real estate interests	-	-	-	11,635,200	9	0.67%
Campanelli Investments	Shopping center	-	-	-	9,026,100	10	0.52%
Totals		<u>\$ 365,576,600</u>		<u>14.04%</u>	<u>\$ 212,805,000</u>		<u>12.23%</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			
2005	40,474,184	160,117	40,314,067	39,206,172	97.25%	1,067,434	40,273,606	99.90%
2006	41,099,990	632,397	40,467,593	39,716,755	98.14%	685,216	40,401,971	99.84%
2007	41,990,985	269,636	41,721,349	40,819,923	97.84%	842,618	41,662,541	99.86%
2008	44,082,476	341,521	43,740,955	42,847,656	97.96%	822,535	43,670,191	99.84%
2009	47,235,370	275,489	46,959,881	45,688,356	97.29%	1,163,573	46,851,929	99.77%
2010	48,719,847	588,817	48,131,030	46,205,428	96.00%	1,745,935	47,951,363	99.63%
2011	48,362,646	168,932	48,193,714	46,857,606	97.23%	1,145,565	48,003,171	99.60%
2012	48,529,834	175,844	48,353,990	47,025,587	97.25%	1,073,862	48,099,449	99.47%
2013	49,713,855	134,598	49,579,257	48,276,445	97.37%	753,547	49,029,992	98.89%
2014	53,077,993	43,339	53,034,654	51,692,178	97.47%	-	51,692,178	97.47%

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	Capital Leases		Per Capita*	Assessed Value	Per Personal Income*
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%
2014	\$ 66,518,975	277,728	80,435,523	41,699	147,273,925	4,507.51	5.66%	12.84%

\* 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
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
2014	32,673	2,603,585,700	66,518,975	2.55%	2,035.90

\* 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, 2014**

	<b>Total Debt Outstanding</b>	<b>Percentage Applicable to Bangor</b>	<b>Amount Applicable to Bangor</b>
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 146,954,498	100.00%	\$ 146,954,498
Overlapping Debt			
Penobscot County*	\$ -		\$ -
Total Debt	<u>\$ 146,954,498</u>		<u>\$ 146,954,498</u>

\* The percentage of overlapping Penobscot County debt is calculated based on the overall percent of Bangor valuation of total county valuation.

Table 13

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

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Percentage of Net Debt to Debt Limit</b>
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%
2014	\$ 369,637,500	146,954,498	222,683,002	39.76%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Total State Valuation	\$ 2,464,250,000
Debt Limitation: 15 % of State Valuation	369,637,500
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	117,011,611
School	17,710,716
Sewer	12,232,171
Total debt applicable to limit	<u>146,954,498</u>
Legal Debt margin	<u><u>\$ 222,683,002</u></u>

Table 14

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

<b>Fiscal Year</b>	<b>Population *</b>	<b>Median Household Income*</b>	<b>Per Capita Income*</b>	<b>Median Age*</b>	<b>Public School Enrollment**</b>	<b>Unemployment Rate ***</b>
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%
2014	32,673	35,107	23,791	36.5	3,810	5.40%

\* Source: U.S. Census.

\*\* Source: Bangor School Department.

\*\*\* Source: Maine Bureau of Labor Statistics.

Table 15

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

<b>2012</b>			<b>2003</b>		
<b>Employees</b>	<b>Employer</b>	<b>Location</b>	<b>Employees</b>	<b>Employer</b>	<b>Location</b>
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 - 2012 represents the latest data available.  
 Published by City of Bangor Community and Economic Development Department.

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

<b>Function</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General government	100	100	100	100	100	100	100	99	97	92
Public safety										
Police	93	93	93	93	93	97	97	96	96	96
Fire	91	91	91	91	91	95	95	95	95	91
Health, community services and recreation	49	49	49	49	49	49	47	49	48	46
Public building and services	83	83	81	81	82	82	81	78	78	76
Education	571	573	562	618	618	621	610	580	580	592
Sewer Utility	21	21	21	21	21	21	21	24	24	24
Airport	77	78	83	89	90	86	87	88	93	77
Park Woods	2	2	2	2	2	2	2	2	2	1
Parking	3	3	3	3	3	3	3	3	3	3
Bass Park	9	9	9	7	8	8	7	6	5	-
Municipal Golf Course	3	3	3	9	3	3	3	3	3	3
<b>Totals</b>	<b>1,102</b>	<b>1,105</b>	<b>1,097</b>	<b>1,163</b>	<b>1,160</b>	<b>1,167</b>	<b>1,153</b>	<b>1,123</b>	<b>1,124</b>	<b>1,101</b>

\* Source - City of Bangor Human Resource Department, excludes temporary, seasonal and on-call employees.

Table 17

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Code enforcement										
Building permits	514	537	550	485	501	427	518	405	453	433
Certificates of occupancy	341	432	446	430	440	341	448	350	361	395
Sign permits	107	115	116	118	103	90	96	70	69	82
Police										
Calls for service	23,945	27,052	28,157	32,392	34,329	32,351	30,167	31,640	33,740	36,153
Fire										
Calls for service	7,805	7,492	7,992	7,477	7,990	7,357	8,000	9,020	9,044	9,031
Sewer										
Treated flow (billions of gallons)	2.75	4.23	3.62	3.21	3.89	3.55	2.81	3.10	2.68	2.69
Biosolids (cubic yards)	9,280	9,348	9,775	10,043	10,561	10,509	9,046	9,422	8,095	8,757

\* Source - City of Bangor Departmental records.

Table 18

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	57	51	52	47	50	54	54	50	48	43
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	20	24	27	28	27	25	25	26	26	26
Public works										
Streets (miles)	422	422	422	427	429	429	429	431	431	431
Sidewalks (miles)	99.6	99.6	99.6	99.6	99.6	99.6	101.4	101.7	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	47	49

\* Source - City of Bangor Departmental records.

**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINIONS**

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**Upon issuance and delivery of the 2015 Series A 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  
 \$3,120,000 2015 General Obligation Bonds – Series A  
 Dated as of April \_\_\_\_, 2015

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 \$3,120,000\* principal amount of its 2015 General Obligation Bonds – Series A dated as of April \_\_\_\_, 2015 (the "Series A 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 Series A Bonds, including among other documents, certified copies of Order 14-173 adopted by the City Council on May 28, 2014, Order 14-332 adopted on November 10, 2014 and Order 14-246 adopted on August 11, 2014, and an approval of the City's Finance Committee dated April \_\_\_\_, 2015 (collectively the "Bond Authorizations").

We understand the Series A Bonds are dated as of April \_\_\_\_, 2015 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of April 1 of each year as reflected hereinbelow:

<u>April 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>April 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2016	\$225,000	%	2024	\$220,000	%
2017	\$225,000	%	2025	\$220,000	%
2018	\$225,000	%	2026	\$180,000	%
2019	\$225,000	%	2027	\$180,000	%
2020	\$220,000	%	2028	\$180,000	%
2021	\$220,000	%	2029	\$180,000	%
2022	\$220,000	%	2030	\$180,000	%
2023	\$220,000	%			

Series A Bonds maturing on or before April 1, 2025 are not subject to optional redemption prior to their stated dates of maturity. Series A Bonds maturing on and after April 1, 2026 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after April 1, 2025, 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 Series A 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 Series A Bonds and the use of the improvements financed or refinanced with the proceeds of the Series A 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 Series A 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 Series A 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 Series A Bonds in order that interest on the Series A 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 Series A Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Series A 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 Series A 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 Series A Bonds.

2. The Series A 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 Series A 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 Series A 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 Series A 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 Series A Bonds is exempt from income tax within the State of Maine under existing statutes, regulations and decisions.
5. The Series A 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 Series A 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 Series A Bonds.

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

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**Upon issuance and delivery of the 2015 Series B 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  
\$1,600,000\* 2015 General Obligation Bonds - Series B (Federally Taxable)  
Dated April \_\_\_\_, 2015

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 \$1,600,000\* principal amount of its 2015 General Obligation Bonds - Series B (Federally Taxable) (the "Series B 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 Series B Bonds, including among other documents, certified copies of Order 12-104 duly adopted by the City Council on March 23, 2015, and an approval of the City's Finance Committee dated April \_\_\_\_, 2015 (collectively, the "Bond Authorizations").

We understand the Series B Bonds are dated as of April \_\_\_\_, 2015 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of April 1 of each year as reflected hereinbelow:

<u>April 1</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>November 1</u>	<u>Amount*</u>	<u>Interest Rate</u>
2016	\$80,000	%	2021	\$80,000	%
2017	\$80,000	%	2022	\$80,000	%
2018	\$80,000	%	2023	\$80,000	%
2019	\$80,000	%	2024	\$80,000	%
2020	\$80,000	%	2025	\$80,000	%

\$800,000\* \_\_\_\_% Bond, due April 1, 2035

\* Preliminary, subject to change

Series B Bonds maturing on or before April 1, 2025 are not subject to optional redemption prior to their stated dates of maturity. Series B Bonds maturing on or after April 1, 2026 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after April 1, 2025, 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 Series B Bonds due April 1, 2035 are also subject to mandatory redemption, plus accrued interest to the date of redemption thereof, and shall be redeemed on April 1 in the following years and principal amounts:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$80,000	2031	\$80,000
2027	\$80,000	2032	\$80,000
2028	\$80,000	2033	\$80,000
2029	\$80,000	2034	\$80,000
2030	\$80,000	2035	\$80,000*

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

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 Series B Bonds.
2. The Series B Bonds are in proper form and have been duly authorized 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 or municipal affordable housing districts pursuant to Title 30-A, Chapter 206 and former Chapter 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 B Bonds) is subject to the levy of limited *ad valorem* taxes to pay the Series B 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.
3. **Interest payable on the Series B Bonds is not excludable in the gross income of the owners thereof for purposes of federal income taxation.**

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\* Year of final maturity.

4. Pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest paid on the Series B Bonds is exempt from income tax within the State of Maine under existing statutes, regulations and decisions.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the City, including the Series B Bonds, may be subject to and 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 Series B Bonds.

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

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**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 [\$\_\_\_\_,\_\_\_\_,000 2015 General Obligation Bonds - Series A, dated as of \_\_\_\_\_][\$\_\_\_\_,\_\_\_\_,000 2015 General Obligation Bonds - Series B (Federally Taxable), dated as of \_\_\_\_\_] (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 \_\_\_\_ \_\_, 2015 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, 2015, 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 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.

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: \_\_\_\_\_, 2015

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